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FastTrack

to CLOs



FastTrack to CLOs

The collateralised loan obligation (CLO) market has seen significant shifts in the past few months, in the wake of both the global pandemic and new tax regulation in the Netherlands. With CLO activity rapidly gaining pace, this could represent a clear market opportunity for issuers and investors, with the right guidance and support.

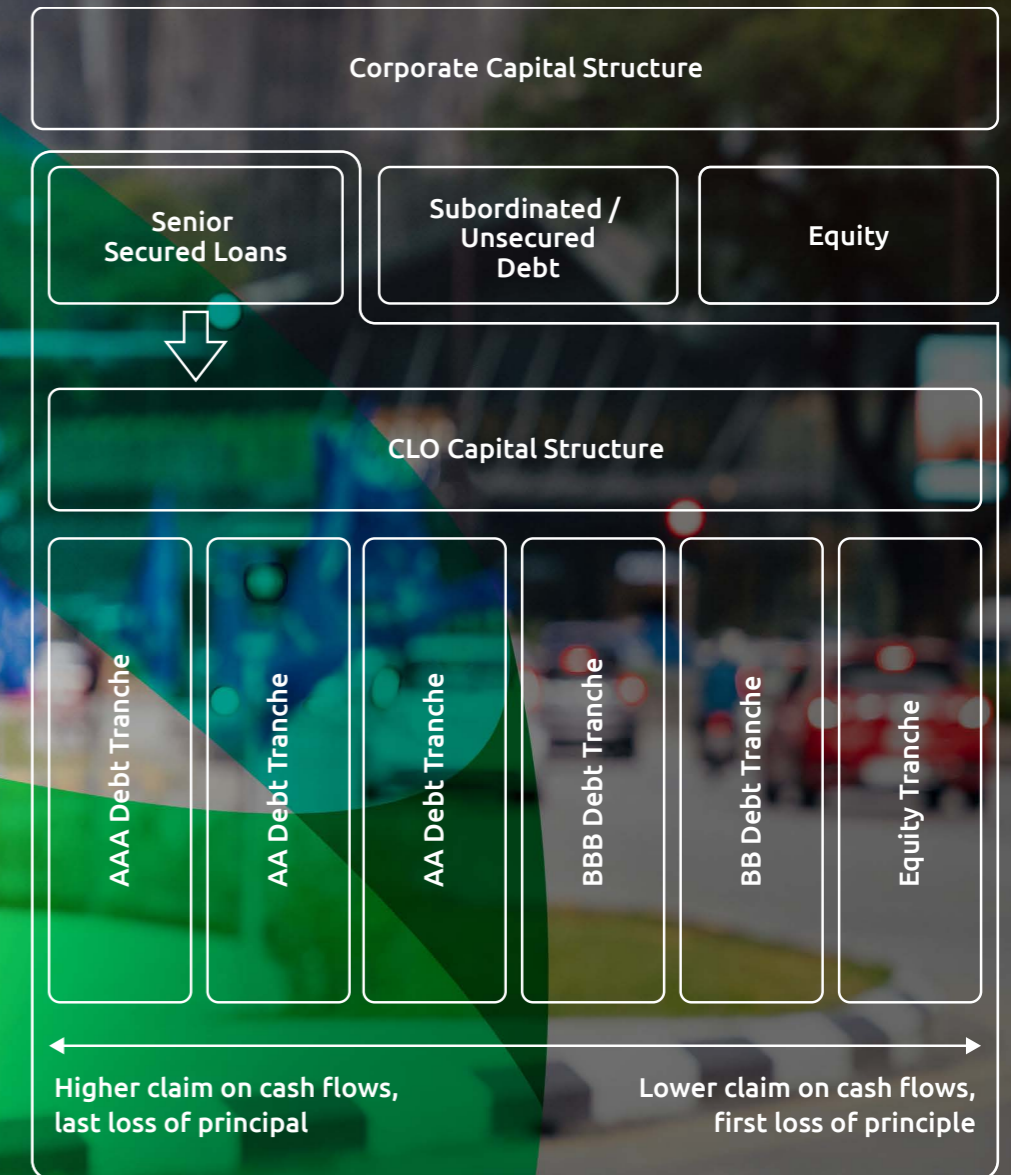
Intertrust Group's global presence and diverse services make us the perfect transformational partner to help you benefit from the opportunities arising from the new market changes.

