

MEDIA MENTIONS

Schulte partners Martin Sharkey and Craig Stein quoted in 9fin

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Schulte Roth & Zabel partners Martin Sharkey and Craig Stein spoke with 9fin for the article, “CLO legal league tables Q2 24 — Busy quarter gives opportunity for doc changes as sticky stipulations emerge.”

The article discussed the trend of linking stipulations (stips) to anchor triple-A CLO investors, which can impact CLO liquidity. Craig described how the quarter has been marked by a significant influx of CLOs, with resets being particularly prevalent in the United States.

“We’re seeing some clients resetting practically every one of their deals, as no matter what the vintage, the spreads in those deals are wider than the market today.”

Despite the busy issuance pace, there are still many investor stipulations, indicating investor sophistication, Martin observed.

“Pushbacks we’re seeing are on reinvestment criteria, maturity amendments, and the ability to acquire loss mitigation loans (LMLs), up-tiered assets and privately rated assets.”

Craig noted that the treatment of LMLs is crucial due to the increase in out-of-court workouts and restructurings.

“How LMLs are treated in the indenture is still extremely important for managers and equity as we’re starting to see less actual bankruptcy filings and more out of court workouts and restructurings, so it’s important for managers to be able to participate.”

The CLO market is often preoccupied with potential regulatory challenges. However, Martin speculated that regulation should move to a more favorable environment with EU regulators appearing open to reducing the burden.

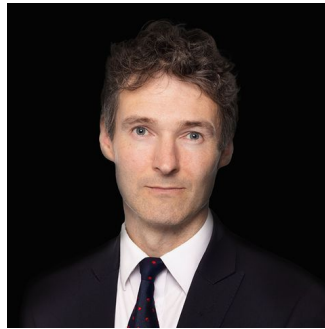
“The bigger risk for the CLO market is geo-political shocks, like COVID or Ukraine,” Martin described.

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