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5 Myths About Transitioning Your Securitization Trustee

Moving your capital markets transactions to a new trustee can not only be faster and easier than you think, but also provide you with competitive advantages

There is an unusually high level of uncertainty in today's global capital markets. From interest rates, inflation, and geopolitical problems to regulatory/tax proposals and the move to new reference rates, issuers need to successfully manage an overload of questions. In this environment, the last thing they should have to worry about is their trustee/agent.

Issuers must move quickly and efficiently, so it is critical to have a stable, full-service, experienced partner in the role of trustee/paying agent. But as they consider their needs for now and the future, issuers may be reluctant to change trustees because they perceive the process as complex and time consuming.

In most cases, this perception does not match real-world experience. Read on for a list of key myths and realities surrounding the process of trustee transition.

Myths

1. **An issuer can only source a new trustee on a new deal**
2. **Most leading trustees can easily provide customized solutions**
3. **Transitioning a trustee relationship requires months to process**
4. **All trustees are depository institutions.**
5. **Trustees that are part of a legacy bank require lengthy and expensive approvals before taking on a new issuer**

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Myth: An issuer can only source a new trustee on a new deal.

Reality:

An industry-leading trustee can find efficiencies and offer enhanced services on both new deals and those that have been established and closed for years. It's not uncommon for an issuer to bring in a successor trustee on existing deals for one or more reasons, ranging from cost savings to service quality.

Myth: Most leading trustees can easily provide customized solutions.

Reality:

As a baseline, any trustee should be able to successfully manage key functions in-house such as: accepting and calculating payments; distributing funds via wire transfer; and safeguarding electronic or paper documents. However, providing a full range of services does not equate with providing full service. Many trustees are restricted by their business model to offering only industry-standard services. The best trustees have the experience and agility to provide bespoke solutions and white-glove service above the standard. This can include a dedicated relationship manager who knows you and your business and can quickly connect with your senior leaders as needed, as well as any specialized experts to help meet a client's unique requirements.

Myth: Transitioning a trustee relationship requires months to process.

Reality:

An experienced trustee can transition a relatively straightforward deal or set of deals (e.g., one asset class) in as little as 60 days. The successor trustee will work closely with all deal parties, including the outgoing trustee, to ensure that all terms are met and a transition is smooth and timely. In many cases, transactions do not need to be restated or amended. The successor trustee will transition all deals from the outgoing trustee by executing templated appointment and assignment agreements. This streamlines the process and makes the move nearly seamless for the issuer and its counterparties.

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Myth: **All trustees are depository institutions.**

Reality:

Not all trustees are part of a bank that manages deposits. However, a trustee that is part of a depository institution offers several key benefits to clients. One is that this structure reduces the number of counterparties within a transaction. Another is that a depository institution can better document control over cash flows within a transaction.

Myth: **Trustees that are part of a legacy bank require lengthy and expensive approvals before taking on a new issuer.**

Reality:

Yes, very large institutions can slow the transition process with multiple layers of bureaucracy. But a more agile trustee can make this activity more efficient with fewer steps involved. Moreover, an agile trustee provides an issuer with more direct access to its senior leaders who can expedite the work involved in the approvals process.

At Wilmington Trust, we have been working with issuers for decades. Your capital markets transaction deserves the attention of a team that has deep experience as a full-service trustee across all asset classes. As a depository institution, we provide clients across the U.S. and the world with agile trustee and administrative services, with a focus on designing tailored solutions to meet each client's unique needs. For more information, TK.

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