

# Asset Securitization Report

## After bulking up on staff in 2022, Wilmington Trust sets sights on CLOs

By Donna M. Mitchell | July 26, 2023

Wilmington Trust is a high-profile name in wealth management services, but in the asset-backed securities industry the company is almost ubiquitous for its corporate, institutional and global capital market services. Yet there is another area where Wilmington Trust is experiencing growth—middle-market private debt. More recently the company added a total of some 36 professionals to its collateralized loan obligation (CLO) division—22 in 2022 and 14 more this year.

It's no wonder that the Wilmington, Del.-based company has ramped up its staff in CLOs, since that market continues to grow along with the influx of private debt. The CLO/CDO asset class did about \$62.1 billion in business through July 6, as tallied by the Asset Securitization Report's deal database, with no signs of slowing down.

ASR spoke with two professionals from Wilmington Trust's CLO division, Richard Britt, CLO product division leader and Medita Vucic, head of U.S. loan agency Services, to understand how the company withstood the recent periods of volatility and uncertainty. They also shared insights about the role of technology in the way that client data is collected and managed, and what the company's prospects are for expanding its CLO team in the second half of the year.

**Asset Securitization Report:** It's been a year of big changes for Wilmington Trust. What led the company to hire 22 staffers in 2022 and another 14 this past May?

**Richard Britt:** It is a relatively new business for Wilmington Trust Global Capital Markets. We launched at the end of December 2019 with our first client, and 2020 was period of growth for us. We experienced rapid growth in the marketplace as we built out our capabilities and landed key clients. Our primary area of growth has been and continues to be the credit facility/borrowing base transactions of the loan financing space.



Richard Britt  
*Courtesy of Wilmington Trust*

We're a full-service corporate trust provider, so getting into the CLO line of business was a natural progression between the two asset classes. It was kind of a natural evolution, because we wanted to service the asset class. The way we're doing it is by listening to clients and prospects to anticipate what the service demand is. We try to anticipate what the pipeline's needs would be based on conversations we are having with clients and prospects.

As a service provider we are not driving the market, but rather we watch loan issuance and credit trends. We built up a reputation as a high-quality service provider, and we have 5 of the 10 top CLO managers as clients. We do a variety of business with them. As I mentioned we have a strong concentration in the middle market and credit facilities space. This business [as we do it] is more bespoke than broadly syndicated loan (BSL) CLOs, and we are focused on the details. When we come across imperfect information—because of our technology—we can identify any gaps quickly. We've been able to satisfy clients' requirements for more detailed data and less standardized calculations in reports, so there is an efficient exchange of information and timely tie outs.

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Richard Britt, CLO product division leader, Wilmington Trust

**Medita Vucic:** While we don't forecast issuance levels, we follow market forecasts, and our team will continue to expand to support the loan market.

**ASR:** As was widely expected going into 2023, securitization issuance has fallen, and across virtually all categories. Even CLO issuance is expected to fall from record highs seen in the last several years. What is Wilmington Trust's CLO outlook for the rest of 2023, in terms of client expectations?

**RB:** We continue to focus on the basics, like having good data, improving our processes and efficiencies. The clients want us to deliver information to them and that information has to be accurate and timely. We're not providing a lot of useless bells and whistles ... just the information that they need for our role. If the negative market predictions of defaults and downgrades are true, then having accurate information is extremely important for the clients.



Medita Vucic  
*Courtesy of Wilmington Trust*

**ASR:** The latest group of new hires includes a lot of relationship managers. Does that follow the trend for hires for all of 2022? ASR is just curious about what specific areas of client services and client needs Wilmington Trust is planning for in its hiring.

**MV:** Our strategy has been to hire team members with experience in loans across all functions including technology.

We do have a budget to hire staff as we obtain additional mandates in the marketplace. How many we hire depends on how the marketplace continues to react in 2023. We hired a lot of relationship managers in 2022. Most of our hires have been in the areas of transaction services, analytics and technology. Our strategy remains focused on the trustee and agency business and will continue to support the growth of the business through talent acquisition.

**RB:** We have a particular strength in the middle market area, where we're well positioned—even in the downturn—to grow. Private debt is growing and with that CLO financing will grow. Asset securitization technology, meaning methodology and not actual tech, ABS, and tech areas apply very well.

The assets in CLOs are mostly senior secured. Because of our bankruptcy laws when bank loans default there is a standard process, or liquidation or restructuring model, which is usually followed. This results in good historical recoveries; in middle market private debt, I think all interests are more aligned than they would be [for] a bank-controlled broadly syndicated loan.

**ASR:** We previously wrote about the use of blockchain technology to help overcome some hurdles on managing documents associated with RMBS deals. Can you catch us up with whether this might be expanded and applied to the CLO space?

**RB:** We're monitoring developments closely. What we do see is technology improving the way that information is taken in, uploaded and reconciled; we will continue to see vast improvements in those areas as a lot of new industry information exchanges about loan details and contracts are underway right now along with OCR (Optical Character Recognition) plus – which is OCR mixed with a little AI, or templating or machine learning. Overall we've seen more and more information exchange getting technical advancements but it is not across the board on all bank loan transactions.

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Medita Vucic, head of U.S. loan agency Services, Wilmington Trust

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**ASR:** How has the recent instability in the regional bank sector impacted Wilmington Trust?

**RB:** We're in good shape! We've got a solid corporate trust business here and we are backed by M&T—which is a strong regional bank. M&T overall has been praised for our balance sheet management and the conservative nature of the organization—but also for our focus on steady growth. We're coming from a position of strength in terms of capital and liquidity. We have a strong executive leadership team and risk management framework.

**ASR:** A large international bank made headlines earlier this year by postponing a planned \$1.3 billion non-prime auto ABS deal, due to market volatility. What market conditions does the Wilmington Trust CLO team anticipate in the months ahead?

**RB:** The ABS market and CLO market are not directly correlated, but we do see some slowdown in new warehouses. The CLO business addresses the corporate loans more than the consumer loan side. It's a combination of arbitrage that's out there—a little bit of a drag based off of LIBOR/SOFR transition, and a lot of people trying to figure out the best ways to handle their deals. The CLO market is still very strong in comparison to historical trends. Personally, I don't believe it will last all year—there is not enough original loan issuance to sustain another record growth year. Where we see a lot of growth is in the middle market/private debt space.