Read on to learn how we can accelerate the possible, helping you to enter new markets, raise new funds, and seize opportunities for growth.

It's been a remarkable year for the CLO market. Economies around the world are still recovering as we all continue to navigate the impact of the global pandemic. CLOs, however, have been pinpointed as a key growth opportunity.

In the Atlantic Star SPV Report for Q1 2020, 32% of respondents said that CLOs were the most important vehicle type for new business growth. The Q2 report built on this, revealing that CLO activity was continuing at pace, with €5.2bn in new debt issuances recorded during the quarter, despite the volatile market backdrop.

Understanding the typical structure of a CLO



SOURCE: Guherhelm Investments. Collateral pools for most CLOs also have a small allowance for second lien and unsecured debt.

The report also stated that CLOs were the largest special purpose vehicle (SPV) category with €107bn in assets. This growth is noteworthy – and following the Netherlands' new VAT legislation in 2020, Ireland has become more dominant in the European CLO market and is now seen as the jurisdiction of choice for CLO issuers.

How we can help you

We can support CLOs throughout every stage of their lifecycle, providing clients with a highly experienced CLO team, featuring complementary backgrounds from accountancy firms, banks, and portfolio managers – so we truly understand every facet of a CLO structure.



Intertrust Group offers a diverse range of end-to-end CLO services

Our proprietary IRIS client portal enables our clients to access their legal entities anytime, anywhere, and from any device, in a clear and transparent manner. Its tailored accessibility ensures that users have the ability to selectively set up access rights by mapping their counterparts' needs for information. IRIS provides ease of access on key data and documents. Clients can view, download, and check the status of invoices, see

upcoming filing deadlines, and much more. Our 4,000 employees are dedicated to providing world-leading, specialised administration services to clients in over 30 jurisdictions. This is amplified by the support we offer across our approved partner network which covers a further 100+ jurisdictions. Wherever you need to be, we are already there.

Our new ESMA reporting services

On 3 September 2020, the European Union published the final technical standards for the new securitisation regulation, laying down a general framework for securitisation and a specific framework for simple, transparent, and standardised (STS) securitisation.

The regulation came into effect on 23 September 2020, and applies to all securitisations issued on or after 1 January 2019. A key part of the regulation revolves around transparency and disclosure requirements for securitisation transactions – which also apply to CLOs. The European Securities and Markets Authority (ESMA) has been appointed as the governing authority for this, and quarterly reporting templates can be found on their website.

We now provide tailored ESMA reporting services to help clients comply with these new disclosure requirements. We work closely with the originator, collateral manager, or collateral administrator during the set-up phase of a transaction in order to gather all necessary source data – and follow this with a thorough ‘data gap analysis’ to ensure all information is captured. Our service covers:

Compilation and verification of quarterly reporting templates – these can also be made available to relevant stakeholders in a range of formats.

- Annex 4: Underlying exposures – corporate.

Annex 12: Investor report – non-asset-backed commercial paper (ABCP) securitisation.

Annex 14: Inside information or significant event information – non-ABCP securitisation (applicable for public transactions).

Disclosure of quarterly reporting templates, in the appropriate format, to an eligible website or competent securitisation repository.

What activity are we seeing?

With the launch of the Netherlands’ new VAT bill, Ireland’s set to become a CLO hotspot. Dutch tax authorities sent shockwaves through the market in February 2020 when they revoked their ruling that collateral and administration fees would be exempt from VAT. This means that a 21% VAT rate now applies to them and, surprisingly, this has been applied retrospectively from 1 April 2019.

Experts expect collateral managers to relocate their investment vehicles into other jurisdictions, to avoid these increased costs, and Ireland may be a popular choice with its gold-standard ecosystem for servicing CLO structures. Currently, about 20% of all European CLOs are incorporated in the Netherlands, with Ireland accounting for over 70% of the market.

