October 16, 2019

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Joseph M. Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable J. Christopher Giancarlo
Chairman
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Comments on "Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds"

Dear Chairman Powell, Chairman McWilliams, Comptroller Otting, Chairman Giancarlo, and Chairman Clayton:

The Loan Syndications and Trading Association ("LSTA")[1] appreciates the opportunity to provide comments to the Agencies[2] in response to questions posed in the proposed rule,

[1] The LSTA is a not-for-profit trade association that is made up of a broad and diverse membership involved in the origination, syndication, and trading of commercial loans. The 435 members of the LSTA include commercial banks, investment banks, broker-dealers, hedge funds, mutual funds, insurance companies, fund managers, and other institutional lenders, as well as service providers and vendors. The LSTA undertakes a wide variety of activities to foster the development of policies and market practices designed to promote just and equitable marketplace principles and to encourage cooperation and coordination with firms facilitating transactions in loans. Since 1995, the LSTA has developed standardized practices, procedures, and documentation to enhance market efficiency, transparency, and certainty.

[2] "Agencies" refers to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Commodity Futures Trading Commission, and the Securities and Exchange Commission. LSTA has submitted comment letters regarding the "Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds" to some or all of the Agencies on December 24, 2013; December 31, 2013; January 10, 2014; and September 31, 2017.

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"Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds" ("Proposal"),[3] that would further amend the so-called "Volcker Rule," the regulations implementing section 13 of the Bank Holding Company Act ("BHC Act") that were finalized in December 2013 ("2013 Final Rule").

Background on Collateralized Loan Obligations

Syndicated leveraged loans in the U.S. comprise approximately $1.1 trillion of financing to "non-investment grade" American companies (which comprise more than 70 percent of U.S. companies). Among the companies receiving these loans are iconic companies such as Burger King, United Airlines, Avis Rent a Car and Equinox Fitness as well as other major employers in industrial and service sectors throughout the economy. These companies use the proceeds of syndicated leveraged loans to expand operations, create jobs, improve their goods and services, and otherwise propel economic growth. Importantly, issuers of collateralized loan obligations ("CLOs") are the single largest source of capital for syndicated leveraged loans. For instance, according to S&P Global Market Intelligence, capital provided by CLO issuers has ranged from $50 billion to $125 billion annually and hold well over 50% of all outstanding syndicated loans. Clearly, CLOs play a vital role in capitalizing American businesses.

CLOs are created by securitizing pools of syndicated bank loans and selling notes with varying degrees of credit risk to investors with a broad range of risk appetites and investment objectives – including investors who would not directly purchase bank loans or lend to companies that typically receive them. Banking entities of all sizes, which are covered by the Volcker Rule, provide a substantial portion of the capital to this sector, traditionally by purchasing and holding a large amount of the highest rated tranche of a CLO's debt securities. Indeed, banking entities have traditionally viewed the senior-most tranche of a CLO's debt securities, which is typically rated "triple A," as a prudent investment. It is also noteworthy that CLOs performed well during the financial crisis and have continued to perform well since.[4]

[3] "Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds," 83 *Fed. Reg.* 33432 (July 17, 2018); "Extension of Comment Period for Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds," 83 *Fed. Reg.* 45860 (Sept. 11, 2018).

[4] *See e.g.,* "S&P: CLOs show strong historic performance with few defaults," *LeveragedLoan.com* (Jan. 31, 2014), *available at* www.leveragedloan.com/sp-report-clos-show-strong-historic-performance-with-few-defaults. ("Looking at the default statistics, of the over 6,100 ratings issued by S&P on over 1,100 U.S. CLO transactions, only 25 tranches have defaulted and had their rating lowered to D as a result. Based on this, S&P calculated a 0.41% default rate, or just over four tranches for every 1,000 it has rated."); *see also* "Twenty Years Strong: A Look Back at U.S. CLO Ratings Performance from 1994 Through 2013," Standard & Poor's, January 31, 2014.

