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Global ABS Special Report June 2024 Barcelona

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UK RMBS buoyant but wiser as market waits for rate cuts

With more deals, cheaper funding, and talk of new entrants, there is an upbeat mood in UK RMBS, reports **George Smith**

The UK RMBS market has made a flying start to 2024. On all fronts spreads have tightened, activity has picked up and there are hopes for more of the same to finish the year.

It's a stark contrast to the mood at Global ABS a year ago, when lenders were grappling with the consequences of sharp rate rises. Although rates are yet to fall materially, a more stable picture is making life easier.

"It wasn't so much that interest rates going up was a problem, it was the volatility," says Kevin Ingram, partner at Clifford Chance.

"The UK mortgage market for new origination is now predominantly a fixed rate market, which makes the hedging essential. The volatility made it incredibly difficult, if not impossible, to price the hedging."

Lenders, especially specialists, have had to prove that their business models are viable through the rates cycle.

"People were very used to a low interest rate, benign environment," says Steve Harrison, director in debt capital markets at Together. "I think now people will be a lot more focused on their interest rate risk. Lenders are in the business of making informed lending and credit decisions, not making interest rate calls."

Rates settling down, however, is cause for optimism.

"Lending volumes have bounced off rock bottom," says Douglas Charleston, partner and portfolio manager at TwentyFour Asset Management. "That's better than it was. It's still not great, but enough to keep people ticking over for now. Profitability is also ok, and there's just about enough to go round."

An increase in specialist lending, combined with more banks needing to come to market, means that overall issuance is starting to tick up.

"The amount of paper outstanding [...] was falling last year, but recent issuance has brought it back to flat," says Gordon Kerr, head of European research at KBRA. "It's not quite growing yet, but we're getting there."

Deterioration 'priced in'

The levelling off of rates has also brought more confidence on collateral performance, and this has been reflected in investors' attitudes. When Belmont Green returned to the market in April to issue from its Tower Bridge Funding shelf, it found the buy-side in a different place to its previous visits in January and May 2023.

"The questions we got on 23-1 and 23-2 were around payment shocks and how borrowers would adjust," says Belmont Green treasurer Giles Parker. "That wasn't really the flavour of the conversation on 24-2. No one thinks we're completely out of the woods, but it feels like swap rates are on a broadly downward trajectory now."



Alastair Bigley, S&P

That's not to say that higher rates won't continue to affect fundamentals, but people have a better idea of what to expect.

"Most people expect there will be some choppy water from here, but I think people can grasp what the impact of that will be now," says Alastair Bigley, sector lead for European RMBS at S&P.

Cas Bonsema, senior ABS and covered bond analyst at Rabobank, says that he is anticipating "a little more deterioration", but that it should be quite moderate and is "priced in".

Moreover, with the market having withstood such a volatile time, some feel that certain types of collateral deserve a better reputation.

"People have said buy-to-let is untested and might not weather a downturn as well as prime resi [does]," says Paul Wilde, treasurer at Shawbrook Bank. "I think it's time to drop that narrative, because we have been through some severe periods and buy-to-let has proved resilient."

The easing of investors' worries is reflected in tighter spreads. The senior notes of Belmont Green's Tower Bridge Funding 2023-1 landed at 150bp over Sonia in January. The equivalent tranche of the April deal this year tightened to 88bp.

"In 2022 and 2023, rates went up so quickly that investor sentiment had a sharp pullback," Wilde says. "We seem to have seen a reversal this year. Funds seem to have a lot of money to put to work."

That can only be good thing for lenders.

"A positive is on the funding cost side," says Charleston. "For non-banks especially, or deals with specialist collateral, that's a big advantage. More peripheral issuers

are considering doing deals and that tells you that funding side is pretty good.”

There could also be more chances for specialists to cater to people who fall outside the criteria of banks.

“If anything, [a higher rate] environment should be positive for specialist lenders,” says Harrison. “There should be more opportunity [to lend] outside of the mainstream. Regardless of whether RMBS spreads are 90bp or 110bp it shouldn’t move the needle unless you’re running super skinny margins. It’s more about whether the market is open or not.”

Others think tighter spreads would mean issuers would choose to join in.

“It’s a good time to do a debut deal,” says Bonsema. “In general, securitization funding looks attractive and I think that could push some people to come to market.”

Bigley at S&P also believes that more issuance from challenger banks could follow, either towards the end of this year, or in 2025.

Consolidation to continue

The evolution of the issuer base is also something to keep a close eye on. In recent years a number of mortgage lenders have been bought up or merged, while others have made forward flow agreements.

“We still see quite a lot of forward flow opportunities around and we could see a bit of M&A,” says Charleston at TwentyFour.

Indeed, the recent turbulence showed how lenders can benefit from diversification.

“It might be too early to call but there seems to be a trend towards consolidation,” says Simi Arora-Lalani, partner at Clifford Chance. “Rather than having smaller platforms doing narrow, more bespoke products, we’re starting to see lenders diversify and acquire additional portfolios or platforms.”

Together is one example of an issuer that can show off several products.

“Having a broad range of products is beneficial for a lender to be able to maintain origination volumes,” Harrison says. “For example, buy-to-let volumes are lower across the market, but bridging volumes are strong as we see investors wanting to move quickly to realise opportunities in a changing environment.”



Simi Arora-Lalani, Clifford Chance

Slimming down

Living through the turbulent times of 2022 and 2023 led many specialist lenders to give themselves extra warehouse capacity and thus gain the flexibility to delay deals. With market conditions looking more constructive, there could now be a temptation to scale back on that headroom and save on fees. But it is a temptation that should not be overindulged.

“Mortgage businesses will remove excess capacity, but most will conclude they need to have a decent amount of warehouse capacity in place,” says Ingram at Clifford Chance. “Recent crises have proved that if you don’t have capacity available and you can’t obtain more, then you’ve got to sell the assets you can’t finance yourself.”

There is, after all, no shortage of potential risks in the second half of the year, with the US election coming in November and continued tension in the Middle East.

“Putting on additional warehouse funding lines was necessary after the mini budget but, whilst it is looking like a more conservative approach now, I think with the potential volatility through the back end of this year it’s not a bad idea to have that back-up option,” says Arora-Lalani.

The challenge for lenders is to balance prudence with avoiding over caution.

“I don’t think you should assume the world will stay positive forever, and I’d expect most people to ensure that they have contingency funding options,” says John Rowan of Belmont Green. “But people are probably looking for more nimble and flexible facilities.”

Fixing a hole

One important unknown is how mortgage borrowers, many of whom are experiencing a period of elevated

rates for the first time, will react in the new normal of higher rates.

“There might be a higher proportion of people that start to look at longer fixes, as rates come down,” Kerr says. “The UK mortgage market was relatively savvy, as a high proportion migrated to fixed rates as rates were signalled to rise.”

It could be timely for new lender Perenna Bank, which is offering fixed rate mortgages for up to 40 years. Such deals are widespread in several countries, including the US and Denmark. There are other reasons, beyond stability, that the products could catch on with borrowers.

“[Long term fixes] are a lot more attractive for first time buyers because you don’t have to stress for affordability beyond the fixed period, which means borrowers are eligible for a bigger loan,” says Kali Sirugudi, managing director at KBRA in London.

Perenna started lending early this year and has signed a warehouse with ABN Amro. It plans to issue covered bonds as soon as this year.

“Our solution makes the entire market healthier,” says Perenna CEO Arjan Verbeek. “It’s not so much disruption as fixing. Securitization is a great tool and I think it will grow, but it needs to be in the right way. Our bank is like a securitization master trust with governance on top.”

That means Perenna’s equity takes the credit risk in its originations, and for now it will also take on the prepayment risk.

“We need to manage prepayment risk,” Verbeek says. “In Denmark and the US, the market prices that option and gets paid a higher spread. The other option is we manage it ourselves and capture that option premium. We are establishing the market and that takes time. Maybe later investors will say [they’d] like that risk.”

Perenna also has to find a willing investor base. The natural solution is insurers and pension funds, for whom the steady cashflows are a good match with liabilities.

“I think most people would say, ‘interest rates are elevated, I’ll take the short-term fix and hope for declining rates in a couple of years,’” says Charleston. “But long-term fixed is a good product for insurers and they could gradually push down the cost if it becomes a scalable enough to catch their attention.”

It looks set to be one to watch in the years ahead. **GC**

The synthetic securitization market is having a party to rival any that will be held on the Barcelona beachfront this June, with new banks and investors continuing to rock up. The question that incumbents are asking, however, is whether these gatecrashers are here for a good time or a long time.

On the issuance side, sources agree that growth is sustainable. But on the investor side, a recent influx of money has drawn comment.

“There’s a lot of new capital coming in,” says Robert Bradbury, managing director at Alvarez & Marsal. “The new investors are generally competing on price, as opposed to structure or anything else. Unless — or until — they get burned, or relative value moves away from SRT into other assets like broader private credit [and] CLOs, there’s no reason they’d back off.”

With demand outstripping supply, spreads have been driven tighter, which has sidelined some of the market’s traditional investor base.

“A lot of long-time investors are sitting with dry powder waiting, because they can’t, or choose not to, compete with money that, in their view, looks only at the price,” says Bradbury. “It’s not to say they think the price is ‘wrong’, but they would generally rather wait and see, or explore other avenues of relative value in the meantime.”

