

# Alert

## Structured Finance

### Structured Finance Activity in 2012

As has been well documented, there was no major shift in the European securitisation market in 2012. However, Weil's experience in 2012 showed various meaningful types of structured finance activity relevant to the UK taking place. The following areas were notable for us:

- **Prime consumer asset issues** continued to be the main asset class as far as primary issuance in the public market goes. In particular Residential Mortgage Backed Securities and credit card backed issuances were the main activity in the UK, albeit levels declined in the second half due to the attractiveness to lenders of the Bank of England's Funding for Lending scheme. RMBS of building society mortgages were increasingly in the forefront with Weil acting on the Brass 2 £1.7 billion Yorkshire Building Society issue, as well as on Barclays Bank's and Lloyds Bank's own asset RMBS and credit card securitisation issues totalling over £9.5 billion in value.
- **Bespoke private deals with innovative structures** continued to be an active area, particularly in the auto sector. Building on the work the Weil team did for vehicle fleet leasing and management company, the Zenith Group, for which we were nominated for Finance Team of the Year in 2011, in 2012 Weil acted for new client Hertz Europe on their European and Australian rental fleet securitisations as well as advising on a leading catalogue's receivables securitisation.
- **Regulatory issues** continue to impact the market with some transactions being restructured as a result. Much of the driver for change came from the effect of US legislation such as the Dodd-Frank Act. In light of Weil's leading US Structured Finance practice, Weil continued to be in demand from clients looking to understand and plan around the new, often complicated and uncertain, rules from both the US and Europe. We advised on matters such as risk retention in new CLOs and CFTC commodity pool issues across existing credit card and mortgage backed programmes, amongst other regulatory issues.
- **CDO structures** also saw increasing activity even though public issuance in the European market remained moribund. There was continued interest in the repackaging of CDO interests of different types, including the equity, following use of such methods in the US. In the US where the market shows signs of returning to somewhere comparable to pre-crisis issuance levels, Weil New York acted on CDO transactions structured to take advantage of preferential capital treatment, particularly in the insurance sector. Weil also advised a collateral manager in connection with the structuring of an offshore vehicle investing in leveraged loans and continues to advise The Blackstone Group's credit fund, GSO Capital, on all of their existing CDOs following their acquisition of the Harbourmaster collateral management and fund business in early 2012.

- **Portfolio trades** attracted large amounts of press attention although in reality the number of actual completed trades of UK assets was limited. In the UK Weil acted for a number of funds bidding for portfolios of distressed debt and equity positions, providing in-depth advice on structure and negotiation as well as conducting the often highly technical due diligence that such direct portfolio sales often involve on the underlying assets.
- **Restructuring of distressed deals** continues to be significant in the market, particularly in CMBS. During 2012 Weil acted for Beacon Capital and Lehman Brothers on distressed CMBS and real estate deals, including the sale of the Excalibur CRE CDO and the restructuring of the Citypoint CMBS transaction. Weil also advised a leading Monoline Insurer in relation to restructuring its positions on major securitisations in Continental Europe and liability management options.
- **Major bankruptcies** continued to have wide effects through the financial (and structured finance) sector. Working with our top ranking Bankruptcy practice, Weil's London Structured Finance Group continued to advise Lehman Brothers in the US on the settlement and unwind of its large and highly complex derivative and structured product portfolios and also advised MF Global and its Joint Special Administrators in relation to its derivatives and commodity portfolios in its special administration: the first-ever filing under the new Special Administration Rules (for which Weil's team was nominated for Banking and Finance Team of the Year 2012).
- **Financial litigation** (and the potential threat of litigation) continues to weigh heavy on structured finance participants. Weil has had extensive experience in this area and, through its involvement advising major market participants (including those in restructuring, such as the Lehman estate and MF Global) the Weil Structured Finance and Dispute Resolution teams were at the forefront of the most high profile cases, including the landmark Belmont/Perpetual anti-deprivation case at the UK's Supreme Court amongst others. In 2012 Weil was instrumental in a significant victory for the special administrators of MF Global UK in a dispute over the defaulting party provisions of the standard GMRA repo agreement.
- **Financial sector M&A** continued to be relevant in the structured finance sector, evidenced by deals such as the \$4 billion acquisition by GM of GMAC International that announced in late 2012. GMAC is financed to a significant extent by securitisation and, acting for GM, Weil played an important role in analysing the underlying portfolios and securitisations on behalf of the purchaser.
- **Asset backed lending** in acquisition financing packages also continued to play a part as a financing tool for certain borrowers and lenders in light of the generally constrained lending environment. Weil continued to advise sponsor TowerBrook in its asset based financings for CapQuest, the debt management and recovery business, as well as advising on similar asset-based lending structures.

If you have any queries, or would like more information about this Alert or Weil's European Structured Finance practice, please speak to your regular contact at Weil, or to:

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