<u>LSTA's Response to Proposal's Questions</u>

We are very grateful that the Agencies are meaningfully reconsidering some aspects of the 2013 Final Rule, and we welcome the opportunity to comment on the Proposal. In particular, we fully endorse revision of the definitions of "loan securitization" and "ownership interest" in a way that does not unnecessarily hinder the market for CLOs and other loan securitizations so that these markets can continue to play the vital role that they have historically played providing capital for American businesses. Specifically, we request that the Agencies:

(1) Modify section ___.10(c)(8) of the 2013 Final Rule's loan securitization exclusion so that it clearly and effectively excludes traditional CLOs from the definition of the term "covered fund," while retaining the unified definition of "covered fund"; and

(2) Modify section __.10(d)(6) of the 2013 Final Rule's definition of the term "ownership interest" to provide that the "rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event" include the right to participate in the removal of an investment manager "for cause," or to nominate or vote on a replacement manager upon an investment manager's resignation or removal.

We describe these two requests below.

I. Modify section ___.10(c)(8) of the 2013 Final Rule's loan securitization exclusion so that it clearly and effectively excludes traditional CLOs from the definition of the term "covered fund," while retaining the unified definition of "covered fund."

In the Proposal, the Agencies ask whether they should modify the loan securitization exclusion from the "covered fund" definition.[5] We urge the Agencies to modify section

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[5] The Agencies ask:

> [Question 177] The 2013 final rule's loan securitization exclusion excludes an issuing entity for asset-backed securities that, among other things, has assets or holdings consisting solely of certain types of permissible assets enumerated in the 2013 final rule. These permissible assets generally are loans, certain servicing assets, and special units of beneficial interest and collateral certificates. Are there particular issues with complying with the terms of this exclusion for vehicles that are holding loans? Are there any modifications the Agencies should make and if so, why and what are they? How would such modifications be consistent with the statutory provisions? For example, debt securities generally are not permissible assets for an excluded loan securitization. What effect does this limitation have on loan securitization vehicles? Should the Agencies consider permitting a loan securitization vehicle to hold 5 percent or 10 percent of assets that are considered debt securities rather than "loans," as defined in the 2013 final rule? Are there other types of similar assets that are not "loans," as defined in the 2013 final rule, but that have similar financial characteristics that an excluded loan securitization vehicle should be permitted to own as 5 percent or 10 percent of the vehicle's assets …? Proposal at 187-8.

See also Questions 180 and 176 ("Are there any concerns about how the 2013 final rule's exclusions from the "covered fund" definition for loan securitizations… work in practice? If commenters believe the Agencies can make these provisions more effective, what modifications should the Agencies make and why?"). Proposal at 189-90. Note also that "covered fund" is currently defined, inter alia, as "[a]n issuer that would be an investment company, as defined in the Investment Company Act of 1940, but for section 3(c)(1) or 3(c)(7) of that Act." §__.10(b)(1)(i).

__.10(c)(8) to allow excluded loan securitization vehicles to hold up to 10% of their holdings in non-loan assets so that the "covered fund" definition would not include traditional CLOs which were in existence at the enactment of the Volcker Rule ("Legacy CLOs"). With that change, there would be no need for the Agencies to change the unified definition of "covered fund." We believe that this approach is: (1) consistent with congressional intent as reflected in the Volcker Rule's "rule of construction" regarding loan securitizations; and (2) the most efficient and least costly of the available alternatives.

A. *Modifying the loan securitization exclusion is consistent with congressional intent as reflected in the "rule of construction"*

Modifying the loan securitization exclusion is consistent with the "rule of construction." The "rule of construction," section 13(g)(2) of the BHC, states that "[n]othing in this section shall be construed to limit or restrict the ability of a banking entity or nonbank financial company supervised by the Board to sell or securitize loans in a manner otherwise permitted by law." This provision was meant to achieve the lawmakers' goal of preserving the loan securitization opportunities available to American businesses at the time of enactment.[6] However, in the 2013 Final Rule, the category of excluded loan securitizations includes only those securitizations comprised *solely* of loans and certain related servicing and hedging interests.[7] This category is so narrow as to exclude virtually all Legacy CLOs.

