

CADWALDER



By **Chad Stackhouse**  
Partner | Fund Finance



By **Karina Velez**  
Associate | Fund Finance

In the evolving fund finance market, lenders are constantly assessing ways to mitigate risk and enhance credit support in order to provide for the smooth operation of subscription-based credit facilities. One such credit enhancement that is experiencing a resurgence in this space is the parent comfort letter – a type of credit support in the form of an affirmation letter from an investor’s parent entity that provides lenders with additional assurances about such investor’s financial backing without creating direct recourse to the Parent. The question begs: Why would a lender accept a non-binding Comfort Letter over a stronger contractual obligation from the Parent?

In this article, we’ll explore how Comfort Letters impact fund finance facilities and distinguish them from other forms of credit enhancement tools.

When underwriting a Facility, a lender will conduct a thorough analysis of a fund borrower’s investor base to determine the creditworthiness of the investors that are eligible to participate in the borrowing base and identify any potential enforceability issues to their obligations to fund capital calls. During the course of this analysis, a lender may uncover an investor that is an intermediate entity (e.g., a subsidiary or special purpose vehicle) through which a much more financially robust Parent is actually back stopping and pulling the strings. While the investor has committed capital to the fund borrower, its standalone financials do not meet the lender’s credit criteria for full inclusion in the borrowing base. However, if the Parent has a strong credit rating and significant financial resources that can help enhance the creditworthiness of the investor, lenders are more likely to include the capital commitment, thereby increasing the borrowing base and improving the fund’s borrowing capabilities under the Facility.

There are various forms of credit support documentation that a Parent can provide to lenders to help strengthen the credit profile of an investor and provide assurances that the investor will be able to meet its obligations under the fund borrower’s governing documents (*i.e.*, the limited partnership agreement, subscription agreements and side letters). You can read a more in-depth overview of the common types of credit support provided in fund finance transactions [here](#). However, rather than tying itself to a legally binding document such as a guaranty, equity commitment letter or keepwell agreement (“Binding Agreement”) which have legal and business implications for the Parent, the non-binding nature of the Comfort Letter has been a useful bridge to connect the Parent’s financial support of the intermediate investor entity. A Binding Agreement creates contractual privity between a lender and the Parent and imposes a direct legal obligation on the Parent to step in if the investor fails to fund capital calls. While preferable for a lender, entering into a Binding Agreement exposes the Parent to financial liabilities, regulatory implications and potential legal enforcement actions that would likely deter the investor, and ultimately the Parent, from participating in the Facility. Given these considerations, lenders may decide to make the strategic decision to accept a Comfort Letter in lieu of the Binding Agreements.

A Comfort Letter allows the Parent to acknowledge and support the investor’s capital commitment without formally assuming financial, regulatory and legal risks. It signals to a lender that the Parent stands behind the investor and will provide financial support but stops just short of a legal commitment. Typically, a Comfort Letter will acknowledge the following: (i) that the Parent is aware of and supports the investor’s capital commitment in the fund borrower; (ii) that the investor is financially backed by the well-capitalized Parent; and (iii) that the Parent intends to ensure that the investor will meet its capital commitment obligations to the fund borrower. By issuing a Comfort Letter to a lender, the Parent is taking on a reputational risk to its market position, and, as a result, it is incentivized to ensure that the investor meets its capital commitment obligations to the fund borrower. The credibility of the investor community is of the utmost importance to develop and sustain strategic partnerships with fund managers and to the fund finance ecosystem, which is rooted in the strong and trustworthy relationships developed by its many market participants.

As funds continue to raise capital from diverse investors, including intermediaries of larger institutions, lenders must cast a wide net and evaluate not just the investor’s creditworthiness but also the Parent providing the ultimate source

of repayment. In today's market, where institutional investors and their intermediary vehicles are major players, Comfort Letters have become a valuable tool to balance credit concerns with investor flexibility.

## **In Case You Missed It: Highlights From Miami**

**March 7, 2025**

With a record-breaking 2,500+ attendees, the 14th Annual Global Fund Finance Symposium in Miami was packed with valuable insights on the evolving fund finance market.

If you missed our recaps from last week, catch up here:

- **[13 Key Takeaways from Miami – A snapshot of the biggest trends shaping the industry post-conference](#)**
- **[Conference Highlights – Our team's insights from standout panels](#)**

# Announcing 2025 Annual FFA Industry Award Recipients!

March 7, 2025



## INDUSTRY AWARDS

Congratulations to all of the incredible recipients of the 2025 Fund Finance Association Industry Awards, including Cadwalader's own [Leah Edelboim](#)!