Tightening alone then is not the problem. Indeed, it was expected.

“Investors want SRT to offer a premium versus public markets,” says Juan Grana, managing director and senior portfolio manager at Chorus Capital. “If those markets keep tightening, then there’s a risk that SRT could follow a bit too, although the pent-up supply from banks will continue to prop up spreads.”



Robert Bradbury, Alvarez & Marsal

Banks face big decisions as money floods into synthetics

Europe’s SRT party keeps growing as US issuers join in despite looming regulatory clouds, reports **George Smith**

Ideological battleground

The situation demonstrates the ideological battle about how SRT is done.

Banks face a choice. The traditional approach has been to build partnerships with certain investors, negotiating bespoke deals with all the terms on the table. However, with new money driving spreads tighter, some have been showing deals to every investor in the market, with price as the only negotiable variable.

“We’re focused on being in partnership with our counterparties,” says Matthew Moniot, co-head of credit risk sharing at Man Group. “This is a relationship business and we believe capital will migrate to firms who want to have strong relationships.”

Aggressive bids, though, can be too good to refuse.

“[The new investors] are generally targeting the big banks’ syndicated platform deals,” Bradbury says. “They’re generally more straightforward to get into [than] smaller banks or bilateral transactions. There’s plenty of historical data to support the investment case.”

Such deals are large, so it is possible to invest in size without having to take the whole transaction.

“Once you get multiple parties and multiple bids it becomes a large chunk of the syndication universe,” Bradbury says.

Banks can take both approaches out of different shelves, and many do. But it has not been enough to quell the feeling among some



incumbent investors that new money means there is less to go round.

By most accounts, many of the newer names are US hedge funds. And not everyone who has entered the market recently takes the same approach.

“I expect there’ll be plenty of participants who’ve recently entered the market who will still be here in 10 years and who will have made a success of it,” says Moniot.

Cheyne Capital was an investor between 2004 and 2018 but withdrew from the market because it saw limited opportunities. Earlier this year it returned, hiring Frank Benhamou, the architect of Barclays’ Colonnade SRT platform, as risk transfer portfolio manager.

“We are interested in transactions where we can add value to the process,” says Benhamou. “Our strength lies in our credibility, sophistication and the robust team and set-up we have, ensuring we

stand as a committed long-term partner to banks.”

Others might be flightier though, meaning that if banks end up depending on that money, they may not be able to find a bid during trickier times. Incumbent investors are willing to deploy more capital, but only with banks they trust. Having investors come and go could also make the whole market more volatile, particularly if exiting investors try to sell bonds.

“Consistency of capital is beneficial to the market,” says Moniot.

US hype

The positive for investors is that supply is growing too — although maybe not as quickly as some would like.

“There’s a lot of money coming in,” says Olivier Renault, head of risk sharing strategy at Pemberton Asset Management. “The good news is there’s a lot of growth in supply, but I think some transactions are a bit crowded.”

Finding solid data for SRT issuance is tricky, but market participants estimate that volumes have been rising by around 20% year-on-year over recent years — both because of existing banks scaling up their programmes and new banks entering the market.

“An increasing number of banks are coming on board,” Renault says. “For the past four years, it’s been 10 banks a year on average. This year is no different. It’s US banks and also some new European banks. We’re also seeing existing banks doing more deals.”

In Europe the market has blossomed into the mainstream and is essential to banks’ capital management, while US issuance began, to much fanfare, in the second half of 2023. Despite the hype, the US comprises only a small part of the market, and deals there differ significantly from their European counterparts.

Perhaps the most eye-catching aspect about the US deals is their size. US banks are bigger, and the tranches they sell are thicker, meaning the notes sold can be twice as big as typical European deals.

Notably, also, US deals have been far shorter than the five to seven years the deals in Europe can run, with regulatory uncertainty hanging over banks. In summer 2023, the US regulators published their ‘Basel III Endgame’ proposals.

The reaction to the plan was overwhelmingly negative, and alterations that will have implications for SRT are now highly likely.

“The immediate thought is [that] if banks have to manage down their risk weighted assets, then more SRT is one way of doing that,” says Andrew South, head of structured finance research, EMEA, at S&P Global Ratings. “But there are effects on the securitization side as well, on how the retained senior tranche is treated.”

For most deals, the greater impact of the Basel III Endgame regulation would be the effects on the securitization. The uncertainty therefore incentivises banks to keep deals short.

“The current proposal for the Basel endgame in the US could materially reduce issuance by large US banks,” Renault says. “They don’t believe it will actually be implemented, which is why they are doing trades, but US deals tend to be much shorter than European ones. That means [that], even if they do become inefficient, they will have rolled off.”

Even if the pressure on banks is eased, US issuers are sticking around in SRT, as small US banks are not subject to the Basel endgame.

“Even if the Basel endgame proposals were to end up as very light touch and with no resulting



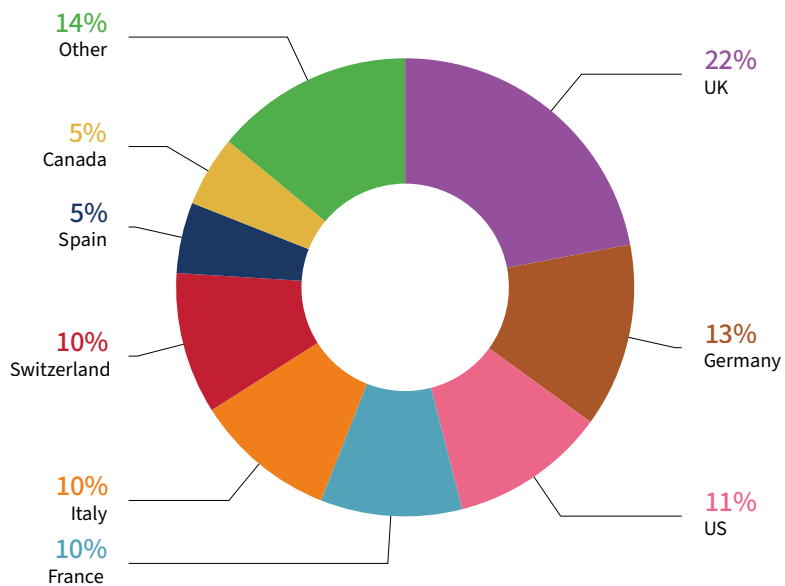
Frank Benhamou, Cheyne Capital

pressure on banks, I still don’t think you’ll see no SRT at all,” says Bradbury. “Enough banks have done it now and seen it work. There are enough banks outside of the systemically important ones that could benefit from SRT more broadly and outside of Basel endgame that you’ll see SRT continue as awareness continues to grow.”

Basel endgame pressure is not even necessarily driving current issuance volumes.

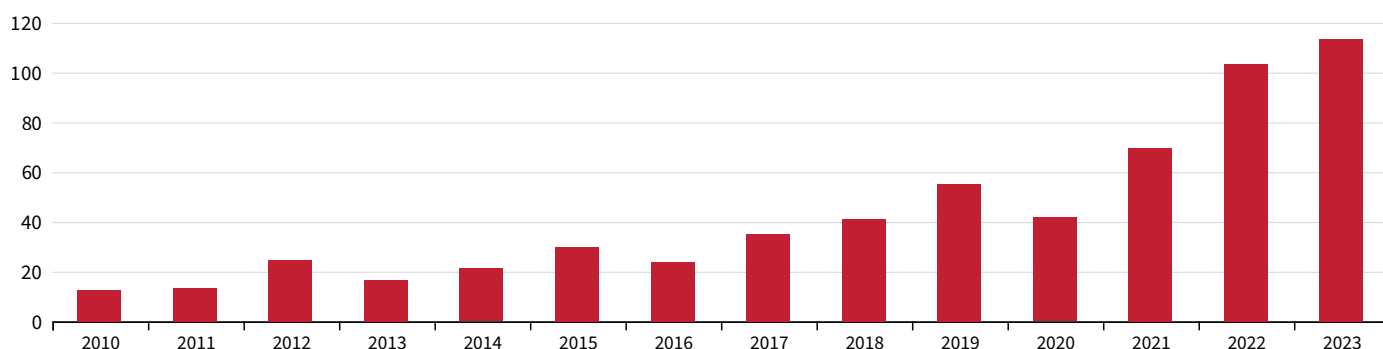
“A lot of the activity that’s been going on [in the US] has nothing to do with Basel III endgame — it is focused on capital optimisation under the current regime,” says Grana. “However, some banks are adapting their issuance to the uncertainty around the timing of

SRT issuance share by country 2010-2023



Sources: Pemberton Asset Management, SRT Chronicles 2024, based on data collected from bank annual reports, stock exchanges and dialogue with law firms, issuers and other market participants

Number of synthetic SRT transactions 2010-2023



Source: Pemberton Asset Management, SRT Chronicles 2024. Note: As transactions are mostly private, Pemberton acknowledges that its database is probably incomplete. But it is confident that it covers at least 90% of the market, including bilateral transactions. This chart only includes synthetic SRT transactions placed with private sector investors; i.e. the many transactions executed by EIF/EIB and a few other public sector bodies are not included in the statistics.

implementation, which is probably holding some banks back a bit.”

The other difference between the early US deals and Europe is the spread. US deals generally price tighter, though that is no surprise given the shorter durations and thicker tranches. In addition, US issuers are securitizing less risky collateral.

