

Hedge Funds

Dechert
LLP

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Acted for all 10 of the top 10 asset managers in the last 12 months

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Almost 50% of With Intelligence's (Formerly HFM) 2023 list of UK hedge fund managers with US\$1 billion AUM are clients.

Increased market volatility and associated price dislocations, an inflationary environment and material changes in monetary policy have highlighted the importance of investors maintaining exposure to absolute return strategies that seek to offer effective risk management through the current market cycle as well as significant investment opportunities. This should drive strong demand for hedge fund products across asset classes.



Our leading global hedge funds team understands what it takes to grow a hedge fund business having built an exceptional international client base of both boutique and institutional billion-dollar hedge fund managers. By choosing Dechert, clients benefit from detailed insights into the industry coupled with full-service, global support. We continue to adapt and innovate with our clients and have been at the forefront of new products in the alternatives space. In particular, in recent years, Dechert has worked with fund managers structuring products that are designed to meet the demands of investors seeking comingled access to both liquid and illiquid investment opportunities (as the public and private spaces continue to converge). Other areas of innovation and growth have been seen in the structuring of co-invests (both closed- and open-ended products), designing products with ESG features and launching funds focused on digital assets and blockchain technology.

Dechert's Expertise at a Glance

Dedicated hedge funds practice for **25+ years**.



Consistently ranked as a **leading firm and among the leading practitioners** for investment funds: **hedge funds** in *Chambers* and *Legal 500*.



Continue to represent some of the **highest profile start-ups** in the U.S., the UK, Europe, Asia and the Middle East.



The **only hedge fund law firm** with offices in the U.S., the UK and major European fund jurisdictions, as well as the Middle East and Asia.



200+ financial services lawyers across **17** of our **21** locations globally.



Significant **spin-out experience**, with particular expertise in complex and cross-border transactions.



Active participant in **30+** AIMA committees and working groups.



Founder member of AIMA's Alternative Credit Council's legal and technical working group.



Members of **FISD's** Alternative Data Council and **MFA**.



Continued expansion of the global hedge funds practice, with the addition of **2 industry veterans** in the U.S.



Serving the Hedge Fund Life Cycle

Drawing on the expertise of Dechert lawyers across a range of disciplines and geographies, we know what it takes to support a hedge fund business and provide full-service, global support to our clients.

Investment Manager Establishment

We support clients through the investment manager set-up, navigating the key issues that arise, including choice of legal structure, arrangements among the founders/principals, regulatory requirements, setting up service provider agreements and compensation and incentive arrangements for investment professionals and other personnel, and related tax considerations. Our global team has extensive experience in supporting hedge fund start-ups, including spin-outs from a broad range of fund managers and financial institutions. We regularly work on complex manager set-ups with recent experience including working with managers operating out of the U.S., the UK, Europe, the Middle East and Asia.

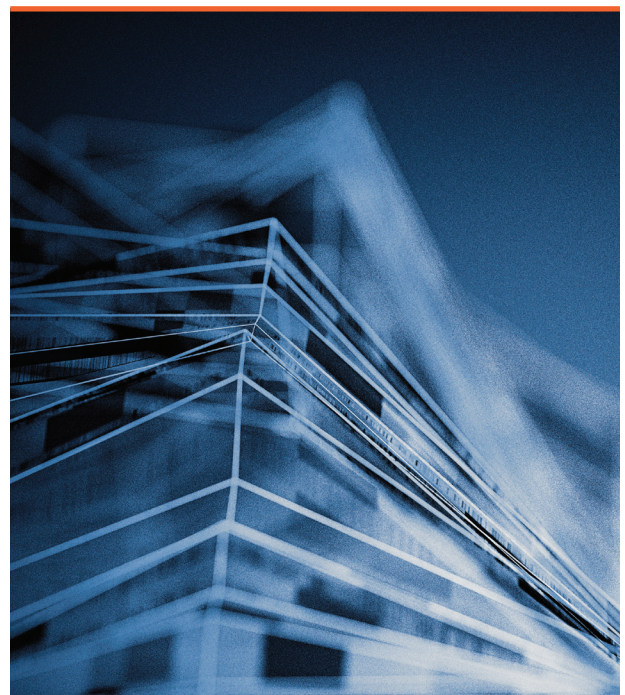
- long/short equity in both developed and emerging markets and whether concentrated, fundamental, market neutral or directional
- activist strategies
- credit (both liquid and illiquid strategies)
- macro
- event driven
- fixed income and arbitrage strategies
- quantitative and systematic funds
- special situation and distressed
- digital assets

Hedge Fund Formation

The team advises on the structuring of hedge funds with a keen eye on investor preferences and market trends. We also advise on key tax, legal, regulatory and marketing issues affecting hedge funds.