Clarity is still needed from Dutch tax authorities, and to determine which deals will be grandfathered until 1 January 2021. We are currently liaising with business partners to ascertain which legal mechanisms can streamline the migration of CLOs from the Netherlands to other jurisdictions. A number of different strategies are being considered, and these will be tailored to specific deals according to their lifecycle and specific structure. With a favourable issuer regime, a minimal share capital requirement of one Euro for incorporation purposes, and a reputable listing exchange (Euronext Dublin), Ireland is an attractive business jurisdiction.



Case studies

The following case studies provide examples of how we've supported our clients while delivering high-quality services. Whatever a client wants to achieve, the chances are that we've done it before. We have the local knowledge to reduce the risk of non-compliance and can help clients to succeed faster.

Case one

This private equity (PE) firm contacted our Ireland office with the plan of incorporating an Originator Structure as a Section 110 vehicle.

After discussing their needs, it became clear they needed a transformational partner with strong CLO capabilities and a comprehensive suite of interlinked services. We were well-placed to provide this, a position that was strengthened further by our global reach and commercial strategy. Later on, a pre-warehouse vehicle was also incorporated in Ireland to provide collateral to upcoming CLO issuances. Furthermore, two new CLO vehicles were launched via our Cayman office, with another one launching in early 2021.

Seamless communication between Intertrust Group's Ireland and Cayman offices allowed for services to be integrated swiftly. Both teams were also able to collaborate in an agile way, sharing all relevant KYC information at pace thanks to our IRIS client portal, which houses information centrally for ease of access. Next in the collateral manager's pipeline for 2021 is a European CLO to be launched out of Ireland – which will further strengthen our existing commercial relationship.

Case two

Intertrust Group's office in Ireland has been engaged with this multinational alternative asset manager's European CLO programme since 2014. The company established its originator risk retention vehicle that year, in order to meet CRR and AIFMD retention requirements; we stepped in to provide board representation and administration services.

As of September 2020, they had 25 CLOs listed on Dublin's Euronext exchange. We provide these CLOs with a comprehensive suite of corporate services, including CCR and MAR compliance. We leverage our international office network to assist with a variety of requirements on the

portfolio, working collaboratively with colleagues in other jurisdictions – including process agency services in the UK, and tax services in Spain. IRIS is streamlining these services even further, acting as a central repository of information for their entire and expanding CLO portfolio.

We'll also continue to support the company to adapt to the changing tax and regulatory landscape, with AEOI and AMLD coming into force in the near future.

What makes us different?

We offer a comprehensive range of end-to-end CLO services, with a dedicated team of experts who have hands-on experience in servicing CLOS and providing flexible, tailored services.

We cover FATCA/CRS, CCR, MAR, DAC6, ESMA reporting, and much more, with IRIS acting as a central repository for information for ease of access. We're perfectly positioned to help you accelerate the possible:

- Established in 1952, giving us over 65 years' experience in expert administrative services
- 4,000 employees dedicated to providing world-leading, specialised administration services to clients in over 30 jurisdictions. Amplified by the support we offer across our approved partner network which covers a further 100+ jurisdictions
- We're in 18 global fund services hubs and all major fund domiciliation centres.

Why Ireland?

- A Common Law Jurisdiction
- Innovation and defining best practice
- Highly-educated workforce
- Double Taxation Treaties with 70+ countries
- A trusted legal and regulatory regime
- A European passport
- An efficient listing mechanism
- Well-developed infrastructure

We service clients from 30+ jurisdictions



Americas

Bahamas
Brazil
BVI
Canada
Cayman Islands
Curacao
USA

Europe, Middle East and Africa

Belgium
Cyprus
Denmark
Finland
France
Germany
Guernsey
Ireland
Italy
Jersey
Luxembourg
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Asia Pacific

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To find out more about how Intertrust Group can help fast track your CLO activity and accelerate the possible, visit our website.

[INTERTRUSTGROUP.COM/FASTTRACK](https://www.intertrustgroup.com/fasttrack)

Regulatory information is detailed on [intertrustgroup.com/legalnotice](https://www.intertrustgroup.com/legalnotice)