

Fund Finance Friday



Player Profile — Kevin Lynch

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This week we connect with Kevin Lynch, a partner in the Arthur Cox Finance Group in Dublin. Kevin has extensive experience in banking and finance transactions, with an emphasis on domestic and cross-border finance transactions and financial services. Kevin acts for a wide range of financial institutions, funds (both Irish and non-Irish domiciled), corporates and corporate service providers (including AIFMs and Depositaries), advising on funds lending transactions including subscription call facilities and real estate funds financing. Kevin's practice also includes asset/property finance, acquisition finance, derivative products and structured finance.

Fund Finance Friday: Kevin, tell us a bit about how you ended up involved in fund finance.

KL: I qualified as a lawyer in 2000. As the market here is obviously smaller than the U.S., like many Irish lawyers I worked across a broad range of finance transactions, including acquisition finance, real estate finance, structured finance, derivatives and fund finance. From quite an early stage in my career, I was involved in deals involving either Irish funds, SPVs or assets of non-Irish funds custodied or sub-custodied in Ireland. Our firm has a strong investment funds practice, so my first deals were acting borrower side, but this evolved over time and right now the split between lender- and borrower-side instructions is about 60/40. Having the insights gained from acting for both borrowers and lenders has proved really useful over the years in structuring and advising on deals.

FFF: You cover a range of instruments and markets. From your vantage, where do you see the most exciting growth and innovation in financial markets?

KL: From an Irish perspective, we have seen exponential growth in the funds market. As of September 2019, there were 7,500 Irish domiciled funds with net assets of €2.71 trillion. In 2005, there were 3,700 Irish domiciled funds with net assets of €584 million. As an outwardly focused economy and a key strategic location for the world's investment funds industry, Ireland and our firm are in the privileged position to be at the forefront of innovation in the funds products and structures which we can offer and advise on. Some specific examples of innovation include the development of the ICAV (Irish Collective Asset Management Vehicle) structure, the incorporation of tax-efficient SPVs into structures, and the development of structures for the contribution of capital by investors not just through the subscription for shares but also, for example, by the subscription for notes both listed and unlisted.

FFF: Taking a longer-term perspective, how has working as an Irish fund finance counsel changed over the past ten years?

KL: For me, there have been two principal changes. Firstly, in line with the growth of the funds industry in Ireland, we have seen a significant increase in deal volume. We are kept more than busy! The second change is that structures have become more and more complex, so it is not uncommon on a deal that I would work closely with not just my funds colleagues but also my tax and capital markets colleagues. We have worked hard to establish a multi-disciplinary

offering, and we are very fortunate to have leading experts in these fields in our funds finance team not just in Dublin but also through our representative offices in New York (led by Phil Cody) and London (led by David Molloy). This is invaluable in helping to foster and strengthen our team's relationships with clients and to keep on top of market developments.

FFF: What are the factors that lead funds to the decision to domicile entities in Ireland?

KL: Some of the key factors are: the range of fund structures which are available in Ireland to meet client needs; our tax regime; post-Brexit the fact that we will be the only English-speaking member state in the EU; the fact that we apply common law and from a lender perspective are creditor friendly (but without being one sided!); the overall ease to market and access to the broader EU market; and the presence of a sophisticated pool of service providers and advisors, including – I would like to think – ourselves.

FFF: Are there emerging issues under Irish law that might prove relevant to the fund finance market?

KL: No issues in particular, but there are some exciting changes to Irish Law in the pipeline to reform both our regulated and unregulated limited partnership structures, in the short-to-medium term.

FFF: What are the must-read resources for a young banker or attorney getting underway in the sector?

KL: Without a doubt, the *Global Legal Insights – Fund Finance Book* (Pink Book) ... and I say that not just because of Mike Mascia's involvement as Contributing Editor or the fact that I write the Irish chapter!

FFF: What do you enjoy most about your job?

KL: I love the variety of my job. On any given day, I could be working on deals with clients in the U.S., UK, Japan and other far-flung destinations as well as those based in Ireland. I am also very much a people person and enjoy meeting and talking to people. While a bit cheesy, I also take great satisfaction from a job well done.

FFF: Any bold fund finance predictions for 2020?

KL: I am not sure this is a bold prediction, but while values are a little "frothy" and you do hear some doom and gloom, I do not foresee a crash or a significant slowdown in the market in 2020. When the cycle does eventually come to an end, my restructuring experience post-Lehman will come in handy.