Dechert was the first and is the leading law firm with a funds practice in the U.S., in all five of the principal European fund jurisdictions (the UK, Ireland, Luxembourg, Germany and France) as well as in the Middle East and Asia, so clients are able to rely on us for truly “jurisdiction neutral” advice focused on their interests. We regularly set up hedge funds in a range of domiciles, including the Cayman Islands, Delaware, Ireland, Luxembourg and Malta.

We have experience in providing tailored advice across the full range of hedge fund strategies, knowing the key issues affecting each such strategy, whether that be understanding the importance of certain IP and tax issues applicable to quantitative funds, identifying the key regulatory issues affecting activist campaigns (and managing litigation risk in respect of such campaigns) or recognizing the key withholding tax issues affecting credit strategies. We ensure that the structures we develop for hedge fund managers reflect our vast global experience and deep industry sector expertise across the whole range of hedge fund strategies, including:



Leading Hedge Fund Managers Rely on Dechert

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We can share representative client engagements upon request.

Tax

Tax issues are often a key driver in investment manager establishment and ongoing operations and fund formation. Our tax capabilities extend to tax advice in the U.S., the UK, Europe, the Middle East and Asia.

We deliver inventive tax solutions to meet the challenges and objectives of our hedge fund clients' most complex business needs when establishing a management business, ranging from the choice of legal structure and domicile to compensation and incentives and have a wealth of experience in this field, working with managers from small boutiques to global brands.

On the product side, we similarly advise on sophisticated fund structures and across the spectrum of tax issues that arise in fund set-ups and downstream work, including U.S. withholding taxes, "effectively connected income" (ECI) and UK, European and other global tax issues (including the OECD), in particular ATAD I, II and III, QAHCs and DAC6. Our funds and tax teams maintain specialist knowledge of the range of structures and approaches used across the industry to facilitate tax optimized and flexible arrangements.

We consistently negotiate with the most active seed and strategic investors in the market, meaning our clients benefit from our deep understanding of the commercial terms.

Regulatory Advice

Today's regulatory climate calls for greater sophistication than ever when it comes to anticipating the impact of regulatory developments on fund formation and capital deployment. Our private equity clients benefit from expert support and proactive solutions to real problems. A hallmark of Dechert's practice is our transatlantic strength. The firm offers full U.S. capability from London, with several of our key London-based financial services experts being U.S.-qualified, which places us in a commanding position to assist U.S.-based clients on entering and accessing the European market (and vice versa).

We recognize the importance of maintaining strong relationships with the key regulators and work closely with them on a day-to-day basis. Clients expect us to provide strategic advice and guidance on how to interact with regulators and, where possible, anticipate regulatory changes coming down the track. Several Dechert alumni are now on the SEC and FCA staff (and vice versa), among others and the team maintains close relationships with the significant trade associations and other groups that represent funds, fund managers and directors.



Hybrid Structures

We keep pace with changes in the marketplace, such as hedge fund managers launching more private-equity-type structures and private equity and credit managers exploring the more liquid hedge fund space. This has fueled growth in “hybrid” or “crossover” structures that share hedge (open-ended) and private (closed-ended) type characteristics, such as a fixed term, commitment and draw down structures, growth equity/side pocket features, and in some cases the use of hybrid waterfall/carried interest structures. We are well-placed to provide support in this area, drawing on our depth in both the hedge fund and private equity / private credit spaces.

Managed Accounts (and Funds-of-One)

We regularly negotiate managed accounts for clients (as well as funds-of-one). We advise on the key legal and regulatory issues affecting such products, including how they interplay with the flagship fund. Of particular importance is our understanding of how the liquidity terms of the managed account (or fund-of-one) product impacts the flagship fund, including from a ‘treating clients fairly’ perspective. Further, we have extensive experience of the way in which fees are charged to such products, including alpha, focused and benchmarked fees. We also regularly work on a number of ‘first loss’ products.

Seed Deals and Other Strategic Arrangements

The team regularly negotiates with major and boutique hedge fund seeders and multi-manager platforms and supports managers on the structuring of a broad range of other seed and strategic investor deals, from family office-backed through to large institutional, pension fund and sovereign seed deals and anchor investments. Our priority is to ensure we help clients secure a seed or anchor deal which prepares for long-term growth plans.

Side Letters and Investor Negotiations

We negotiate vast numbers of side letters for hedge funds and managers every year and understand the key commercial issues in depth, including MFNs, capacity rights, liquidity and transparency rights. We also understand the issues that hedge fund managers need to control, both to remain in compliance with legal and regulatory requirements affecting existing investors and clients as well as ensuring hedge fund managers are not hamstrung in respect of future investors and investments (which may be much larger in size).