See the below 2025 Award recipients:

### **Julian Black Lifetime Contribution to the Industry Award**

Mary Touchstone, Simpson Thacher & Bartlett LLP

Mary Touchstone, a retired partner from Simpson Thacher, has been a driving force in the fund finance industry. As former Head of the Fund Finance Practice, she helped establish Simpson Thacher as a global leader, representing sponsors of private equity, real estate, energy, and other investment funds in some of the market's largest and most complex financings.

### **Dee Dee Sklar Women in Fund Finance Award**

[Leah Edelboim](#), Cadwalader, Wickersham & Taft LLP

Leah Edelboim, a Fund Finance Partner at Cadwalader, Wickersham & Taft LLP, exemplifies the qualities celebrated by the Dee Dee Sklar Women in Fund Finance Award. A leader in her field, Leah combines legal excellence with a steadfast commitment to mentoring and advancing women.

### **Diversity in Fund Finance Award**

Christie Loong, NatWest Markets

Since joining NatWest Markets as a Vice President in the Fund Finance team, Christie Loong has excelled in the role and quickly become a leader in promoting diversity, equity, and inclusion within the fund finance industry.

### **NextGen Member of the Year Award**

Joel Buckett, Deutsche Bank

As an emerging leader in Fund Finance, Joel Buckett has made a significant impact to the industry through his dedication to mentorship, industry engagement, and knowledge-sharing. Joel has contributed to the FFA through organizing NextGen and charity events.

### **Annual Contribution to the Industry Award**

Will Canty – Collins, The Carlyle Group

Will is responsible for Fund Financing across Carlyle's Global Private Equity platform. Previously, Will was a member of Credit Suisse's Fund Financing team focussing on NAV and Subscription Financing, he started his career at Natwest.

Greg Fayvilevich, Fitch Ratings

Greg Fayvilevich is a Managing Director and Global Head of Fitch Ratings' Fund and Asset Management group, leading a team of 60 analysts covering Fund Finance, private equity securitizations, and various investment vehicles.

Makiko Harunari, Simpson Thacher & Bartlett LLP

Makiko Harunari has played a pivotal role in shaping the Fund Finance landscape in Asia, demonstrating exceptional leadership, innovation, and commitment to industry growth. As Deputy Chair of the FFA Asia Pacific Executive Committee, she has been instrumental in bridging market practices from the U.S. and Europe into Asia.

Adam Zotkow, Goldman Sachs

Adam is the driving force behind Goldman Sachs' Fund Finance business, turning it into a market leader in recent years. Through his vision and deep industry expertise, he has expanded GS's presence in capital call facilities, NAV lending, and asset-backed loans.

## Fund Fanatics Features Yehuda Hecht

March 7, 2025



Join Scott Aleali, Head of Private Equity Finance at Citizens Bank, and Jeff Maier, Senior Managing Director - Private Equity Finance at Citizens Bank, with special guest Yehuda Hecht, CFO of **Madison International Realty**.

Yehuda joins Fund Fanatics for a commercial real estate update and a bold take on the offseason for the New York Football Giants. Watch the episode [here](#).

Topics include:

- Madison's expansion and shift in philosophy towards a tactical tilt
- Assets sales taking a test drive and why we should expect transaction activity to ramp up
- Financing trends and using NAV loans as a bailout
- What it takes to be a fantasy football champion and the Giants going from Danny Dimes to...Aaron Rodgers!?

## Register Now: Cadwalader Capital Call Securitization Conference - April 3

March 7, 2025



We are thrilled to announce Cadwalader will be hosting the Capital Call Securitization Conference in our New York office on Thursday, April 3. Space is limited, [RSVP](#) now to save your spot!

This first of its kind event will bring together industry leaders and experts for an afternoon of insightful discussions on the latest market trends and opportunities in the capital call securitization space. We will dive into the various traditional securitization structures, explore CRTs, CFOs, and other non-cash securitization structures. We will conclude this event with a roundtable discussion featuring market leaders in this space.

Stay tuned for a detailed schedule featuring fantastic speakers and substantive panels. We look forward to welcoming you in April!

Thursday, April 3

1:30 PM - 6:30 PM

Cadwalader, Wickersham & Taft LLP

200 Liberty Street, 2nd Floor

New York, NY

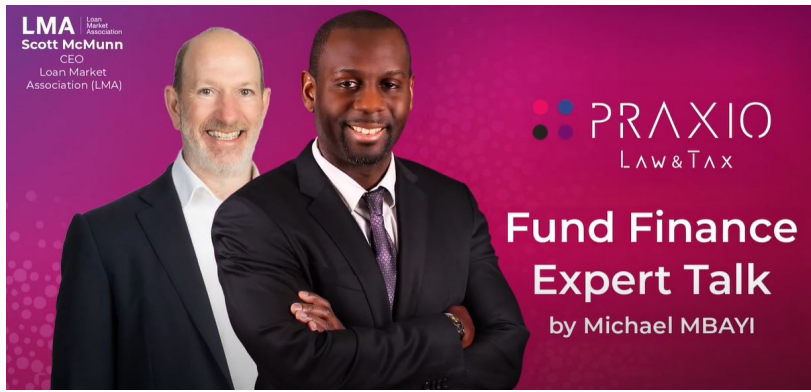
Space is limited, please [RSVP](#) now to save your spot.