The Financial Stability Oversight Council's ("FSOC's") study[8] discusses congressional intent of the "rule of construction" saying:

> [T]his *inviolable* rule of construction ensures that the *economically essential activity of loan creation is not infringed upon by the Volcker Rule*. The creation and securitization of loans is *a basic and critical mechanism for capital formation and distribution of risk in the banking system*. While these activities involve the assumption of principal risk, the *broader benefits to the economy* reflect the intent of federal borrowing subsidies and

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[6] *See e.g.*, remarks by Sen. Dodd, "The purpose of the Volcker rule is to eliminate excessive risk-taking activities by banks and their affiliates while at the same time preserving safe, sound investment activities that serve the public interest." 156 Cong. Rec. S5904 (daily ed. July 15, 2010).

[7] Under the 2013 Final Rule, aside from loans, loan securitizations are only able to hold:

> Rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities and rights or other assets that are related or incidental to purchasing or otherwise acquiring and holding the loans…; (C) Interest rate or foreign exchange derivatives that ['directly relate to the loans, the asset-backed securities, or the contractual rights of other assets' §__.10(c)(8)(iv)]; and (D) Special units of beneficial interest and collateral certificates …. §__.10(c)(8)(i)(B).

[8] Pursuant to 12 U.S.C. 1851(b)(1), the FSOC was directed to publish a study about the Volcker Rule; the law states, "Not later than 6 months after the date of enactment of this section, the Financial Stability Oversight Council shall study and make recommendations on implementing the provisions." *See* Study & Recommendations on Prohibitions on Proprietary Trading & Certain Relationships with Hedge Funds & Private Equity Funds, at 17 (Jan. 18, 2011), at 47, *available at*: http://www.treasury.gov/initiatives/Documents/Volcker%20sec%20%20619%20study%20final%201%2018%2011%20rg.pdf.

> protections. Accordingly, the legislators determined that none of the restrictions of the Volcker Rule, nor the ―backstop restrictions on permitted activities, will apply to the sale or securitization of loans.[9] (Emphasis added.)

As noted above, the legislators wanted to protect loan securitization because it is an "economically essential activity" for the U.S. economy. And, as discussed above, CLOs are a vital part of the loan securitization market as issuers of CLOs have, for many years, been the single largest source of capital that supports syndicated leveraged loans.

Importantly, the "rule of construction" did not narrow the kinds of loan securitizations nor did it define, or in any way circumscribe, the terms "loans," "securitize," or "securitization." When a term is not defined in a statute, it must be interpreted consistently with what it meant at the time of the statute's enactment, i.e., it must be given its "ordinary, contemporary, common meaning."[10] The only limitation required by the statute is that the securitization had to be "otherwise permitted by law." Since, at the enactment of the statute, CLOs were part of the class of securitization methods which were "permitted by law," they should not be barred from the benefit of the loan securitization exclusion.[11]

Aside from loans, Legacy CLOs held, among other investments, small amounts of corporate bonds, consistent with limits in their governing documents, giving their managers flexibility to adjust to market conditions. They also held small amounts of cash and short-term highly liquid investments to be able to invest and reinvest in loans. The 2013 Final Rule's requirement that excluded loan securitizations must be limited solely to loans (and other permissible assets) drastically changed market practice. Today, CLOs that want banking entities to be able to invest in their securities are no longer permitted to hold even de minimis amounts of corporate debt; even a single fixed income security, such as a U.S. Treasury bond or a U.S. government sponsored enterprise security, would preclude a securitization from qualifying for the exclusion. This approach fails to reflect investor preferences for structuring debt securitizations and is unnecessary for purposes of avoiding excessive risk-taking. Thus, in contravention of the "rule of construction," the requirements of the 2013 Final Rule have, as the FSOC study warned against, "infringed upon" banking entities' use of securitizations. We do not believe this was the Agencies' intent.