Ongoing Support

We support hedge fund clients in all aspects of their ongoing business, including advising on investor negotiations, fund terms, global marketing activities, tax, ERISA, ESG, service provider contracts, trading and custody arrangements, including derivatives, prime brokerage and other margin financing arrangements and trading documentation, AML, anti-bribery and sanctions issues, IP, employment matters, partnership, white collar and enforcement matters, broker-dealer and bank regulatory matters and other applicable law and regulation. We have strong corporate, restructuring and finance teams with deep sector expertise who can assist with deal work, including for activist managers, credit managers, life sciences investments, tech investments, structured finance, FinTech/digital assets, private equity and credit investments and other less liquid strategies. If required, we have strong litigation and M&A teams.

ESG

We advise hedge fund clients globally on the integration of ESG matters, including the creation of ESG-focused private equity products.

With our expertise, our clients can anticipate and respond to ESG developments in a comprehensive and cost-effective way through actionable advice that takes into account legal, regulatory, enforcement, market, business and other ESG trends and developments globally. Our multi-disciplinary ESG team includes representatives from all major practice areas in Europe, the U.S. and Asia.

Service Provider Contracts

Clients look to us for support across the entire range of service provider contracts. We negotiate on behalf of our clients and provide advice in relation to all material agreements, including investment management (including sub-advisory) agreements, administration agreements, depositary agreements, trading agreements and custody and sub-custody agreements as well as assist with the full range of regulatory and compliance issues in relation to the same. We consistently negotiate with the leading service providers in the market, meaning our clients benefit from our familiarity with market standard terms and our deep insight of the commercial terms.

Trading Documentation

We have a dedicated and specialized team of lawyers who review and negotiate trading documentation for our hedge fund clients, ranging from prime brokerage agreements to ISDAs, GMRAs and other trading documentation. Our global team has a strong understanding of the regulatory requirements associated with the fund's trading activity and we routinely advise on such regulatory compliance matters, including U.S., the UK and European regulatory requirements.

Hedge Funds for the Retail Market

We advise many managers who wish to develop their strategies within more retail-based vehicles, including alternative mutual funds, exchange-traded funds and UCITS. Dechert also advises clients on the emerging trend of alternatives managers developing registered closed-ended funds and open-ended mutual funds and BDCs.

Investment managers may look to structure a hedge fund as a "UCITS" (Undertakings for Collective Investment in Transferable Securities), the most marketable and common form of investment fund in Europe. UCITS can be used for hedge fund-like investment strategies and can be structured as a standalone fund (for a single strategy) or as an umbrella structure (able to 'house' multiple strategies) and are generally domiciled in either Ireland or Luxembourg.

UCITS are highly regulated and so there are a number of considerations to take into account, some of which include the eligibility of assets, concentration and diversification limits, liquidity, leverage and counterparty exposure. We have extensive experience in establishing and servicing UCITS and are at hand to take you through the UCITS regulatory framework, regulator interaction and UCITS authorization process. We also advise on the distribution of UCITS on a cross-border basis under the "UCITS Passport" or on a private placement basis.

World Passport and Marketing Advice

Our international World Passport team is well-placed to advise investment managers on all aspects of “marketing” across the globe, including in Europe under AIFMD, in the UK under the relevant UK regulations and FCA guidance and in the U.S. in accordance with federal and state level requirements (SEC, CFTC, BlueSky etc). We advise clients on their active marketing strategies, regulatory passporting and registration requirements (including under AIFMD and UCITS), private placement, ‘pre-marketing’ and reverse solicitation. In addition to the U.S., UK and Europe we regularly assist clients in navigating marketing in, without limitation, the Middle East, Asia, Canada and Australia.

