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Corporate Trust EU Connection

2015 Autumn

Growing the Private Rented Sector

U.S. Bank Global Corporate Trust Services is excited to offer its services to Venn Partners and its wholly-owned subsidiaries PRS Operations Limited and PRS Finance Plc to support a government-backed programme that encourages institutional investment in the private rental sector by using a government guarantee to secure long term financing.



The government recently signed an agreement with PRS Operations Limited, a new organisation that will secure institutional investment in new homes, specifically for private rent, to manage the Private Rented Sector Housing Guarantee Scheme.

The government guarantee will support the growth of new homes in the private rented sector, benefiting both housing providers and tenants. Eligible housing providers will raise debt backed by a government guarantee. This will help reduce their borrowing costs while increasing the number of new homes they can afford to provide. It is hoped tenants will experience expanded housing choices through the increased amount of higher quality homes available for rent.

“We look forward to supporting this exciting programme, which could help stimulate investment and growth in the private rented sector,” said Tom Cubitt, senior vice president, Global Corporate Trust Services, Europe. “Our clients can rely on us for consistent, superior services from a dedicated support team.”

Government-backed loans up to £3.5 billion will be available to institutional investors with financing needs of over £10 million in respect of homes for private rent. PRS Operations, through its subsidiary PRS Finance, will arrange up to £3.5 billion of funding in a combination of different bond tenures.

“We look forward to supporting this exciting programme, which should help stimulate investment and growth in the private sector.”

– Tom Cubitt
Senior Vice President
U.S. Bank

U.S. Bank will serve as Trustee, Cash Manager, Account Bank, and Common Depository on a bond programme issued by PRS Finance Plc to raise funding for the scheme. Our team of professionals tailor solutions that work for each client to ensure a seamless execution of every transaction, from inception to maturity. As a trustee and agent, we work collaboratively with our clients to provide the experience, efficiency, and flexibility required to exceed their expectations.

To learn more about the services U.S. Bank is providing to PRS Operations, please contact Emma Hamley, vice president, Business Development, at emma.hamley@usbank.com.

U.S. Bank has a strong history of maintaining high credit ratings among Moody's, S&P, and Fitch. While ratings play an important role in determining investment risk, they are also a critical part of the structured finance market.



U.S. Bank Maintains High Credit Ratings

Structured finance transactions require involvement from a number of service providers and counterparties including account and deposit banks, custodians, liquidity facility providers, and swap counterparties. These fundamental roles present a potential credit risk to the structure or noteholder. Examples of credit risk include account banks holding the income of the vehicle between payment periods and custodians holding the assets of the transaction.

To minimise this risk, rating agencies require these providers and counterparties to maintain a specific credit rating. Whether short term or long term, rating requirements are crucial for senior tranches to maintain high ratings.

ELAVON ISSUER CREDIT RATINGS			
	Moody's	S&P	Fitch
Short-term	P-1	A-1+	F1+
Long-term	A1	AA-	AA-

As of May 2015

In order to rate notes at triple-A, Moody's, as with other agencies, require issuers to retain a custodian with a minimum short term rating of P-1. When an entity no longer satisfies this rating, the role in the transaction must be transferred to another appropriately rated entity. Generally, this transition must be done within a period of 30 days. The obligation to transfer varies across transactions, but may fall on the downgraded entity, issuing entity, or other transaction counterparty.

Recent downgrades have reduced the credit ratings of a number of structured finance market participants; however, U.S. Bank and its wholly-owned subsidiary, Elavon Financial Services, continues to maintain its credit rating above the minimum ratings required for account bank and custodian functions. Our current long term issuer credit ratings stand at A1/AA- by Moody's and S&P respectively, and we continue to assist our existing and new clients by assuming roles from counterparties whose credit ratings have fallen below the required levels.

Over recent months, U.S. Bank's European Corporate Trust division has assumed roles on nearly 30 affected MBS/ABS and CLO transactions.