Therefore, specifically in response to Question 177, we urge the Agencies to permit CLOs and other loan securitizations to hold up to 10% of their holdings in non-loan assets, including: corporate bonds, interests in letters of credit, cash and short-term highly liquid

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9 *Id*.

10 *Perrin v. United States,* 444 U.S. 37, 42 (1979) ("[U]nless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning" at the time the legislators enacted the statute). *See also FCC v. AT&T, Inc.* 131 S.Ct. 1177, 1182 (2011) ("When a statute does not define a term, we typically 'give the phrase its ordinary meaning.'" (quoting *Johnson v. United States,* 559 U.S. ----, ----, 130 S.Ct. 1265, 1267, 176 L.Ed.2d 1 (2010)).

11 FSOC Study recommended that the Agencies "carefully consider the scope of this exclusion and ensure that its implementation does not undermine the prohibition on proprietary trading." However, the loans-only limitation placed by the Agencies in regard to CLOs is not relevant to proprietary trading.

investments (cash equivalents), and derivatives.[12] As noted, these assets were found in Legacy CLOs, and this modest percentage would allow CLOs to increase diversification to respond to changing market conditions. Moreover, allowing this 10% "bucket" would provide banking entities with the flexibility to provide investors and markets with the types of loan securitizations that they prefer. In sum, permitting these securitizations to have up to 10% of their holdings in non-loan assets would reduce the compliance burden associated with the 2013 Final Rule's exclusion and align the rule with the intent of the statute to protect economically beneficial loan securitization activity.[13]

B. Modifying the loan securitization exclusion is less costly than changing the "covered fund" definition

The Agencies also ask about the cost-benefit effect of changing the "covered fund" definition.[14] In response, we note that while separate definitions for "hedge fund" and "private

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[12] As noted above, under the 2013 Final Rule, loan securitizations are able to hold cash equivalents and derivatives, but only very limited amounts, namely: (1) cash equivalents that are "[r]ights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities and rights or other assets that are related or incidental to purchasing or otherwise acquiring and holding the loans" §__.10(c)(8)(iii)(A); and (2) interest rate and foreign exchange derivatives that "directly relate to the loans, the asset-backed securities, or the contractual rights." §__.10(c)(8)(iv). We request instead that the Agencies allow excluded loan securitizations to hold cash, cash equivalents and derivatives without these limitations as long as the total percentage of non-loan assets is below the designated threshold (10%).

[13] The Agencies also ask, inter alia:

> [Question 180] The Agencies understand that in many securitization transactions, there are multiple tranches of interests that are sold. The Agencies also understand that some of these interests may have characteristics that are the same as debt securities with fixed maturities and fixed rates of interest, and with no other residual interest or payment …. Please explain why securitization vehicles should be treated differently than other covered funds, some of which also could have tranched investment interests.

Proposal at 189-90. In response, we believe, as noted above, the statute clearly states the legislators' intent not to limit the securitization methods that were legally available at the time of the rulemaking. CLOs, including their tranche structure, were available at that time and should accordingly benefit from the exclusion provided for loan securitizations in the statute.

[14] The Agencies ask:

> [Question 138] The Agencies understand that banking entities have already expended resources in reviewing a wide range of issuers to determine if they are covered funds, as defined in the 2013 final rule. What kinds of costs and burdens would banking entities and others expect to incur if the Agencies were to modify the covered fund base definition to the extent any modifications were to require banking entities to reevaluate issuers to determine if they meet any revised covered fund definition? To what extent would modifying the covered fund base definition require banking entities to reevaluate issuers that a banking entity previously had determined are not covered funds? Would any costs and burdens be justified to the extent the Agencies more effectively tailor the covered fund definition to focus on the concerns underlying section 13? Could any costs and burdens be mitigated if the Agencies further tailored or added exclusions from the covered fund definition or developed new exclusions, as opposed to changing the covered fund base definition?