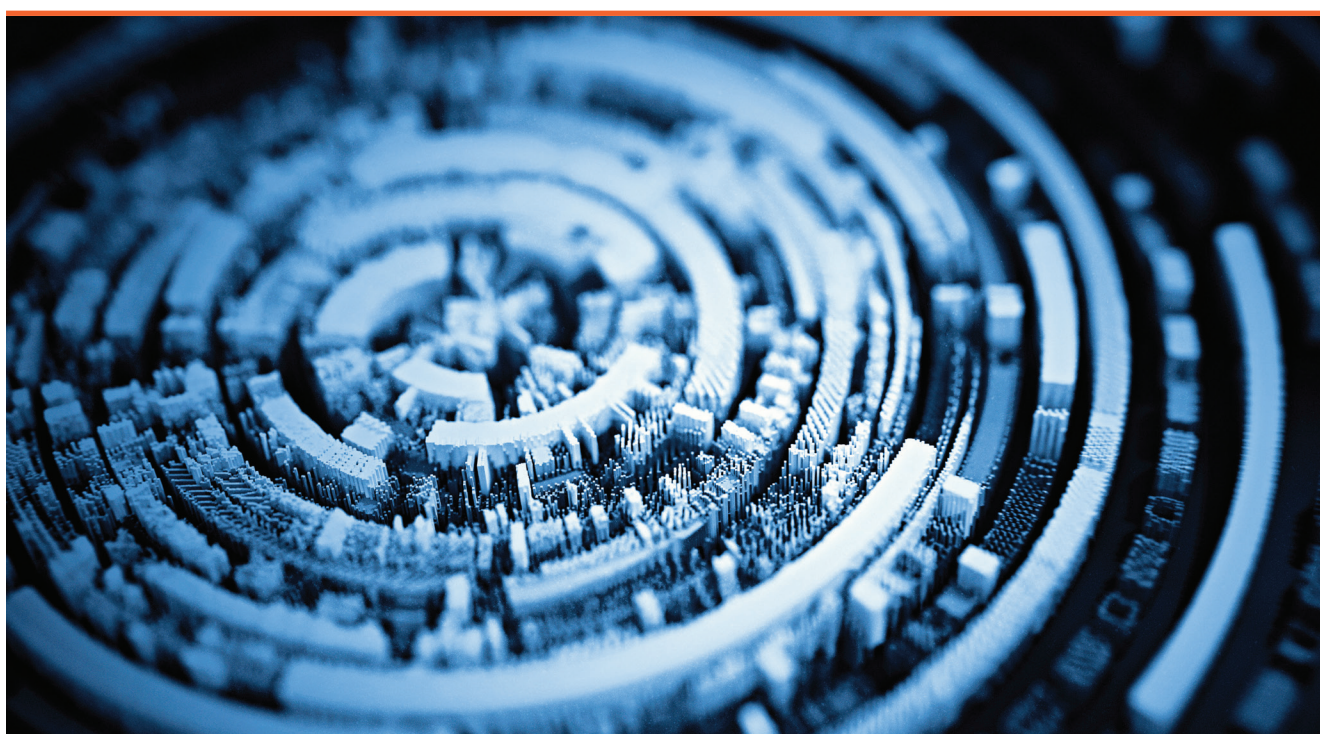
Dechert monitors, and can advise on, regulatory updates and evolving market practices in this area tracking key changes through our innovative World Compass product (see above). Our team can also review and advise on marketing materials, investor decks, regulatory disclosures in fund documentation and (depending on the domicile of the fund and the investment manager) can assist with the relevant passporting filings, registrations, and/or notifications.

World Compass

Dechert’s World Compass, a user-focused online platform, provides fund managers with legal, regulatory and practical guidance on cross-border activities (including marketing, management and other regulatory activities (and includes information on threshold and shorting reporting)). Subscribers receive 24/7 access to concise and easy-to-use guidance on key areas, including marketing and distribution of funds and tools, such as fly-in guides, disclaimer tools, wrap accounts and commercial lending. “Commended” by the *Financial Times* in its “European Innovative Lawyers” Report, our World Compass untangles the regulatory landscape in over 100 jurisdictions ensuring that subscribers have the latest guidance and information they need.

Broader Asset Management

Our hedge funds capabilities, along with those of our strong private equity, structured finance and permanent capital teams, form part of Dechert’s renowned alternative asset management practice, which represents many of the world’s largest fund complexes. With hedge fund managers increasingly turning to structures that facilitate the commingling of liquid and illiquid assets our extensive experience across all asset classes ensures critical perspective and 360 degree awareness. We also have a significant institutional investor (including funds-of-funds) practice.



International Recognition

HFM EUROPEAN SERVICES AWARDS (2023)

Best Law Firm – Alternative Credit

PRIVATE DEBT INVESTOR (2023)

Shortlisted for ‘Global Transactions’ and ‘Fund Formation’.

FINANCIAL TIMES, INNOVATIVE LAWYERS AWARDS (2023)

Named among the Most Innovative Law Firms in North America, Europe and Asia-Pacific.

PRIVATE DEBT INVESTOR (2022)

Ranked in the Hall of Fame after winning six “Law Firm of the Year” titles.

HFM EUROPEAN SERVICES AWARDS (2022)

Best Law Firm – Client Service

IFLR EUROPE AWARDS (2022)

Finalist for “Financial Services Regulatory Team of the Year”.

HEDGE FUND JOURNAL AWARDS

Worldwide Funds Practice – Europe, the U.S., the Middle East and Asia

CHAMBERS AND PARTNERS (2023-2024)

Ranked as a leading firm for investment funds across Asia, Ireland, Luxembourg, the Middle East, the UK and the U.S. Specifically for hedge funds in the UK, private equity: fund formation in France and registered funds in the U.S.

THE LEGAL 500 (2023-2024)

Ranked as a leading firm for investment funds across Asia, Ireland, Luxembourg, the Middle East, the UK and the U.S. Specifically for hedge funds and partnership in the UK and private equity: fund formation in France.

IFLR1000 33RD EDITION

Ranked as a leading firm in 41 practice areas globally including hedge funds, private equity funds and retail funds, including 76 lawyers recognized.

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