



The Cast: Who's Who in CLOs

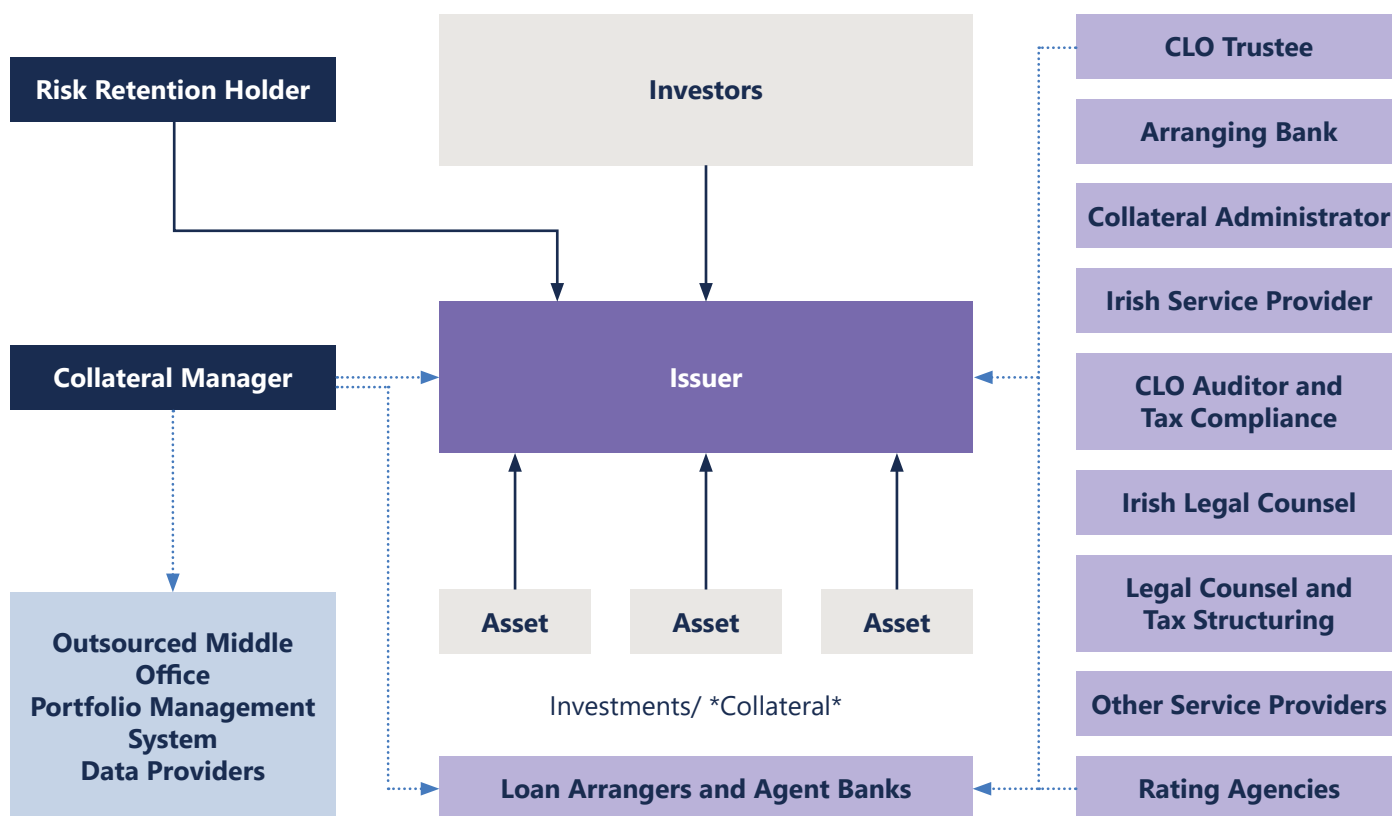
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Introduction

Issuing a CLO involves multi-disciplinary teams of specialists all working together. The number of parties involved in the creation of a CLO can be bewildering.

In this CLO Insights article, we explore the roles and responsibilities of each party and provide some rationale for some of the key constructs.

Typical CLO Structure



Issuer

The Issuer is a special purpose vehicle that owns the assets and has an obligation to pay principal and interest on the CLO notes. This entity is incorporated as an orphan entity with its share capital held on trust for charitable purposes. Along with the limited recourse and non-petition provisions included in the transaction documents, this ensures that the CLO is "bankruptcy remote".

So far so good but why are the Issuers all based in Ireland?

Ireland has the necessary infrastructure (lawyers, accountants, administrators, etc.) and double tax treaties which are essential for operating a CLO.

Investors

Investors comprise a range of institutions who have interest in the CLO notes as part of their own investment objectives. They have the choice of which notes suit them best and the ability to influence both the price and terms of the CLO although ultimately these are both market-driven.

The Collateral Manager

The Collateral Manager is appointed by the Issuer to select assets for inclusion in the portfolio and for the management of the portfolio. The Collateral Manager employs a team of analysts dedicated to selecting and monitoring the assets in the portfolio. The Collateral Manager also typically employs a Trader and a Portfolio Manager whose roles are to ensure that assets are bought and sold for the benefit of the Investors.

The Arranger

This is usually a well-known investment bank. The Arrangers principal job is to structure the CLO notes and negotiate with the Rating Agencies. The Arranger identifies suitable Investors and helps to negotiate the CLO documentation. Importantly the Arranger is the initial purchaser of the Notes before they are on-sold to Investors. The Arranger typically also provides warehouse financing for purchase of assets before the CLO is issued. This means that investors can see what will go into the portfolio and also have the benefit of having income producing assets from the closing date.

