

Paris gives the green light to Third Party Funding for international arbitration

After Singapore and Hong-Kong, the Paris Bar council has adopted on February 21st, 2017 a Resolution in favor of the third party funding, particularly in the context of international arbitration.

The third party funding is a funding model created in the 1990s, where an external investor bears the costs of a litigation claim in exchange of a share in the returns on success. If the claim is successful, the funder (who is likely to be a private hedge fund, or a dedicated dispute resolution funder) will receive a percentage of the allocated damages.

The Resolution was rendered public during the Paris Arbitration week held in April 2017, creating a certain enthusiasm in the legal community.

The Resolution highlights the benefits of third party funding for clients as well as for their attorneys. It also confirms that the French Law does not prohibit the financing of litigation. As third party funding raises issues related to attorney-client privilege, disclosure, conflict of interests and more widely confidentiality, the Resolution rightfully reminds that attorneys must comply with their ethical rules.

This Resolution is a positive step forward for the development of third party funding in France. Hong-Kong and Singapore are already on track, and it seems logical that Paris, as a hub for international arbitration, follows the movement.

Practitioners now need to form the framework for this new funding system.

SRDB will obviously follow closely all developments related to the third party funding in France.

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