

# U.S. Bank Global Corporate Trust Services

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## Q&A

### With Anatoly Sorin

U.S. Bank is pleased to go behind the scenes with a series of new staff interviews focussing on a variety of market developments and corporate trust issues. This issue we open with Anatoly Sorin, Head of Relationship Management for the European CDO/CLO group.



**Q.** How long have you been with the Corporate Trust group at U.S. Bank?

**A.** I was actually part of the team at Bank of America before the group was acquired by U.S. Bank in 2010, having been with the original team at ABN Amro Trustees since 2006.

**Q.** How big is the CLO Book that you oversee?

**A.** We administer a book of 20 legacy transactions (total AUA of EUR 7 billion), but have also been

mandated on 5 of the new wave of European CLOs this year! To put it into perspective, I expect a total of about 10 CLOs to price by the end of summer in Europe.

**Q.** Obviously we have seen spreads narrow substantially on secondary paper which has helped re-launch the market but what are your thoughts on the new retention rules proposed by the EBA requiring "skin in the game" to be held by CLO Managers?

**A.** Some CLO managers will simply be unable to enter the market, particularly the smaller funds. Other larger CLO managers will have the luxury of balance sheet assets, so the proposed rules shouldn't be prohibitive. I'm aware of a few clients putting their CLOs on hold until the rules have been clarified.

Perhaps the EBA will re-consider if the proposed changes have a dramatic impact on the market; especially considering the importance of CLOs in driving leveraged loan issuance.

**Q.** Do you see a change in dynamic now that CLOs have moved toward a more mixed/hybrid asset type with the increased inclusion on high yield bonds?

**A.** The supply of leveraged loans is of course the number one driver behind this change. If the

supply wasn't constrained then CLOs would likely be similar to legacy deals and only contain a very small portion of bonds. Asset Managers with better access to new loan issuance will be more successful in ramping up their deals. Others may need to rely on larger bond buckets to achieve target par.

**Q.** What other changes have you seen to CLO 2.0 documentation?

**A.** We've seen a significant reduction in leverage and added protections for the senior holders. Deal terms will be shorter as the re-investment period has been cut from 5-6 years to about 3 and the non-call period has been shortened to 2 years. Not surprising, the deals are now restricted from buying assets from peripheral European countries such as Greece and Portugal.

**Q.** Any concerns about the new features?

**A.** I'm looking forward to seeing how the re-pricing feature will be enacted in practice as it's not been tried and tested yet. This feature allows collateral managers to reduce the margins on the liabilities under certain scenarios which could be vital if the margins on the underlying assets drop. There are many moving operational parts without clear cut procedures in place, which is why we have been working with the clearing systems to ensure our clients can implement the re-pricing without unnecessary delays.

**Q.** On a more trivial note, what keeps you occupied outside work? Do you share the Russian passion for chess?

**A.** I am terrible at chess by Russian standards, something my father never quite came to terms with. In the summer months I play polo in the beautiful English countryside. Outside of the polo season, I tend to look for sun (hence I enjoy travelling!).

**Q.** What's the last book you read?

**A.** The five CFA Level III books kept me thoroughly engrossed for a few months. I look forward to reading a non-educational book now.

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