“The primary driver for the choice of structure is regulation,” Benhamou says. “In the US, banks generally take into account the standardised approach for determining their capital consumption, leading them to prefer high-quality collateral in SRT transactions to secure more attractive pricing for similar capital savings. Additionally, US securitization rules push towards thicker tranches, incentivising investors to seek leverage.”

The separation between the two markets means it is unwise to read too much into the difference between spreads in US and Europe.

“There are quite a few new investors coming in, but often

their interest has really focused on specific types of assets, mainly US assets,” says Grana. “Just because you’re printing US IG deals at very tight levels doesn’t mean everything else will follow.”

By most estimates, the US still only accounts for a fraction of total issuance, with Renault putting it at 20% last year. It will take time for it to ramp up further.

“Some people assume, too optimistically, that the entire US market can implement SRT immediately, but a bank’s first SRT transaction can be a resource-intensive process taking typically around nine months before being streamlined for following transactions,” Benhamou says. “Therefore, we should not expect an abrupt expansion of the US SRT market but rather a steady yet still material growth.”

Strength to strength

That is in contrast to Europe, where SRT has truly come of age. As Renault says, SRT “is still a European market”. In the EU much of that is down to the regulators.

“[In Europe] regulations are very clear,” says Renault. “Adhering to market standards means [deals are] more likely to obtain regulatory approval. [Regulatory certainty] has really helped the growth in the market.”

European banks have been doing SRT for long enough that it is now baked into their operation.

“SRT is a core part of their strategic capital management and banks have been able to show shareholders and regulators that they can issue in all market environments,” says Grana.



Andrew South, S&P Global Ratings

“Additionally, many banks have to issue just to replace what is coming off. Not issuing is not an option for most banks.”

But there is still some flexibility around exact timings.

Renault says: “The vast majority of deals are pro rata amortising, so there’s natural amortisation. It’s not a cliff where you have to call the deals, so there’s no ‘refinancing wall’.”

The UK is caught somewhere between the Europe and the US. While it has not dealt entirely with the problems of Basel IV [the UK’s terminology for Basel III endgame], it does intend to.

“The treatment of the Basel IV floor is a cloud hanging over the UK market,” says Renault. “The regulator has said they are very aware and will find a solution, and the UK is desperate to show [that] their regulatory framework is at least as good from a competitive standpoint as Europe, so [no solution] would be a big surprise.” GC

“There’s a lot of money coming in. The good news is there’s a lot of growth in supply, but I think some transactions are a bit crowded”

Olivier Renault,
Pemberton Asset Management



Global excellence wins U.S. Bank trustee awards across continents



U.S. Bank has been a leading force in the corporate trust business for decades – its tireless commitment to clients, attention to product development and investment in cutting-edge technology have created a global powerhouse. This year the bank once again took home US CLO Trustee of the Year, while its rapidly growing European business won Securitization Trustee of the Year.

U.S. Bank has a century of corporate trust expertise in the American market and has been a cornerstone of the investment servicing business in Europe for more than a decade. Stellar growth and unrivalled market share characterise its experience in both regions. “We have a business that spans the globe, providing trustee and agency services to the asset and mortgage-backed markets, CLO markets and corporate and municipal markets,” says Joe Nardi, co-head of Global Corporate Trust and Custody at U.S. Bank. “Across the US and Europe, we maintain a market leadership position in all the product sets we manage.”

The firm’s European operations – initially focused on securitization – have extended into corporate and loan formats to support global clients expanding into the EU. Rising demand for U.S. Bank services has seen its hubs in Ireland and London expand. In the US, there has been rapid growth in the firm’s structured and CLO products, where it enjoys a peerless market position. In 2023, U.S. Bank had more than 40% of the global CLO trustee market, and more than 30% of the US ABS/MBS market – well clear of its nearest competitor.

U.S. Bank has built its leading franchise through diligence, hard work and strategic investment. Throughout years of exponential growth and evolution in the capital markets, U.S. Bank has adapted to provide clients with a one-stop-shop solution across the US and European corporate trust landscape. Technology is key to the trustee business, and across every product and process the firm has made sure that its digital platforms are second to none – managing data on a real-time basis, providing transparency and creating single points of accountability.



Client relationships at the core

“Smart investment and a commitment to improve and enhance across the product set is definitely something that we pride ourselves on,” says Tom Cubitt, head of U.S. Bank Global Corporate Trust Europe. “But the most important area where we differentiate ourselves is in our dedication to superior client service.”

“This is still, above all, a people business,” adds Cubitt. “Providing excellent trustee service is critical but, we want to be seen as trusted partner to our clients. That involves daily interaction to really understand what clients need, and we design our relationship strategies to match those needs.” U.S. Bank’s league table dominance is a clear reflection of its success. But the volume of repeat business the firm receives is an equally important metric.

For Nardi, it is the focus on client retention that leads to market share and league table position, not the other way around. The trustee business is, after all, a competitive market with multiple providers. Clients have freedom of choice from transaction to transaction. “For us it’s not just about the volume of mandates throughout the year, it’s the volume of repeat clients who are coming back to us with their second, third and fourth transaction based on how well we’ve delivered,” says Nardi. “When you see clients return again and again, that’s a strong affirmation of the quality of your operation.”

The way that U.S. Bank’s pool of clients continues to grow reflects both exceptional levels of customer retention and the array of services the firm provides. Banking, lending, custody, fund administration, treasury management, foreign exchange – U.S. Bank’s customers enjoy solutions tailored across products, regions and

regulatory regimes. Its model is best described as locally oriented and globally integrated, combining specific, in-depth expertise with worldwide scale. “U.S. Bank has one of the broadest product suites in the industry. Our existing corporate clients can take advantage of trust services for debt capital market issuance,” says Cubitt. “Or we might win mandates from clients who really appreciate that we can provide all those banking support services through other parts of the firm – it’s a holistic approach to finding ways to add value for clients.”

Looking ahead

The same priorities that have served U.S. Bank so well throughout the years ensure a bright future. The firm will continue directing capital toward key technology investments that improve its operations and the experience of its clients. “Reporting and the transfer of data between us and our clients is such a crucial part of the business,” says Nardi. “The faster and more accurate these processes are, the better off we are going to be.” Analytics and artificial intelligence capabilities will be scaled-up and innovation will anticipate changing customer needs. The firm also continues to develop and invest in products that help its clients grow and thrive. “But even more importantly we’re going to keep investing in our people,” he notes.

U.S. Bank prides itself on the quality of its staff, ensuring its development programs and collaborative culture build a global workforce more than equal to the task of adapting to a fast-changing market. “We can advance our tech platforms and introduce new products, but that’s not enough if you don’t have the right people sitting in the right chairs. That’s how we build and develop the partnerships that allow the bank to thrive,” Cubitt says.

The buoyant European CLO market is set for a busy second half of the year, even though the return of leveraged buyout activity appears no less elusive than six months ago.

Issuance so far this year has exceeded all expectations, with €19.1bn of new CLOs priced in 2024 as of May 16, according to KopenTech. Resets and refinancings accounted for a further €4.9bn of activity.

Several banks have increased their new issuance forecasts, with Deutsche Bank the most optimistic, having raised its full-year prediction to €37bn. If this materialises, it would make 2024 the second busiest ever — just below 2021, with €39bn.

“The summer will remain busy,” says Steve Baker, head of European CLO primary at JP Morgan. “There is this misconception that the market stops in August in Europe. Yes, some investors go on holidays for three weeks, but it’s not that common. Frankly, almost every investor will be open for business, so they will have someone there.”

Yet the intense activity is being driven by high demand for CLO liabilities, rather than by managers spotting opportunities in the loan market. Institutional investors, especially pension funds, are keen for investment-grade debt. With triple-A spreads in the mid-to-high 140s, CLOs look cheap compared to other asset classes.

Moreover, as floating-rate instruments, CLOs offer protection against volatility while markets are still uncertain where interest rates will go.

Running to stay in place

Some of the demand is driven by amortisations of deals that are outside their reinvestment period. Repayments of vintage CLOs put money back into investor pockets, especially at the top of the capital stack, and the cash then needs to be redeployed. Deal liquidations also encourage managers to issue fresh CLOs to maintain assets under management.

“In the US, there are so many deals being called or [that] were just paid down on the April payment date that investors were in a rush to put that money back to work,” says Baker. “We are seeing a similar dynamic in Europe, just not to the same extent.”

Another banker says that portfolio sizes are staying largely flat despite the strong demand for paper, while some investors describe a sensation of “running to stay in place” — although not all parts of

Euro CLOs ready to steam ahead and tighten despite loan shortage

Bustling primary activity in European CLOs is likely to continue throughout 2024, say market participants, even though momentum is largely being driven by technical factors rather than fundamentals, reports **Victoria Thiele**

the market are feeling a big impact of amortisations yet.

“I would say it’s two thirds fresh money and one third reinvestments,” says Doug Charleston, partner and portfolio manager at TwentyFour Asset Management. “Amortisations are underway, but not in full flight yet. They could build towards the end of the year.”

While most of this new money is coming in at the top of the capital stack, appetite for the riskiest slice is also returning. CLO equity was nearly impossible to place with third-party investors from summer 2022 to the end of 2023, but the situation has improved with the rapid tightening of spreads at the start of this year.