Proposal at 156.

equity fund" may have been beneficial when the Volcker Rule regulations were first adopted, given the changes that banking entities have made to their systems to comply with the 2013 Final Rule, such a change in the covered fund definition at this point in time would be burdensome. For instance, the Securities Industry and Financial Markets Association ("SIFMA") has noted that members have analyzed more than half a million CUSIPs of securities issued by common types of securitizations. Thereby, if there were a modification to the definition, the banking entities would have to reanalyze each vehicle to determine if it falls within the scope of the modified definition. Furthermore, the banking entities would incur even greater costs to modify compliance, risk management and other systems accordingly.

II. Modify section __.10(d)(6) of the 2013 Final Rule's definition of the term "ownership interest" to provide that the "rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event" include the right to participate in the removal of an investment manager "for cause," or to nominate or vote on a nominated replacement manager upon an investment manager's resignation or removal.

In the proposal, the Agencies ask whether the Agencies should make modifications to the 2013 final rule's definition of the term "ownership interest" in the context of securitizations.[15] In response, we urge the Agencies to modify the "ownership interest" definition to provide that the "rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event" include the right to participate in the removal of an investment manager "for

[15] The Agencies ask:

> [Question 179] Are there modifications the Agencies should make to the 2013 final rule's definition of the term "ownership interest" in the context of securitizations? If so, what modifications should the Agencies make and how would they be consistent with the ownership interest restrictions? Banking entities have raised questions regarding the scope of the provision of the 2013 final rule that provides that an ownership interest includes an interest that has, among other characteristics, "the right to participate in the selection or removal of a general partner, managing member, member of the board of directors or trustees, investment manager, investment adviser, or commodity trading advisor of the "covered fund" (excluding the rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event)" in the context of creditor rights. Should the Agencies modify this parenthetical to provide greater clarity to banking entities regarding this parenthetical? For example, should the Agencies modify the parenthetical to provide that the "rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event" include the right to participate in the removal of an investment manager "for cause," or to nominate or vote on a nominated replacement manager upon an investment manager's resignation or removal? Would the ability to participate in the removal or replacement of an investment manager under these limited circumstances more closely resemble a creditor's rights upon default to protect its interest, as opposed to the right to vote on matters affecting the management of an issuer that may be more typically associated with equity or partnership interests? Why or why not? What actions do holders of interests in loan securitizations today take with respect to investment managers and under what circumstances? Are such rights limited to certain classes of holders?

Proposal at 188-9.

cause," or to nominate or vote on a nominated replacement manager upon an investment manager's resignation or removal.[16]

This change is necessary because CLOs provide certain holders of their debt securities with a number of creditor rights designed to protect their debt interests in the event of a removal of the manager "for cause."[17] Events constituting "for cause" removal include: (1) a willful breach by the manager of its obligations under the CLO transaction documents, (2) the dissolution or insolvency of the manager, (3) fraud or criminal activity by the manager in connection with its investment management business, as well as (4) deterioration in the performance of a CLO measured by an objective standard. As is evident, these events pose a clear and direct threat to the interests of holders of the CLO's debt securities as creditors of the CLO.

Also, in the event of a removal of the manager "for cause" by the debt security or equity holders, or the manager's resignation, typically the equity holders and/or the controlling class of debt security holders each have the right to propose a successor manager. If the parties are unable to agree on a replacement, they, or even the CLO issuer or the resigning manager, may ask a court to appoint a successor. These provisions are necessary because the resignation of the manager has a clear and direct impact on the interests of note holders because it is tantamount to a change of control of the issuer — a circumstance under which traditional bank lenders often receive consent rights or the right to be repaid. Investors thus understandably view the ability to vote on a replacement manager as an important creditors' right.

That CLO debt holders are creditors and do not have an "ownership interest" is clearly evidenced by the fact that while they have the right to specified principal and interest, they do not have any of the rights typically associated with ownership. For instance, CLO *debt holders* do not:

(1) have the right or ability, directly or indirectly, to share in the CLO's profits or losses or to earn a return based on the CLO's performance;[18]

(2) have residual claim to the issuer's assets;

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[16] We believe that aside from the requested rule modification, the Agencies can alternatively confirm through interpretive guidance that under the 2013 Final Rule, the "rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event" in section 10(d)(6)(i)(A) of the 2013 Final Rule includes the right to participate in the removal of an investment manager "for cause," or to nominate or vote on a nominated replacement manager upon an investment manager's resignation or removal.

