



Dealscribe reveals 2021 market standards for US CLOs

Dealscribe has released details of a hypothetical collateralized loan obligation representing the market standard for US broadly syndicated transactions in 2021

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[Dealscribe](#), a technology-enabled research firm that translates complicated transaction documents into data, has released details of a hypothetical collateralized loan obligation (CLO) representing the market standard for US broadly syndicated transactions in 2021. Subscribers can use this dummy deal in comparisons to see how their own deals diverge from market norms in terms of documentation.

An accompanying report shows how market standards for US CLOs evolved in 2021. This shows that:

- A bond bucket of 5% is now standard for US CLOs, following relaxation of the Volcker Rule in late 2020.
- Most CLOs must “maintain or improve” their weighted average life test in order to be able to make purchases after the end of their reinvestment period. However, 11% use the stricter “one-touch” approach.
- On average, CLOs can use principal to buy work-out obligations up to a limit of 6.5% of their portfolio over the life of the deal. A big change in recent years is that these assets now carry a value in the CLO’s overcollateralization ratios.

The 2021 standard CLO includes the most common values for the approximately 300 documentation-related data points recorded in Dealscribe’s web-based system. Dealscribe has been tracking market standards in this way for European CLOs since early 2021.

Dealscribe, based in London and New York, was established in 2020 and has the backing of a group of leading individuals in the CLO industry.

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