Mezzanine tranches have tightened even faster than senior notes and are trading closer to their 2021 levels. The reduced cost of capital across the stack, especially the lower yields on single-B tranches, has made equity more attractive again.

Several managers have been able to sell at least a minority stake in

their equity and some — like Sound Point and Brigade — even had majority investors. Although bankers say that it has so far been difficult to consistently place third-party majority equity, there are signs that demand for first-loss tranches will grow in the coming months.

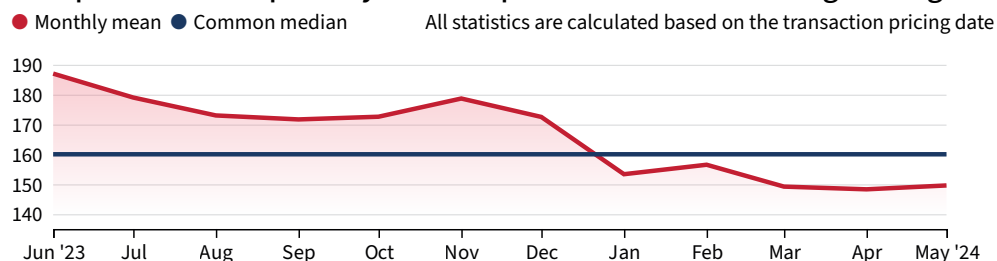
“[We are] seeing early capital formation for third party equity starting to materialise,” says Charleston. “The pipeline there seems reasonable, although that will have a medium-term rather than a short-term impact.”

More tightening ahead

Market participants are increasingly optimistic that spreads could tighten further. Triple-As were stuck in a range of 147bp-150bp for most of March and April but edged towards 145bp in May thanks to sustained investor appetite.

“I could see spreads hitting 140bp in the not-too-distant future,” says Baker. “It does feel like we are still on a tightening trend.”

European CLO AAA primary market spreads*: 12 months of tightening



*Excluding static deals (that tend to price much tighter) and resets

Source: KopenTech

One CLO manager argues that there is no fundamental reason preventing CLOs from getting to 130bp in the medium-term or to 110bp by the end of the year, as there is still room for demand to grow further, for example if the exchange rate from Japanese yen to dollars and euros improves.

“I think that will compress and [appetite from] Japan will get bigger,” says the manager. “Japanese banks are getting taken out of a ton of paper in refinancings and resets, so they are running to replace all that.”

Some investors say that the market should be wider because of geopolitical risk or macroeconomic uncertainty, but most of them do not expect spreads to move out much. Triple-A spreads are still wide compared to other asset classes, making them attractive to a variety of buyers.

“We had a few years where issuance momentum built and caught people off guard into the summer and it has normally driven spreads wider by this point in late May,” says an investor. “I’m not sure we are seeing signs of that on triple-As [...]. That part of the market is just too cheap.”

However, some CLO managers tell *GlobalCapital* that they do not see potential for much tightening either, as long as the technical factors of supply and demand remain the main driver.

“No single group of buyers — US banks, European banks, Japanese banks, insurance companies — is deploying capital in a manner that would artificially drive spreads tighter,” says Erik Miller, co-head of the CLO business at Canyon Partners. “It feels like a pretty healthy arms-length market. Improving economic data could move spreads tighter.”

Asset struggles

Loan supply is expected to remain the biggest challenge for issuers in the months to come. Although activity so far this year has exceeded expectations, with €29bn of issuance in the first quarter, much of this was driven by amend-and-extend deals or refinancings from direct lending into the broadly syndicated loan market. Leveraged buyout volumes have not yet rebounded to the extent that some hoped for at the end of last year.

“Higher-for-longer rates, geopolitical risk and the fact that there is a lot of election activity this year do not make a favourable backdrop for LBOs to pick up at pace,” says Martin Hallmark, senior vice president of the corporate finance group

at Moody’s Ratings. “We are starting to hear of more transactions in the pipeline, but it looks like a very gradual process at this stage.”

Two loan bankers also say that they see — at most — a “slight” increase in M&A activity over the summer.

High volumes of CLO issuance have created big demand for assets and driven prices higher in the secondary market. Around 26% of the European Leveraged Loan Index was trading above par in early May, according to BofA Global Research.

To make the arbitrage work, managers need to source a substantial portion of their loans in the primary market with a new issue premium. This creates a highly supportive market for leveraged European credits, but it challenges the discipline of managers.

“The market is open and therefore, some companies that we might view as inferior credits do have access to the market right now,” says Miller. “But within the mix are a number of good loan assets that we can buy.”

Most managers emphasise their focus on credit risk, although some warn that investors should keep a close eye on what is in portfolios.

“Everyone says that they are selective, but I think they’re not too picky,” says one CLO manager. “They can’t be.”

Covenant caution

An undersupplied loan market not only gives lower-rated borrowers a potential entry point into CLO portfolios. It can also lead to weaker lender protection in loan documentation — an issue brought to the forefront of debate by the recent struggles of certain highly levered obligors, including telco Altice, that are widely held in CLO portfolios.

CLO managers told *GlobalCapital* that they have been pushing back against certain clauses that would allow companies to sell assets without using the proceeds to pay off debt. One manager said they insisted on a super majority threshold for changes of jurisdiction to prevent the company from moving under US law in case of a restructuring.

“There might be some willingness to fix certain clauses that prove problematic, but I don’t think we will see a massive tightening of docs,” says Arthur van Schie, head of leveraged loan capital markets EMEA at ING. “With limited deals coming to market and a lot of demand for



them, sponsors remain keen to maintain their precedent documentation.”

However, investors say that they are confident in the resilience of CLOs, even in a difficult market. Investment-grade tranches are largely shielded from credit risk — no triple-A tranche has ever defaulted in the history of the asset class, according to S&P.

Mezzanine buyers point out that the problems of companies like Altice, Intrum and Ardagh are idiosyncratic situations rather than signs of heightened risk in any sectors of the economy.

“We could see more volatility going forward,” says David Altenhofen, head of investments at Accunia. “We will probably see higher default rates and lower recoveries, especially in the loan space, but unless we see some kind of systematic shock, the CLO market should keep functioning fine.”

He adds that CLOs also proved themselves during the liability-driven investments crisis in 2022, when the UK mini budget of then-prime minister Liz Truss caused pension schemes to scramble for cash.

According to Altenhofen, “when push came to shove, institutions sold CLOs, not ABS or CMBs or whatever they had on their books, because CLOs were the most liquid assets within the alternative bucket.”

Charleston at TwentyFour says he does not see any “glaring problems” awaiting the CLO market in the second half of the year, although he is “slightly concerned” about increasing leverage. Par subordination is varied between CLOs at the moment, and most in the market agree that the back-drop is weakening, even if they have different views on speed and severity.

Considering the strong spread performance this year, a correction seems likely, particularly in mezzanine bonds, he says, adding: “If one of the rating agencies comes out and changes its general assumptions, for example, there is a potential for a wave of downgrades.” GC

Arini's Mehdi Kashani: 'We want to be key contributor to CLOs'

The young firm's head of structured credit explains the importance of a consistent approach after an impressive start to life as a CLO manager.

By **Tom Lemmon**

Arini burst onto the European CLO scene with its debut deal in November 2023 and followed it up with a second in March, obtaining remarkable pricing for a fledgling manager. The firm has garnered lots of attention since it was founded in 2022, with former BNP Paribas trader Mehdi Kashani leading the CLO platform as head of structured credit. *GlobalCapital's* Tom Lemmon talks to the newest kid on the CLO block.

When did Arini begin building its CLO platform and how has that process gone?

I'd started [at Arini] in August 2022, and the original Arini team always had in mind to be involved in the CLO market. We kicked off the project when I joined, detailing the business plan, how we [were] going to approach the market and making sure we did it in the right way. That was always really a core part of what we wanted to achieve.

We wanted to show the market that we're not just turning up [but that we] wanted to be a key contributor to CLOs in a consistent way over the long term. We wanted to demonstrate very early on that this was our intention.

We were thinking about the types of people we wanted to hire, the size of the team, the equity capital commitment, the systems, the infrastructure, how we approach and engage with investors and how we would create liquidity.

This happened between August 2022 and when we first went out to arrangers to tell them about our story. For us, it was really important that the arrangers we partnered with really understood our approach so they could be the best possible ambassadors in the market. From then on, it's been all systems go.

In your own words, what is the Arini story?

The core of everything we do is fundamental credit underwriting: that's the IP of the firm as a whole, and in CLOs we're using all of that. We're using the IP that our analysts generate to make good credit selections, to create solid portfolios, and to manage CLOs in an optimal way.

A CLO for us is a way to express our views on leveraged loans. We're not using it to have aggressive structures or to opportunistically do anything. We're going for consistency, which is why we have debt friendly documentation for our deals. We want to have the most liquid platform possible, to incorporate as many investors as possible.

I think it's the combination of those two things that has so far been successful in drawing people to the platform.

Since inception, Arini has attracted a lot of attention from the media and onlookers in the market. Do you feel that there's extra pressure on you and your team because of this?

I think our founder Hamza Lemssouguer has built an excellent platform. He's created something quite incredible, which requires a lot of intensity. And I think he's hired people into the firm who understand that.

We have our approach and we know what we want to achieve, so now we're focused entirely on executing it and staying true to the course. We adjust as we see new information coming in, but we try not to let what's going on around us distract us from that.