[17] Most of these rights are vested in the "controlling class" designated by the CLO's governing indenture. The controlling class is typically the holders of the most senior outstanding class of debt securities issued by the CLO. However, since CLO debt securities are paid serially in descending order of their respective class seniority, any class of these debt securities can become the controlling class after their more senior classes have been paid in full.

[18] They have a claim only for the repayment of principal and the payment of interest on their notes.

(3) receive any of the "excess spread" between interest earned by the underlying assets and interest paid to the holders of other outstanding interests;

(4) receive income on a pass-through basis or by reference to underlying performance;[19]

(5) have "synthetic rights" to any of these ownership characteristics; or

(6) have the right to vote on establishing the issuer's objectives and policies, electing its board of directors, or controlling the decisions of the manager.

In fact, CLO debt holders typically do not have any of the other indicia of ownership interest described in subsections (6)(i)(B) through (G) of section __.10(d) of the 2013 Final Rule. It is clear, therefore, that the limited creditor-protective rights that CLO debt security holders have, would not, in isolation, constitute an ownership interest.

However, though the 2013 Final Rule contains a narrow exclusion from the "for cause" voting rights ownership interest for "the rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event," it is unclear whether CLO debt note holders can rely on this clause because "for cause" removal and replacement upon resignation or removal rights are not typically structured to occur solely in the context of an event of default or an acceleration event under the CLO's governing indenture. In fact, they may arise independently of an event of default and, in practice, they are usually triggered upon a manager's default under the CLO management agreement or its resignation.[20]

We therefore urge the Agencies to modify the "ownership interest" definition:

> to provide that the 'rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event' include the right to participate in the removal of an investment manager "for cause," or to nominate or vote on a nominated replacement manager upon an investment manager's resignation or removal.[21]

We request this change because as noted in question 179:

> the ability to participate in the removal or replacement of an investment manager under these limited circumstances more closely resemble a creditor's rights upon default to

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[19] *Id*.

[20] We believe it is reasonable to interpret the "for cause" trigger relating to the right of CLO debt holders to remove a manager or nominate or vote on a nominated replacement upon a manager's removal "for cause" or resignation to constitute a "right[ ] of a creditor to exercise remedies upon the occurrence of a default" since a "for cause" removal under the management agreement is typically linked to a significant breach of the manager's obligations under the CLO transaction documents.

[21] Proposal at 188.

protect its interest, as opposed to the right to vote on matters affecting the management of an issuer that may be more typically associated with equity or partnership interests.[22]

<u>Conclusion</u>

In conclusion, we applaud the Agencies' Proposal which meaningfully reconsiders aspects of the 2013 Final Rule, and we fully endorse the Agencies' revision of the definitions of "loan securitization" and "ownership interest," in a way that would not unnecessarily hinder the market for loan securitizations, particularly CLOs, so that these vehicles can continue to play their vital role in debt financing. Therefore, specifically, we request that the Agencies: (1) modify the loan securitization exclusion to exclude loan securitization vehicles for which 10% of their holdings are non-loan assets from the definition of the term "covered fund," while retaining the unified definition of "covered fund"; and (2) modify the definition of the term "ownership interest" to provide that the "rights of a creditor to exercise remedies upon the occurrence of an event of default or an acceleration event" include the right to participate in the removal of an investment manager "for cause," or to nominate or vote on a nominated replacement manager upon an investment manager's resignation or removal.

Thank you for your attention and please feel free to contact Elliot Ganz, LSTA's General Counsel, at [redacted] if the Agencies have any questions regarding this letter.

Sincerely,

Elliot Ganz
General Counsel

[22] *Id*.