SCHULTE ROTH + ZABEL

NEWS & INSIGHTS

PUBLICATIONS

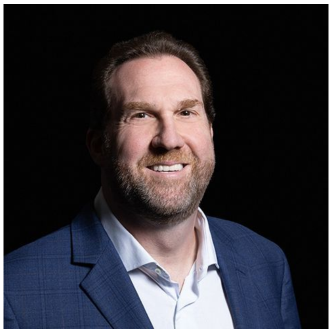
New Structural Features for Collateralised Loan Obligations

April 2012

2011 saw a revival of offerings of collateralised loan obligations ("CLOs"), one of the structured credit products that proved resilient during the credit crisis. CLOs primarily invest in loans to noninvestment grade commercial and industrial enterprises and, unlike collateralised debt obligations ("CDOs") which invested in mortgage-backed securities, CLOs suffered few events of default and still fewer liquidations that resulted in losses to investors. Although the ratings of many CLO notes were downgraded during the credit crisis, the rating agencies raised the ratings of CLO notes in 2011 because of the improved credit quality of the underlying loan portfolios and changes in the ratings methodology for CLOs. Notwithstanding this favourable track record, managers and investors identified deficiencies in the indentures of CLOs issued before 2009. Changes in regulations and tax law also required adaptations in CLO indentures. As a result, structural changes have been made in the governing documents for CLOs issued in 2011 and early 2012.

This chapter appeared in the 2012 edition of *The International Comparative Legal Guide to: Securitisation*; published by Global Legal Group Ltd, London.

Related People



Craig Stein

Partner

New York

Paul Watterson, Jr.

Of Counsel

New York

Practices

STRUCTURED FINANCE

FINANCE

Attachments

Download Chapter