You've been to Barcelona for Global ABS so many times. Why is it so important to be there every year?

First and foremost, it's a people business, which is the case across finance, but even more

so in CLOs and securitized markets. There's so much complexity that there needs to be professional trust and personal trust when you're working with people. We're all colleagues at the end of the day.

If we sat behind the screen and did our jobs and didn't really know each other for 365 days of the year, I think you would lose that interpersonal level of trust that you need in a product that's highly complicated. I think having this conference every year is just a way for everyone to regroup, catch up and connect again with people you maybe haven't spoken to for a long while. It's really important for the industry.

There are so many conferences, but this one is the one that people block out in their calendar.

And finally, what's the best party at the conference?

It changes over the years, but BNP Paribas is the party that everyone gravitates towards by the end of the evening. It's the best because everybody's there and they're all together.

I'm usually looking out onto the sea thinking last year I swore that I would book the weekend before as a holiday, but I never end up doing it! **GC**



Mehdi Kashani, head of structured credit, Arini

In December 2022, alternative investment firm Investcorp Credit Management acquired US CLO manager Marble Point, an affiliate of Eagle Point Credit Management, creating what the firms believed would be one of the top 15 CLO managers in the world. Tom Shandell, who led Marble Point and is now head of US CLOs and broadly syndicated loans at Investcorp, tells *GlobalCapital* about the advantages and challenges of working in a global CLO platform.

Can you take us through the evolution of Investcorp's CLO platform over the years?

Our CLO business, which currently has \$23bn of AUM globally, was established about seven years ago and was initially focused on the European CLO market. At that point, Investcorp's UK-based group was larger than the US-based team by about two to one.

Meanwhile, we had grown Marble Point [Credit Management] to about \$8bn and believed Investcorp's dual objective of growing its credit business — both organically and inorganically through acquisition — was a good match for Marble Point, as we were seeking a strategic partner to help us go from our early phase of rapid growth into one of systematic growth with access to capital.

Today, Investcorp Credit Management's \$23bn in AUM is represented by around \$11bn in European CLOs and \$12bn in the US. With our team of more than 50 professionals globally we are well-positioned for future growth.

How do you work as a global CLO team? Is there deep collaboration or is it more siloed?

The answer is that it's somewhere in between. The European and US teams absolutely collaborate, but we also run as independent platforms.

So how do we collaborate? The largest private equity firms are global and their new leveraged buyouts are the engines that create new loans. Our people on both sides of the Atlantic have relationships with these private equity firms and we work together as one group to foster those relationships.

There are also numerous cross-border transactions involving borrowers that issue both US dollar and euro loans. In those cases, we work together analysing the credit

Investcorp's Tom Shandell on going global with a CLO platform

The CLO manager's US and European platforms are run independently, but mutually benefit from each other's relationships and greater size. By

Tom Lemmon

and working to speak as one firm when facing the issuer and its private equity sponsor. We will receive a better allocation when we speak for a larger amount.

Each side of the business — Europe and US — benefits from the other's relationships. It certainly opens more doors. It was really apparent almost from day one that we were treated better by the sell side because we now were a \$23bn AUM manager, as opposed to the \$8bn that we spoke for at Marble Point.

Do you think it's easier to manage an acquisition like this when the larger partner comes from the EMEA region, rather than as a large US-based platform that launches itself into European CLOs?

I do think it helps when we are interacting with parties in the UK. I've seen other US-based firms come into the UK and Europe, put a flag down and proceed to operate in a uniquely American way, perhaps ruffling a few feathers.

Since Investcorp's CLO business has its roots in the UK, I think it opens doors for us. When risk retention rules fell away in the US, a lot of US firms who had solved for EU Risk Retention vertically simply blew out the bonds they owned, making their deals incompatible with EU rules. Due to Marble Point's permanent capital vehicle listed in the UK, we know and have many European investors.



Tom Shandell, head of US CLOs and broadly syndicated loans at Investcorp

But with Investcorp Credit Management operating as a European firm, our euro deals are obviously risk retention compliant, which helps us a lot with the relationships [that] our European colleagues already have. I must say it's so convenient having a UK-based colleague who is able to say: 'Oh, Tom's coming over to London next week, let's have lunch.'

What are your plans for the future of the platform?

Credit is a focus for growth for Investcorp both in the US and Europe. It's very scalable and CLOs are, in particular, a very efficient way to grow AUM. While it is capital intensive, a \$400m CLO today requires about \$38m of equity, but the firm can add \$400m of AUM in one fell swoop.

Compare that [to] if you went out to raise for a private equity fund. It would take a very long time to raise \$400m without using leverage. Here at Investcorp, we're very focused on growing our credit AUM and very focused on utilising the CLO business as a key source of that growth. We also want to grow other areas of our credit business, such as building our business that invests in CLO debt as well. **GC**

At first glance, residential solar panel financier Sunrun’s \$230m ABS issuance in April was nothing unusual. Like most deals in the now decade-old sector, it boasted a single-A rating from KBRA, and its size was in line with most other solar ABS trades priced this year.

But Sunrun Neptune Issuer 2024-1 caught the eye. At 195bp, it had the lowest spread for a similarly rated transaction in the sector since 2021 — before the blow-out in US interest rates. Danny Abajian, Sunrun’s CFO, went as far as publicly highlighting the 37.5bp improvement versus a private deal that the firm had signed in February, and that it was 45bp inside where the issuer had tapped the market in September 2023.

A new solar ABS landing inside 200bp was a milestone, market sources agree.

“People are really focused on that level and the ability to prove the refi story on seasoned assets, or assets that have been through one financing cycle,” says one source not involved in the deal.

Although solar ABS has continued to tick along, growth in public issuance plateaued at \$4.3bn in 2023, according to Finsight, after 10 years of impressive growth. With seven issuers bringing \$1.7bn of public issuance as of May 22, it will require a pick-up in activity or deal size for 2024 to match that figure.

There are other reasons why the market is eager to show its mettle. Several of the companies behind the deals have come under scrutiny amid questions of how their business models can withstand the rates volatility.

“With the rates movement of the past couple of years some of the issuers have found themselves in a bind, and a prolonged period of instability with originators and servicers wouldn’t be good for the market,” says Nicholas Rogers, head of non-traditional ABS origination at RBC.

Tricky corporate stories

Many point out the divergence between struggling corporate stories and the performance of the collateral. Although KBRA’s latest US solar loan ABS index from April showed that late-stage delinquencies in solar loan pools had reached the highest levels of any April on record, the rating agency still expects solar loan credit performance to

Solar ABS looks to resume growth after withstanding rates storm

New entrants give US market a welcome lift while Europe still ponders possibility of public deals, writes **Diana Bravo**

outperform other consumer loan products in the near term, given the utility cost savings and superior borrower credit profiles.

One esoteric ABS trader tells *GlobalCapital* that, although he thinks losses are proving higher than the levels anticipated when deals were priced, and that some junior tranches are indicating expectations of distress, he still has confidence in senior bonds across solar ABS.

“In most cases it’s not about the quality of the receivables but about the profitability of the receivables,” says Rogers.

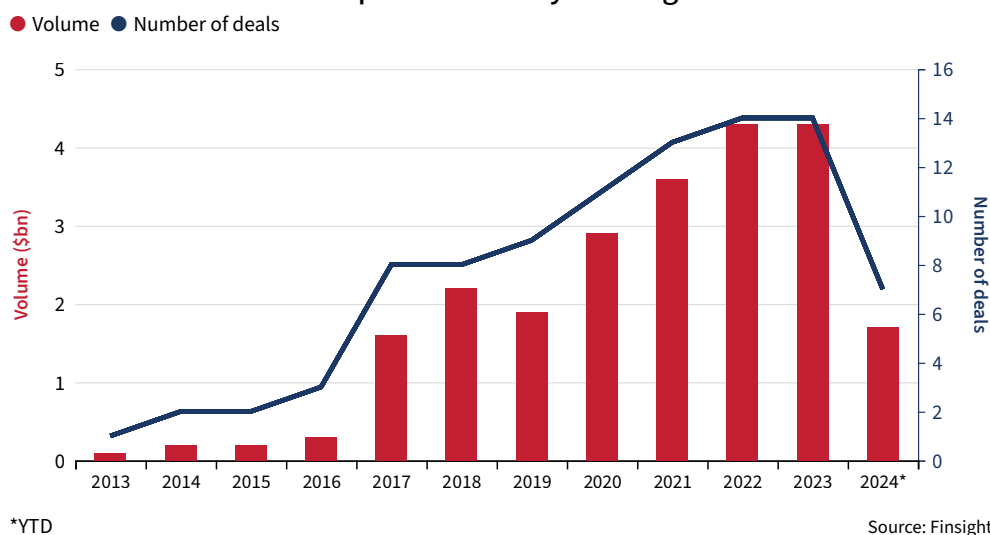
Still, with the likes of Sunnova and Sunrun continuing to post net losses and seeing revenues fall short in the first quarter of 2024, the financial sustainability of several of the sponsors of solar ABS transactions is still unproven.

“An important thing [for the solar ABS market] in the near term is demonstrating that these corporates can make money,” says one senior market source. “The big developers of large-scale utility projects are working through the same thing.”

