

Profile: Adrienne Baker

Partner, Dechert LLP

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Dechert is one of only a few global law firms that lead in servicing the hedge fund sector, with offices in the majority of the key financial jurisdictions for managers and investors. Adrienne Baker, a partner in Dechert's Boston office, has been an important part of Dechert's offering in her 26 years with the firm. Her practice, which focuses on the taxation of private and regulated investment companies, has led her to be described by *The Legal 500* as "truly an expert on tax matters related to hedge fund products."

Baker's route into the hedge fund industry was not typical: she had a background that was, she tells *The Hedge Fund Journal*, "very heavily invested in math and science," starting with a degree in physics at the Massachusetts Institute of Technology (MIT) that led to research on lasers and quantum optics – a world away from the offices and boardrooms where she eventually settled, one might think. However, she sees her legal work now as grounded very much in the same intellectual challenges: "I come from a very heavy problem-solving background," she says, "and it's interesting that I've migrated into an area where I see the same challenge and positive energy from what I do."

The intellectual stimulation is matched by what she calls a "social element" that makes her work appealing in a way that scientific research could not match. "I'm dealing with people all day long," says Baker, "and particularly in the hedge fund community, with great, colourful personalities, highly motivated people, and an interesting, stimulating group of people that really keep you on your toes."

Baker qualified in law in 1985, earning her J.D. from Boston University School of Law before joining Gaston Snow & Ely Bartlett. She then moved to New York as an associate at Coudert Brothers, before moving back to Boston joining Dechert in October 1988. At first Baker focused on traditional funds work for regulated investment companies coupled with a smaller amount of hedge fund work – "mainly boutique firms, smaller managers," she says, which "may have had great reputations but [were] not globally recognized."

But over time her practice has evolved to reflect the growth and maturation of the hedge fund industry, with hedge funds now taking up a large chunk of her time. Precisely how much of that time is hedge fund work is difficult to say, mainly because the concept of the hedge fund is itself so variable – this variability is what makes it attractive for a funds lawyer, and what makes an experienced and multi-talented legal team necessary. "The private fund work is so broad because there's so much flexibility," says Baker. "Part of what makes it more exciting is that it is less regulated than, say, a '40 Act fund or UCITS. The problems are more interesting that need solutions."



Of course, to add to this flexibility is the fact that even this distinction is breaking down, with the rise of the liquid alternatives designation, which Baker sees as an important part of changing the image of hedge funds. "It's probably a reaction to retail investors experiencing market losses in 2008, and all of a sudden the idea of a hedge bet seems like a good idea and one they want access to," says Baker. "Isn't it interesting how hedge funds had to deal with this market perception – perhaps more so at a retail level – of being risky devils due to the hedged nature? This truly shows there are misperceptions. Hopefully the rise of liquid alts puts an end to those kinds of perceptions."

The globalization that has accompanied the growth of the hedge fund industry is another of the big changes to the hedge fund market. A manager looking for investors and investing all in the same country is a comparative rarity: "Most of our clients are thinking globally, investing globally or, if not, are definitely seeking out assets from as broad a pool as possible," says Baker.

Dechert's global expansion into less mature markets, taking it to over 900 lawyers in 27 offices, has been relatively recent. While the London office first opened in 1972 (with a major expansion in financial services there in 2000), most of the non-US offices have opened since the turn of the millennium. Baker is in daily contact with offices around the globe, including the relatively newer hedge fund growth areas like Hong Kong (2007), Dublin (2010), Dubai (2012), and Singapore (2014) – the growth in sophistication of Asian clients in particular is a trend that Baker does not see slowing. These new offices fulfill strategic aims to have "feet on the ground in the jurisdictions that make the most sense."

Concomitant with globalization in many ways is institutionalization of the industry, with more stringent regulatory requirements and more variable investor demands as hedge funds become increasingly mainstream products. "We certainly see side letter

requests in situations where we never would have five years ago outside of a pure private equity fund framework," says Baker. "We see more hybrid fund vehicles that have elements of private equity style and hedge fund style."

The emergence of institutionalization is not purely a driver for increased complication, however; Baker welcomes the development of groups like AIMA, having served on its FATCA working group. It was a "very gratifying" experience, she says, to have "the ability to speak to the folks who are sitting there pondering how to draft the regulations, to be able to speak to them real-time while that process was going on, and to see what you have advocated for reflected in a final project."

In the case of FATCA this was an important process, Baker believes, because it has "been disproportionately burdensome for our fund clients," despite not necessarily being aimed at them. Baker still spends a significant amount of time dealing with FATCA fall-out, with US clients realizing that they can come within the Act's scope as well as the non-US clients most directly affected. FATCA serves as a useful example of the kind of area where Dechert aims to stand apart generally, with complicated cross-border structures the norm for a global firm – and the knowledge to know how to sort different concerns. With FATCA, for instance, anti-money laundering (AML) can come into play, so it helps to be able to call on AML expertise in-house. "It would be very hard to be a small boutique firm doing what we do," says Baker, "because you really do need this fluidity, this ability to foresee what the needs truly are and to be able to jump from one area to another." This need is only going to increase: even in Baker's area of expertise, taxation, the next few years could see major changes to the way that international businesses are taxed. For instance, while initiatives on base erosion and profit shifting (BEPS) are not aimed at hedge funds specifically, they could be "an eye-opener that will create wholesale change in how people do business globally," says Baker – although US law already covers many of the areas which are in the spotlight such as transfer pricing rules on intangibles.

With this uncertain future and a loosening of the hedge fund label, the importance of wide and varied expertise in a firm could become ever more important. "I definitely see the need for a law firm and other service providers to be nimble, to accommodate the different regimes," says Baker. "It is wonderful to be able to start out with what might be a typical hedge fund product, but when you see what the client's looking to do, what they're trying to accomplish, to be able to just move into another area that might provide a more clean solution to a problem." **THFJ**