Corporate Services Provider

The role of the Corporate Services Provider is to provide independent directors and make sure that the Issuer is run properly and efficiently including keeping necessary records and ensuring that all filings are made on time.

The Trustee

The Trustee works for the Investors to make sure their interests are protected. Firstly, it holds the security interests created by the Issuer on trust for the benefit of the Investors (and other secured transaction parties). If the Issuer defaults and CLO debt is accelerated, the Trustee would run the enforcement process on behalf of the Investors and arrange the liquidation of the assets. Secondly, the Trustee represents the interests of the Investors in accordance with the Trust Deed, such as in relation to modifications and waivers.

Account Bank

The Account Bank may be the same institution as the Trustee. Its role is to maintain the various bank accounts that are required for a CLO including Interest and Principal accounts.

The Collateral Administrator

The Collateral Administrator carries out certain administrative functions on behalf of the Issuer, such as booking and settling trades in the CLO's portfolio, collecting payments and determining whether proceeds are interest or principal in nature. It also assists with payment directions to the Account Bank and determines amounts to be disbursed on each payment date pursuant to the priorities of payments. (See also CLO Insights article, The Waterfall: <https://pembertonam.com/insights/the-waterfall/>) In addition, the Collateral Administrator will, in co-ordination with the Issuer and the Collateral Manager, produce the reports to be sent to Investors detailing the performance of the CLO.

The Rating Agencies

The Rating Agencies play a key role in the formation and functioning of CLOs. They use their experience and research to assist the Arranger in providing ratings for the notes as well as ratings for the underlying assets. The Rating Agencies monitor the CLO's performance through its life, adjusting the ratings for the notes if necessary, and they also provide the methodology for the collateral quality tests which the Collateral Manager needs to comply with. (See also CLO Insights article, Collateral Quality Tests and Matrices: <https://pembertonam.com/insights/clo-collateral-quality-tests-and-matrices/>)

The Risk Retention Holder

The Risk Retention Holder is a special type of Investor that is required by regulation to hold at least 5% of the European CLO notes for the entire life of the CLO. The intention is that this serves to align the interests of 3rd party Investors with the Collateral Manager. There are a number of ways this can be achieved (See also CLO Insights article, Skin in the Game, to be published April 2026). The Risk Retention Holder is not permitted to sell or hedge this investment.

Lawyers

Each of the Collateral Manager, the Arranger, the Issuer, the Trustee and the Risk Retention Holder will appoint a law firm. Together they make sure that the CLO is issued in accordance with applicable laws and regulations and negotiate the legal documents on behalf of their respective clients.

Listing Agent

The listing agent provides services to the Issuer to list the CLO notes on a suitable exchange.

Valuation providers

Third party firms that provide valuation services for the underlying assets and also for the notes especially in respect of US Risk Retention rules.

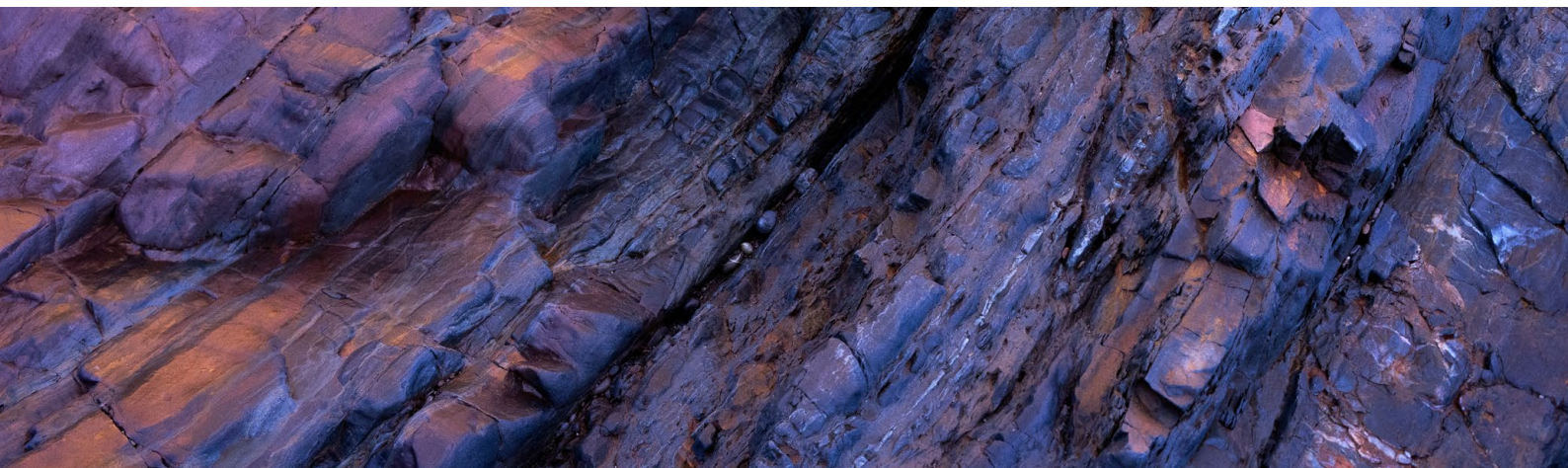
Other essential service providers

These are organisations that assist the Collateral Manager in managing the portfolio including portfolio management systems providers, trading platforms, information providers, ESG ratings providers plus auditors and accountants.

Conclusion

The process of issuing a CLO brings together a multi-disciplinary team of professionals. Each is an expert in their own field, and the work is generally undertaken in a spirit of mutual co-operation and respect.

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