

# Profile: Stephanie Breslow

## Co-Head of the Investment Management Group, Schulte Roth & Zabel

HAMLIN LOVELL

Stephanie Breslow says “ironically, my studies at Harvard University and Columbia Law School did not prepare me for a commercial law firm”. She had originally intended to become a criminal defence lawyer, but discovered that she preferred transactional work to litigation when working as a summer associate. In particular, she “enjoyed the collaborative aspect of working together to solve a common problem”.

Breslow started as a transactional generalist doing mergers and acquisitions, partnerships and private equity funds. She was attracted to Schulte Roth & Zabel (SRZ) by its concentrated fund practice. Key mentors included fellow SRZ partners Paul Roth, Daniel Shapiro and Steven Fredman, who all helped her transition to specialising in hedge funds. While SRZ is one of the top law firms for hedge funds, Breslow would like the firm to get more recognition for its private equity work. Breslow herself has been named as one of the world’s “Top Ten Private Equity Lawyers” by *Who’s Who Legal*.

New regulations, including Dodd-Frank, AIFMD, and FATCA have been a boon right across SRZ’s business. They have created more work in fund formation and for its extensive compliance and advisory services in New York, Washington DC and London offices – with local counsel used elsewhere. Dodd-Frank has spawned prospectus drafting for new funds spinning out of bank prop desks; management companies need to register with the SEC and make filings such as form PF; FATCA requires asset tracking; AIFMD has changed marketing rules – and there is a growing demand for all manner of compliance manuals.

Globally, Breslow sees regulations converging in some areas but diverging in others. Common ground is found in “an appreciation of fiduciary duty, the ways in which funds are marketed, and the ways investors are apprised of risks in funds”. Meanwhile, in other areas “regulators are sometimes struggling to come up with an answer that makes sense in multiple places”. For instance, Breslow notes that filing requirements for holdings in the EU differ from those in the US, and thinks “it would be nice to use the same data in multiple jurisdictions”. Yet Breslow acknowledges that “with new regulations there is always a period of growing pains before a solution is found”. She is cautiously optimistic about scope for harmonisation, saying, “as new rules are proposed the industry comments and one hopes for better co-ordination – although these matters are never perfectly co-ordinated”.

Breslow summarises the evolution of nascent regulations by observing that “We have seen regulations proposed that would have been impossible to implement, but fortunately the regulations actually adopted are easier to work

with”. Even so, Breslow thinks we are at an early stage, citing, for instance, that rules on Dodd-Frank and derivatives still leave uncertainties. Once again, Breslow has a sanguine outlook, expecting that “as the rules are thought through they will become understandable”. How long this takes is not something she will speculate on, since Dodd-Frank, for example, is “a vast volume of law and a

In some respects, however, Breslow observes that regulation has not changed the status quo, and choice of fund domicile is one example. US hedge funds still overwhelmingly choose a Delaware partnership or LLC for their US investors, and a tax-neutral Cayman Islands fund for tax-exempt and non-US investors. These choices are “primarily dictated by tax considerations of investors, and managers also want decent service providers and developed legal systems,” she says. Nor have US regulations sparked any explosion of interest in wrapping hedge fund strategies into a ‘40 Act mutual fund structure. In Europe, SRZ’s London office finds the popular domiciles are still Luxembourg, Ireland, Guernsey and Jersey.

Additionally Breslow does not view the extraterritorial dimension of new regulations as a new departure. “As a matter of contract law, the parties to a contract can agree to a particular governing law – but that’s not the only law,” she points out. If a European fund hires a US broker, the US broker-dealer regulations always applied, regardless of the governing law of the contract, so there has always been an extraterritorial angle. Moreover, she does not think there is any simple solution whereby only one jurisdiction applies. “One jurisdiction will not cede authority to another just because multiple jurisdictions are involved,” she says.

Over her 30-year career, Breslow has noticed growing numbers of women who have, like her, risen to partner level at service provider firms. However, she is surprised to see “somewhat slower growth in the number of female portfolio managers given the number of women studying in professional schools preparing for these careers”. Breslow is actively involved with the 100 Women in Hedge Funds, which now has 9,000 members and is described as “a great global organisation with an educational, philanthropic and charitable mission, a very positive force in the hedge fund industry”. Another voluntary group that she works with is the Third Way Capital Markets Initiative, a think tank that seeks to bridge knowledge gaps arising from the fact that many US legislators lack experience in capital markets and business. Unusually for a law firm, SRZ also belongs to the Managed Funds Association and the SIFMA broker-dealer organisation.

These memberships illustrate how Breslow and SRZ have “focused on this specific industry and tried to dedicate our practice to serving this space,” she says, emphasising that “whether we are doing fund formation, litigation, estate planning, employment, taxation, transactional work, or anything else, it is all done from the focus of financial firms”. Breslow concludes by opining that “it would be hard to duplicate this market knowledge in a less concentrated firm”. **THFJ**

### Biography

#### Stephanie Breslow

##### EDUCATION

- Received a B.A. from Harvard University, cum laude, in 1981.
- Received a J.D. from Columbia Law School in 1984, where she was Harlan Fiske Stone Scholar from 1982-84.

##### CURRENT ROLE

- Partner in the New York office, SRZ.
- Co-Head of the Investment Management Group, SRZ.
- Member of the Executive Committee.

##### OTHER

- Vice-Chair of the Private Investment Funds Subcommittee of the International Bar Association.
- Founding member and former chair of the Private Investment Fund Forum.
- Member of the advisory board of Third Way Capital Markets Initiative.
- Member of board of directors of 100 Women in Hedge Funds.
- Named one of the 2012 Women of Distinction by the Girl Scouts of Greater New York.

very large statute”. Already though it seems to her that most US funds need “at least one reasonably dedicated compliance person to handle new regulations” – and she accepts that this is a barrier to entry for smaller funds.

In Europe Breslow thinks the reverse enquiry regime might be sufficient for some US funds to accept investments, but not for those wishing to continue marketing more actively to access EU investors. Some funds in the latter group have at least one year of “grandfathering” transitional relief while waiting to see how rules take shape, though AIFMD transitional rules are only available in some AIFMD jurisdictions. Breslow doubts if many US funds can use UCITS as an alternative to AIFMD compliance, as the UCITS bi-monthly liquidity requirements are “only viable for some strategies, so UCITS is not taking over the industry”.