Our highly experienced Structured Finance team at U.S. Bank Global Corporate Trust Services is dedicated to supporting the unique business requirements of each client and every financial transaction. Our team works to understand your needs and can respond in a timely manner. Throughout the issuance process and ongoing administration of your transactions, our responsive specialists are committed to working under tight closing and operational deadlines to help ensure the success of our clients.

To learn more about our Structured Finance services contact Laurence Griffiths at laurence.griffiths@usbank.com.

U.S. Bank Hosts Clients at the Dorchester

In June, U.S. Bank Chairman, President, and Chief Executive Officer Richard Davis, the board of directors, and the managing committee hosted their annual Board of Directors meeting in London. For the first time in the history of our organisation, this strategic planning meeting was held outside of the United States. As a key area of focus for many years and a major European financial center, London was specifically chosen to underscore U.S. Bank's commitment to serving clients within Global Corporate Trust Services.

While in London, Mr. Davis, the board of directors, and the managing committee welcomed leaders in the corporate trust community and our esteemed clients to a cocktail reception on 15 June. Held to "Toast to the Future" and honour our strong partners throughout Europe, U.S. Bank hosted more than 150 industry leaders, including, arrangers, issuers, advisers, and key influencers at The Dorchester Hotel in Mayfair.

Mr. Davis's address at the gathering reiterated U.S. Bank's dedication to providing leading services, including its initiatives to continuously develop the European Corporate Trust business and support team. To illustrate this growth, he commented on the recent expansion of critical teams, including the CLO investor reporting group.

He also acknowledged the talented leadership we receive from our experts, and celebrated the appointment of Neil Lewis, the new CLO investor reporting group team lead, and a number of newly hired resources within Mr. Lewis's team. According to Mr. Davis, it is our sound business model and these exceptional people that have helped us achieve the No. 1 position in the market, with 46 percent market share.* The audience also shared in his excitement as he discussed new opportunities and new key relationships.

We are grateful to our partners who were able to join us and thank them for their continued support throughout 2015 and beyond. We look forward to seeing you at our next event, and continuing our prosperous futures together.

**European CLO trustee market share by deal count, YTD August 2015.*



High-Yield Bond Market Activity Breaks Records

The end of July 2015 was a record-breaking time in the European high-yield bond market. After weeks of uncertainty and lockout with European companies refraining from issuing new bonds, they were eager to re-enter the market after the Greek bailout deal. According to CreditSights, in the last two weeks of July, more than €10 billion was issued between euros, dollars, and sterling bonds—more than the total issuance in the months of May and June combined.

The recent flood of activity allowed a large backlog of deals to be cleared. Sixteen issuers completed deals with tighter pricing than expected, with half of them driven by acquisition funding or refinancing. On two transactions from private equity firm, Cinven, U.S. Bank was appointed in all Trustee and Agency roles. The two bonds were issued to finance acquisitions of Labco and Synlab, totaling almost €1.1 billion and making it the largest acquisition related deal in July.



“While market demand has ebbed and flowed, we at U.S. Bank have remained steadfast in our commitment to the high-yield bond market,” said Michael Whelan, senior vice president, Global Corporate Trust Services, Europe. “We remain focused on the evolving needs of our partners, and have continued to position ourselves to provide guidance and support at any time.”

There has been a notable increase in European merger and acquisition activity this year with almost €600 billion in deal volume in the first six months of the year. Acquisitions have been driven by the trend of corporate consolidation in increasingly competitive markets.

U.S. Bank continues to provide assistance as our partners evaluate opportunities in the high-yield market. Supporting corporations in issuance activities is at the core of our service offering, and a cornerstone of our business model. We are dedicated to serving as a trustee and agency partner who can mobilise our resources to meet tight deadlines. With a dedicated relationship manager for each transaction and knowledgeable operational staff, our team has experience working on highly complex transactions, and will assist you along every step of your deal.

To learn more about our high-yield bond market services, please contact Emma Hamley, vice president, Business Development, at emma.hamley@usbank.com

Market statistics provided by CreditSights, Wall Street Journal, and Global Capital.

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