The source argues that “no one is immune from this across the long-dated infrastructure landscape”, noting that even NextEra Energy, one of the largest capital infrastructure investors in the US, has had a “moment in the sun” regarding its liquidity and access to capital in certain parts of its business.

Others feel, therefore, that two other springtime new issues in the solar ABS market were very important. On March 20, EverBright — a subsidiary of NextEra — brought a \$288m solar ABS transaction led by RBC. Then on April 10, EnFin,

Public solar ABS issuance plateaus after years of growth



the financing subsidiary of Qcells, one of the world's largest solar panel producers, made its market debut with a \$242m trade.

Where the fintech-type businesses such as SolarCity, Solar Mosaic and Sunnova had done the groundwork in building the asset class, so larger, better-capitalized companies have begun to emerge, with some arguing that Brookfield Asset Management's \$402m May 2022 was the first example.

"We've seen a change in terms of the winners and losers [and] who's been able to really take advantage of the space," says Rogers at RBC. "[The market is] going from a kind of fintech-led development early on to some pretty significant size issuers with differentiated strategies that are probably more holistically connected than a fintech that's found an opportunity for arbitrage or efficiency."

Rogers adds: "In the context of more challenging times ahead for some originators in the space, it's important for installers to be able to feel comfortable with their counterparties, and having real equity and reliability behind the originators will ultimately be what helps to insulate this market over time from this. Without that it could be hard to see much further growth."

He says a couple of other new entrants are looking to access ABS, possibly as soon as this year.

"We've really seen a lot of good growth, both on the lease PPA side, as well as on the loan side," he says.

Private capital expansion

Indeed, although issuance data may suggest a stagnation in the growth of solar ABS, this does not tell the full story. For a start, the data typically only show public deals.

"Much of this is bilateral," says the industry source. "There's a lot of behind the scenes, under the radar stuff. A lot of that started after the rates reset in 2022, when people took longer to come into the market or used private or bilateral deals to absorb supply."

"In the private market investors can do more in one clip, and that's taking a lot of volume."

Pricing in the private market has proven to be at least as attractive as public markets, say sources, with Sunrun's private transaction earlier in the year pricing competitively to where 144A deals were being printed, for example.

Europe still waits

At Global ABS in 2022, one of the hot topics of the conference was when would Europe finally get its own solar ABS market off the ground. US solar companies were looking into acquire their European equivalents to grow, bringing excitement around the idea of securitizing future solar contracts, and there was much speculation as to the timing of the first public deal on the continent.

It has yet to appear.

"The challenge is developing appropriate scale to issue a European solar securitization as, aside from a number of larger originators, the provision of the loan and lease product in Europe remains relatively fragmented," says Killian Walsh, managing director at KBRA.

US market sources say that the focus of US operators on the European market has faded since two years ago.

Nicholas Rogers, head of non-traditional ABS origination at RBC, says that, although investors have expressed a lot of interest in European solar, persuading an issuer to be the one to create the public market is no easy.

"They might argue for doing something more privately, and then go tell the world that they just did it," says Rogers. "That way, they can negotiate terms away from away from the eyes of the market."

But Walsh remains optimistic about the birth of the asset class, saying he expects public issuance to commence in the "near to medium term".

"We have seen a growing interest relating to this asset class in Europe from both investors and potential issuers," Walsh says. "Over the last couple of years KBRA have run a number of solar symposiums in Europe which have been well attended with strong levels of interest from the securitization community."

The experience of the US market is likely to prove useful as Europe tries to get its own solar ABS market off the ground, but for now the closest way that the markets work together is with European investors looking to the US.

"It happens because people have money to deploy, and some US issues are already owned by European LPs who may be satisfying EU risk retention requirements already," says one US market source. "Investors in the UK, in particular, massively prefer long dated contractual assets. US solar ABS or solar private placements is attractive to them because all these factors come into play."

Some of this shift may be permanent.

"The pick-up in private issuance is in part due to the volatility, but it also says something about the investor base," says Rogers. "There's been an expansion of private capital buckets leaking into sectors, like solar ABS, that are not just project finance."

"These funds are buying deals that would have otherwise gone to the 144A broadly distributed market. A lot of investors who we speak to have significant appetite on the fully private side of their houses. In that sense I think it's something of a shift."

Yet as fixed income markets more broadly continue their rehabilitation from the rates volatility, with esoteric sectors such as solar usually lagging, bankers are hoping for further tightening in the public market as a way to lure back issuers.

"The next big thing is getting anything [in the new issue market] back to a double digit spread," says the industry source. "[If we see] single-As at a low one handle spread, or double or triple-As in the double digits, that's when you can say we're back."

If the financing conditions continue to improve and the corporate story can get back on track, there is plenty of reason to believe fundamentally in further growth.

"I do think the US market can become multiples bigger; we are on the right side of all the tailwinds," says the source. "It's quite surprising how little we've grown while utility rates and access to tax credits have grown materially."

"Now companies can be laser focused on pricing systems correctly, working with homeowners and commercial clients, and there's also a chance for a huge power price growth. We haven't had a bull power thesis for a long time, but now with AI and data centers, [there is a] need for power, and people are investing in power." GC

"The challenge is developing appropriate scale to issue a European solar securitization as, aside from a number of larger originators, the provision of the loan and lease product in Europe remains relatively fragmented"

Killian Walsh, KBRA

GlobalCapital European Securitization Awards: the winners

The best banks, issuers, deals and other market participants were awarded at a gala industry dinner in London

Organisations from across the European securitization market came together at London's Pan Pacific on March 13 to celebrate their successes over 2023 at *GlobalCapital's* annual awards dinner.

Despite another year of volatility, the market remained resilient, creative and agile in the face of adversity, and the awards shine a spotlight on those who led the way during those 12 months.

The atmosphere was celebratory, as more than 200 people from all corners of the industry came together to enjoy each other's company, share in the ups and downs of the previous year, and congratulate the winners — all accompanied by music from the wonderful Ember Trio.

The *GlobalCapital* Securitization Awards are unique in that they are decided by the market itself.

Research for the awards began back in October, when the market was asked to nominate those that it deemed worthy of inclusion on the shortlist. The nominees were published in December and opened to a market vote to select the winners. Over 45,000 individual votes were cast, resulting in over 140 nominees and more than 50 winners.

The five exceptions to the vote were three pitched categories: Overall Securitization Bank of the Year, Private Securitization Deal of the Year and the Overall Deal of the Year.

These categories were chosen by our editorial team and winners were based on pitches received from the nominees themselves.

Alongside them were two individual awards — Outstanding Contribution and Lifetime Achievement — which recognise longstanding excellence and impact in the European securitization market. Janet Oram of USS took home the Outstanding Contribution award, while the Lifetime Achievement award was given to Steve Gandy, formerly of Santander, who retired in 2022.

Congratulations to all our winners and nominees, and huge thanks to all those who took the time to pitch and vote in the poll. The full list of winners and nominees is below. [GC](#)

Lifetime Achievement

Steve Gandy

Outstanding Contribution

Janet Oram

Pitched Awards

Overall Securitization Bank of the Year

Barclays

Overall Securitization Deal of the Year

Green Lion 2023-1
(ING, Crédit Agricole, Santander, Hogan Lovells)

Private Securitization Deal of the Year

Octopus Electric Vehicles
(Octopus EV, Lloyds Bank)

Editor's Choice

Sun King Financing
(Sun King, Citi, A&O Shearman, Clifford Chance)

Polled Awards

ABS/RMBS

ABS Bank of the Year

Citi

Nominees: Bank of America, Barclays, BNP Paribas, Santander

ABS Issuer of the Year

Santander Consumer Bank AG

Nominees: BNP Paribas, Capital on Tap, NewDay, Toyota, Volkswagen

ABS Deal of the Year

Newday Funding Master Issuer Series 2023-1
(NewDay, BNP Paribas, Citi, HSBC,

JP Morgan, Société Générale, Standard Chartered, Clifford Chance, Morgan Lewis & Bockius, Slaughter and May)

Nominees: Hermitage 2023, Koromo Italy, London Cards No.1, PCL Funding 2023-1, SC Germany Consumer 2023-1

ABS Law Firm of the Year

Clifford Chance

Nominees: A&O Shearman, Hogan Lovells, Latham & Watkins, Linklaters

Esoteric ABS Bank of the Year

Citi

Nominees: Bank of America, Barclays, BNP Paribas, Deutsche Bank

Esoteric ABS Deal of the Year

Hermitage 2023

(*Haydock Finance, BNP Paribas, Citi, Lloyds Bank, Apollo*)

Nominees: Last Mile Logistics CMBS UK 2023-1, London Cards No.1, PCL Funding 2023-1, SBOLT 2023-1

Esoteric ABS Law Firm of the Year**Clifford Chance**

Nominees: A&O Shearman, Cadwalader, Wickersham & Taft, Hogan Lovells, Latham & Watkins

Secondary ABS/RMBS Trading House of the Year**Barclays**

Nominees: Bank of America, BNP Paribas, Citi, Deutsche Bank, Santander

RMBS Bank of the Year**Barclays**

Nominees: Bank of America, BNP Paribas, Citi, Lloyds Bank, Santander

RMBS Issuer of the Year**Together**

Nominees: Dilosk, ING, Lloyds Bank, Paratus / FHL

RMBS Deal of the Year**Green Lion 2023-1**

(*ING, Crédit Agricole, Santander, Hogan Lovells*)

