

US COURT OF APPEALS RULES THAT RISK RETENTION RULES DO NOT APPLY TO CLO MANAGERS

On February 9, 2018, the US Court of Appeals for the District of Columbia ruled in favor of The Loan Syndications and Trading Association (LSTA) in the case of *The Loan Syndications and Trading Association v. Securities and Exchange Commission and Board of Governors of the Federal Reserve System*. Specifically, the court decided that the credit risk retention rules adopted by the US Securities and Exchange Commission (SEC) do not apply to managers of CLOs that purchase loans in the open market. The reason for this ruling was that these managers neither originate the loans nor hold them as assets, and they therefore do not qualify as "securitizers" as defined in the applicable statutory provision. The effectiveness of this ruling is subject to a 45-day period during which the SEC and the Federal Reserve Board may consider whether to appeal.

The court's opinion is available [here](#). We expect to publish an analysis of this court decision in the near future.

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