For more information about this event, please contact [Jeneane Zeleznak](#).



## Fund Finance Expert Talk - Michael Mbayi and Scott McMunn

March 7, 2025



In a one-to-one discussion, Praxio Head of Banking & Finance, Michael Mbayi speaks with Scott McMunn, CEO of the Loan Market Association.

Scott shares his career path, thoughts on the fund finance industry and what is on the pipeline for the LMA.

Listen to the discussion [here](#).

## Fund Finance Focus: 2024 Data Insights

March 7, 2025

The Maples Group global Fund Finance team has gathered and analysed data collected throughout 2024 to identify trends and developments that are influencing the fund finance market.

Within their publication, they present comprehensive US and European market reviews and highlight key fund finance trends and developments in both markets, including:

- Subscription lines
- NAVs
- Pricing Trends
- Amendments

Read more [here](#).

## Irish Fund Finance in Five – Part 3

March 7, 2025



Ireland's prominence in global fund finance brings unique legal considerations. In the third installment of *Irish Fund Finance in Five*, Mason Hayes & Curran lawyers outline critical Irish-specific considerations when carrying out due diligence in fund finance transactions.

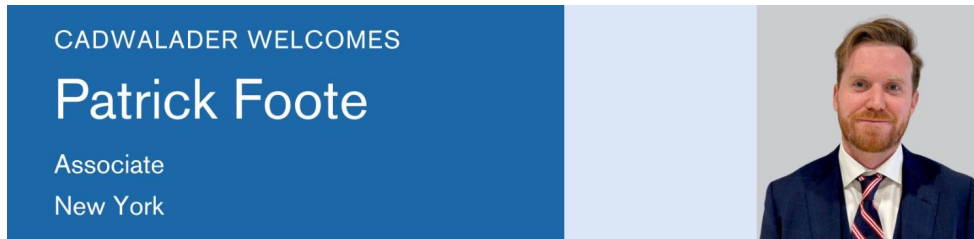
Thorough Irish legal due diligence is essential for fund finance transactions involving an Irish nexus. The importance of identifying applicable issues early in the process cannot be understated. In doing so, the borrower and lender can be allowed time to discuss, structure and execute the transaction appropriately. In addition, to the extent required, early identification can enable proactive engagement with other key stakeholders such as investors and fund service providers..

Read on for insights and download the full series for a comprehensive guide to navigating Irish legal issues in fund finance transactions.

Click [here](#).

## Welcome Patrick Foote to Cadwalader

March 7, 2025



Please join us in welcoming Patrick Foote to Cadwalader.

**Patrick Foote** joins the Fund Finance team as an associate in New York. Patrick comes to Cadwalader from a global law firm where he worked on a wide range of fund finance transactions. Patrick received his LL.B. and Bachelor of Economics from Western Sydney University.

## Fund Finance Hiring

March 7, 2025

Fund Finance Hiring

Here is who's hiring in Fund Finance:

**State Street** is seeking an Assistant Vice President– Private Equity and Private Debt Funds – Credit Officer in Boston. This role will manage credit risk for a portfolio of Private Equity/Private Debt by conducting credit reviews, performing risk ratings, continuous monitoring, and ad-hoc analyses. They will also maintain data, characteristics, and risk metrics for funds and counterparties in Risk and Dealing systems to ensure control and accurate exposure reporting. Learn more [here](#).

**Pantheon** is seeking an Capital Markets Associate in London to support their global debt and FX operations, ensuring optimal management of financial exposures while delivering value to clients. Learn more [here](#).

**Standard Chartered** is seeking an Executive Director, Fund Finance in New York to maximize customer profitability from FI relationships, originate, lead, structure, execute and distribute fund finance transactions including but not limited to (i) Fund level subscription financing (ii) Fund level NAV financing (iii) GP financing. Learn more [here](#).

**Barings** is seeking an Director, Portfolio Finance. This Director role will be responsible for the evaluation, diligence and investment thesis, and on-going monitoring of a portfolio of fund finance investments, including private debt, made by Barings' Portfolio Finance team. Learn more [here](#).

**Fitch Ratings** is seeking an Director, Business Relationship Manager (BRM) - Fund & Asset Managers Group in New York. This role will be responsible for business development and providing both tactical and strategic support to the Fund & Asset Managers (FAM) Group. Learn more [here](#).