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NewsRelease

For Immediate Release:

New Year to Bring New Challenges in CLO Market

Cadwalader lawyers anticipate continued adjustment to new risk retention rules

New York, NY, January 13, 2017: Following a year in which the CLO market started slowly and then picked up speed spurred by a desire to close transactions prior to new US risk retention rules becoming effective, 2017 could be a year of significant evolution for the CLO market, especially in Europe.

So say senior lawyers at Cadwalader, who have analyzed the 2016 CLO market and are advising clients on what to expect in the new year.

"I think it's fair to say that the market is in the process of evolving to meet the requirements of new and proposed rules," said Cadwalader partner David Gingold in New York.

Gingold regularly represents investment banks as CLO arrangers. He noted that:

- After a slow first quarter, issuance accelerated in the third and fourth quarters.
- As managers anticipated having to comply with US risk retention regulations, there was a higher than average number of refinancings of older deals. Notably, about 23% of the 94 CLO deals Cadwalader closed in 2016 were refinancings.
- Managers began to lay out their plans to comply with risk retention, while arrangers began to offer risk retention financing solutions to managers.

Gingold has already seen signs that 2017 will be different.

"With the US risk retention regulations now effective, we anticipate a smaller number of managers operating in the market. We also anticipate seeing proportionately fewer refinancings relative to new issue transactions, and arrangers providing new financing solutions for those managers that remain in the market," he said.

Partner David Quirolo in London further noted that the CLO market will also be watching the recast of the European risk retention rules on the trilogue process on January 19.

Cadwalader is one of the industry's leading firms in the CLO space. The global team actively represents issuers, underwriters and collateral managers in CLO and related transactions and, in the last 12 months, has closed 94 transactions valued at over \$40 billion – more than any other law firm – taking it to the top of the league tables and claiming approximately 85% of the global CLO market.

Cadwalader, Wickersham & Taft LLP, established in 1792, serves a diverse client base, including many of the world's leading financial institutions and corporations in more than 50 countries. With offices in the US and Europe, Cadwalader offers legal expertise in antitrust, banking, corporate finance, corporate governance, energy, environmental, executive compensation, financial restructuring, health care, intellectual property, litigation, mergers and acquisitions, private equity, private wealth, real estate, regulation, securitization, structured finance, tax and white collar defense. For more information, visit www.cadwalader.com.