Nominees: Dilosk RMBS 7, Gemgarto 2023-1, HLFCT 2023-1, Permanent Master Issuer plc 2023-1, Twin Bridges 2023-1

RMBS Law Firm of the Year**A&O Shearman**

Nominees: Ashurst, Clifford Chance, Latham & Watkins, Linklaters, Simmons & Simmons

CLOs**CLO Bank of the Year****Jefferies**

Nominees: Bank of America, Barclays, BNP Paribas, JP Morgan

Secondary CLO Trading House of the Year**Goldman Sachs**

Nominees: Bank of America, BNP Paribas, Citi, Morgan Stanley

CLO Manager of the Year**Blackstone**

Nominees: Alcentra, Apollo, CVC Credit, Palmer Square, Spire Partners

CLO Deal of the Year**Aurium CLO XI**

(*Spire Partners, BNP Paribas*)

Nominees: Arini European CLO 1, Cumulus Static CLO 2023-1, CVC Cordatus 27, Margay CLO I DAC, Redding Ridge EUR 16

CLO Senior Investor of the Year**AXA Investment Managers**

Nominees: Apollo, AXA Investment Managers, Commerzbank, Fair Oaks, PGIM

CLO Mezz Investor of the Year**Apollo**

Nominees: AXA Investment Managers, Fair Oaks, Valeur

CLO Law Firm of the Year**Cadwalader, Wickersham & Taft**

Nominees: A&O Shearman, Clifford Chance, Latham & Watkins, Paul Hastings

CLO Rating Agency of the Year**S&P Global**

Nominees: Fitch, KBRA, Moody's Ratings

Debut CLO Manager of the Year**Arini**

Nominees: M&G, Pemberton, Signal Capital Partners, Sonar

CLO Research Firm of the Year**Bank of America**

Nominees: Barclays, BNP Paribas, Deutsche Bank, JP Morgan, Morgan Stanley

Significant Risk Transfer**SRT Bank of the Year****Santander**

Nominees: Barclays, BNP Paribas, JP Morgan

SRT Investor of the Year**Chorus Capital**

Nominees: ArrowMark Partners, AXA Investment Managers, CRC, PGGM

SRT Deal of the Year**Scotiabank Granville Inaugural Corporate SRT**

(*Bank of Nova Scotia, BNP Paribas*)

Nominees: mBank Polish synthetic securitization, Musselburgh 2023-1, SC Germany Leasing 2023-1

ESG**ESG Bank of the Year****BNP Paribas**

Nominees: Barclays, Citi, Credit Agricole, HSBC

ESG Issuer of the Year**ING**

Nominees: Auxmoney, BNP Paribas, Obvion

ESG Deal of the Year**Green Lion 2023-1**

Nominees: Green STORM 2023, Koromo Italy, Margay CLO I DAC, RMBS GREEN PRADO XI

ESG Investor of the Year**European Investment Bank**

Nominees: Amundi, AXA Investment Managers, M&G

ESG Law Firm of the Year**A&O Shearman**

Nominees: Clifford Chance, Cuatrecasas, Latham & Watkins, Linklaters, White & Case

ESG Research Firm of the Year**Sustainalytics**

Nominees: Bank of America, Barclays, Citi, Moody's Analytics

Other**Debut Issuer of the Year****Toyota**

Nominees: Capital on Tap, Haydock, Hyundai Capital Bank Europe, Mogelijk Hypotheken, Scotiabank

Portfolio Buyer of the Year**PIMCO**

Nominees: Apollo, Carval, M&G

Securitization Equity Investor of the Year**M&G**

Nominees: AXA Investment Managers, One William Street Capital, Permira, PIMCO

Securitization Senior Investor of the Year**PIMCO**

Nominees: Aegon, Amundi, Axa Investment Managers, BlackRock

Securitization Mezz Investor of the Year**M&G**

Nominees: Amundi, Apollo, Axa Investment Managers, TwentyFour Asset Management

Securitization Research House of the Year**Barclays**

Nominees: Bank of America, JP Morgan, Morgan Stanley, Rabobank

Securitization Rating Agency of the Year**S&P Global**

Nominees: Morningstar DBRS, Fitch, KBRA, Moody's Ratings

Securitization Advisory Firm of the Year**Deloitte**

Nominees: EY, KPMG, Mazars, PwC

Data Provider of the Year**European DataWarehouse**

Nominees: Bloomberg, EuroABS, Intex Solutions, Moody's Analytics, Solve Advisors

SPV Administrator of the Year**CSC / Intertrust**

Nominees: Cafico International, Maples Group, TMF Group, Vistra Capital Markets, Walkers Professional Services

Securitized Derivatives House of the Year**BNP Paribas**

Nominees: Barclays, Citi, DZ Bank, NatWest

Securitization Trustee of the Year**US Bank**

Nominees: Bank of New York Mellon, Citi, CSC / Intertrust, Deutsche Bank, HSBC

Overall Servicer of the Year**Bank of New York Mellon**

Nominees: European DataWarehouse, Intertrust, Kensington, Pepper, Shawbrook Bank

Most Innovative Deal of the Year

Silverstone 2023-1 – 'Stock & Drop' (Nationwide Building Society, Bank of America, Barclays, BNP Paribas, Citi, Deutsche Bank, Lloyds Bank, Linklaters)

Nominees: Koromo Italy, London Cards No.1, RMBS GREEN PRADO XI, SC GERMANY LEASING 2023-1

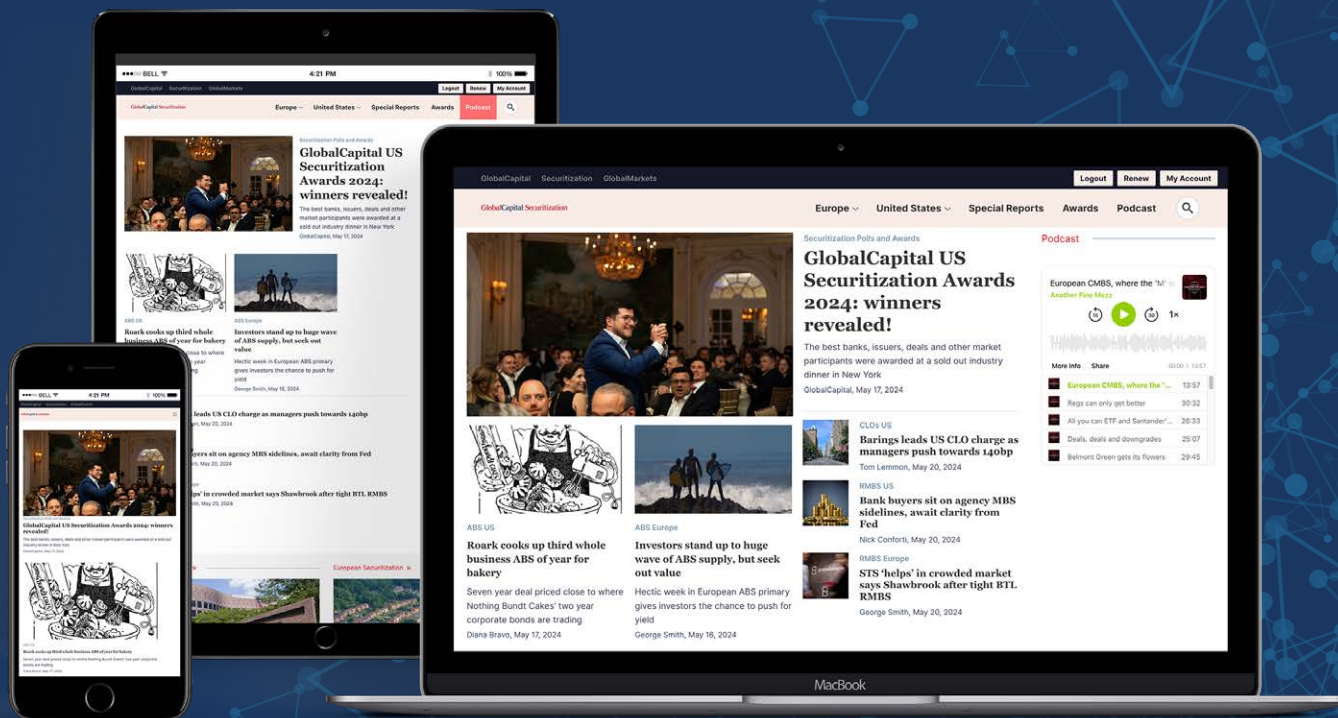
Fintech Provider of the Year**Auxmoney**

Nominees: Cardo AI, Copula, FinDox, Lendinvest

Securitization Rising Star of the Year**Shalala Mammadova, BNP Paribas**

Nominees: Abdelkader Boukhatem, PineBridge; Soojean Choi, Clifford Chance; James Duncalfe, NatWest; Diana Evans, PIMCO; Charles Hatton, BNP Paribas; Gus Machado, Alcentra; Huy Nguyen, Teylor AG; Kathrin Sayk, Värde Partners; Aaron Scott, Dechert

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GlobalCapital US Securitization Awards: the winners

The best banks, issuers, deals and other market participants were awarded at a sold out industry dinner in New York

GlobalCapital hosted its annual US Securitization awards dinner at Essex House in New York on May 16. More than 200 people from all corners of the industry packed into the room to celebrate the leading deals, banks, issuers and other market players for their achievements in 2023.

