

# EXCELLENCE IN THE ADMINISTRATION OF ILLIQUID ASSETS

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**Magnus Wilson-Webb:** BNY Mellon's become one of the largest players in the administration of this illiquid asset class, primarily through our activities in the CLO space where we provide trustee and loan administration, collateral administration services, on around \$170 billion worth of CLOs. And we've been doing this for a number of years.

We worked with clients pre-crisis, continued to service them throughout the financial crisis, and then more recently as we've seen a resurgence and interest in this asset class, we've been there to support them.

These illiquid assets are assets such as syndicated and leveraged loans, infrastructure debt, real-estate loans, and direct lending. And the common theme here is these are all assets that are cleared OTC, so they're all held outside of the clearing systems.

**Arlene Allen:** The major trends we're seeing in the market today is managers are issuing multiple transactions on an annual basis. We're also seeing managers seek higher returns, and they're looking to loans as an asset class to deliver this yield.

**Magnus:** Another trend we're seeing is banks pulling back from lending as a result of regulatory and capital constraints. In fact, a recent survey of European corporates showed that they're getting around 40% of their lending needs from these alternative sources now.

And what this means is that this type of lending is often through structures such as CLOs or credit funds, in which case they require the services of someone like BNY Mellon to provide these loan administration services.

**Arlene:** I believe the biggest challenge in administering these assets is in the dematerializing of the loan lifecycle to be more akin to the operation of the bond market from both the settlement perspective and the day-to-day operation.

**Magnus:** Here at BNY Mellon, we use the Wall Street office platform for carrying out our loan administration, and from that we can then feed the data into either compliance reporting modules, or through to our fund accounting platforms, depending on the structure and the demands for information from the investors.



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It also requires staffing expertise. You need people who really understand this asset class and can work with both the managers and with the agent banks in order to track these assets accurately and map the cash flows.

And to that end, we created within BNY Mellon a Loan Centre of Excellence earlier in 2014. And this consists of somewhere around 500 people who are focused solely on supporting the loan asset class.

**Arlene:** We are one of the largest participants in the leveraged loan market servicing over 1,000 portfolios and having access to over 300 agent banks, thus giving us timely information for our clients.

**Magnus:** We have a full suite of services across our investment services business to support our clients, from loan administration to compliance reporting, fund accounting, and loan administration services. We're also a truly independent provider focused on providing administrative expertise that's necessary to service these illiquid assets.

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