In another year full of unique challenges, the US securitization market showed itself to be resilient, creative and able to find opportunities against even the toughest market conditions. The awards highlight those banks, issuers, deals and other market participants that shone above the rest during those 12 months.

As the only dedicated awards for the US securitization market, the GlobalCapital Securitization Awards are unique in that the winners are decided by the industry itself.

Research began back in January, when the market was invited to nominate the deals and organizations that merited inclusion on the shortlist. Almost 300 institutions took part and competition for a place on the shortlist was hard fought.

The nominees were published in February and a market vote to select the winners began. Over 20,000 individual votes were cast, resulting in

more than 45 winning organizations and deals.

The exceptions to the vote were three pitched categories: Overall Securitization Bank of the Year, CLO Bank of the Year and Esoteric ABS Bank of the Year.

These categories were chosen by our editorial team and winners were based on pitches received from the nominees themselves.

Congratulations to all our winners and nominees, and huge thanks to all those who took the time to pitch, nominate and vote in the poll. The full list of winners and nominees is below. [GC](#)

Pitched Awards

Overall Securitization Bank of the Year

Bank of America

Esoteric ABS Bank of the Year

Truist Securities

CLO Bank of the Year

BNP Paribas

Editor's Choice

Kopentech — All-to-all Trading

ESG Securitization Deal of the Year

SNVA 2023-GRID1
(Sunnova, Atlas SP Partners, Citi, A&O Shearman, Baker Botts, Kramer Levin)

Polled Awards

ABS

ABS Bank of the Year

Barclays

Nominees: Bank of America, BNP Paribas, Citi, Deutsche Bank, JP Morgan, Wells Fargo

ABS Trading Desk of the Year

Deutsche Bank

Nominees: Bank of America, Barclays, BNP Paribas, Citi, Wells Fargo

ABS Issuer of the Year

Santander

Nominees: American Express, Ford, General Motors, Hyundai, Toyota Motor Corp

ABS Deal of the Year

Affirm 2023-A

(Affirm, Barclays, Citi, RBC Capital Markets, Truist Securities)

Nominees: BACCT 2023-A2, FORDO 2023-C, GECU Auto Receivables Trust 2023-1, Hertz 2023-3

ABS Law Firm of the Year

Mayer Brown

Nominees: A&O Shearman, Dechert, Latham & Watkins, Morgan Lewis & Bockius, Weil Gotshal & Manges

ABS Investor of the Year

Apollo

Nominees: Aegon, AIG, MetLife, One William Street Capital, PGIM

ABS Rating Agency of the Year

KBRA

Nominees: Morningstar DBRS, Fitch, Moody's Ratings, S&P Global

Esoteric ABS Issuer of the Year**Pagaya**

Nominees: Affirm, Sunnova, Vantage Data Centers, Verizon

Esoteric ABS Deal of the Year**SNVA 2023-GRID1**

(Sunnova, Atlas SP Partners, Citi, A&O Shearman, Baker Botts, Kramer Levin)

Nominees: APL Finance 2023-1, Dext ABS 2023-2, GUYS 2023-1, MP 2023-1

Esoteric Law Firm of the Year**Kramer Levin**

Nominees: Chapman & Cutler, Latham & Watkins, Mayer Brown, Sidley Austin

Esoteric ABS Investor of the Year**MetLife Investment Management**

Nominees: AIG, Aegon, NY Life, PGIM, T.Rowe Price

RMBS**RMBS Bank of the Year****Nomura**

Nominees: Bank of America, Barclays, Goldman Sachs, JP Morgan, Morgan Stanley

RMBS Trading Desk of the Year**Nomura**

Nominees: Bank of America, Citi, JP Morgan, Morgan Stanley

RMBS Issuer of the Year**Saluda Grade**

Nominees: Angel Oak, Fannie Mae, Freddie Mac, Invictus Capital Partners, JP Morgan, Redwood Trust

RMBS Deal of the Year**UNLOK 2023-1**

(Saluda Grade, Unlock, Barclays, Jefferies)

Nominees: CROSS 2024-H1, JPMMT 2023-HE1, NLT 2023-1, PRPM 2023-RCF1

RMBS Law Firm of the Year**Dentons**

Nominees: Hunton Andrews Kurth, Mayer Brown, Morgan Lewis & Bockius, Sidley Austin

RMBS Investor of the Year**Apollo**

Nominees: Aegon, AIG, MetLife, NY Life, PGIM

RMBS Rating Agency of the Year**Morningstar DBRS**

Nominees: Fitch, KBRA, Moody's Ratings, S&P Global

CMBS**CMBS Bank of the Year****Wells Fargo**

Nominees: Bank of America, Barclays, Citi, Deutsche Bank, JP Morgan

CMBS Trading Desk of the Year**JP Morgan**

Nominees: Bank of America, Barclays, Citi, Morgan Stanley, Wells Fargo

CMBS Issuer of the Year**Freddie Mac**

Nominees: Bank of Montréal, Barclays, Deutsche Bank, Fannie Mae, Morgan Stanley

CMBS Deal of the Year**Freddie Mac K-PLB2**

(Freddie Mac)

Nominees: BofA BANK5 2023-5YR1, Digital Realty Trust DC 2023-DC, Oaktree WSTN 2023-MAUI

CMBS Law Firm of the Year**Dechert**

Nominees: Cadwalader, Clifford Chance, Dechert, Orrick

CMBS Rating Agency of the Year**KBRA**

Nominees: Morningstar DBRS, Fitch, Moody's Ratings, S&P Global CLOs

CLO Trading Desk of the Year**Bank of America**

Nominees: BNP Paribas, Goldman Sachs, JP Morgan, Morgan Stanley, Wells Fargo

Broadly Syndicated CLO Manager of the Year**CIFC Asset Management**

Nominees: AGL Credit Management, Carlyle, Elmwood, Onex, Palmer Square, Symphony Asset Management (Nuveen)

Middle Market CLO Manager of the Year**Golub Capital**

Nominees: Alliance Bernstein, Blue Owl, Cerberus, Deerpath

CLO Deal of the Year**Golub Capital Partners CLO 69(M)**

(Golub Capital, BNP Paribas, Natwest)

Nominees: BCRED 2023-1, OCP Aegis CLO 2023-29, Redding Ridge RR 23 LTD Reset

CLO Law Firm of the Year**Dechert**

Nominees: Cadwalader, Cleary Gottlieb Steen & Hamilton, Latham & Watkins, Paul Hastings

CLO Trustee of the Year**US Bank**

Nominees: Bank of New York Mellon, Citi, Computershare, Wilmington Trust

CLO Tech Provider of the Year**Intex**

Nominees: Kopentech, SOLVE

CLO Investor of the Year**Nuveen**

Nominees: Flat Rock, Lakemore Partners, Sancus Capital

CLO Rating Agency of the Year**S&P Global**

Nominees: Fitch Ratings, Moody's Ratings

CLO ETF Provider of the Year**Janus Henderson**

Nominees: BlackRock, EaglePoint, Invesco, Panagram, PGIM, VanEck

ESG**ESG Securitization Bank of the Year****Atlas SP Partners**

Nominees: Bank of America, Barclays, Citi, Deutsche Bank

ESG Issuer of the Year

Nuveen Green Capital

Nominees: Blackstone, Fannie Mae, Freddie Mac, Redwood Trust

ESG Investor of the Year

Blackrock

Nominees: JP Morgan Asset Management, MetLife, Sculptor Capital Management

Other

Securitization Research Team of the Year

Nomura

Nominees: Bank of America, Goldman Sachs, JP Morgan, Moody's Investors Service

Securitization Tech Provider of the Year

Finsight

Nominees: Bloomberg Data Management Services, Intex, Moody's Analytics, Oxane Partners, SOLVE

Securitization Trading Data Provider of the Year

Bloomberg

Nominees: Finsight, Intex, SOLVE

Securitization Trustee of the Year

Wilmington Trust

Nominees: Bank of New York Mellon, Computershare, Deutsche Bank, US Bank

Securitization Rating Agency of the Year

KBRA

Nominees: Morningstar DBRS, Fitch, Moody's Ratings, S&P Global

Securitization Accounting Firm of the Year

Deloitte

Nominees: EY, Grant Thornton, KPMG, PwC

Innovative Securitization Deal of the Year

JPMMT 2023-HE1

(JP Morgan Mortgage Trust, JP Morgan)

Nominees: Nuveen Green Capital C-PACE Lending Fund, SNVA 2023-GRID1, Sunrun Julius Issuer 2023-2



the new name of



and



Events Calendar

The Global Borrowers & Bond Investors Forum

18 - 19 June 2024
The Landmark Hotel,
London, UK

The Private Credit Summit at ABS Asia

4 September 2024
Hong Kong

ABS Asia

4 - 5 September 2024
Hong Kong



ABS East

co-hosted with **FIN**
21 - 23 October 2024
Fontainebleau, Miami, USA

The Private Credit Summit at ABS East

21 October 2024
Fontainebleau, Miami, USA

The Covered Bond Congress

co-hosted with **ECBC**
12 September 2024
Porto, Portugal

The Central & Eastern European Forum 2025

14 - 15 January 2025
Vienna

CEE Securitization Summit

15 January 2025
Vienna

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