



# Waystone Solutions for Private Debt Structures Certainty in a challenging world



# Private Debt

Waystone is the worldwide leader in fund Governance, Risk & Compliance, representing leading investment funds and managers with assets under service exceeding \$1tn.

Waystone is a global institutional firm that excels in delivering high-quality services across a diverse range of investment fund structures and strategies. Waystone has over 500 staff across 13 global locations covering New York, Chicago, San Francisco, Ireland (Dublin & Cashel), Luxembourg, London, Germany, Switzerland, Hong Kong, Singapore, Dubai & the Cayman Islands.

During the post-Global Financial Crisis period, and through the Covid-19 cycle, private credit has firmly established itself as a mainstream asset class with investors showing continuing appetite to increase private credit allocation, and deal sizes continuing to increase. The asset class continues to evolve with Investment Managers looking to replace the retreating banks in the middle-market corporate space, at the same time also diversifying into infrastructure, specialty finance, aviation, distressed and other bespoke areas where Private Debt has successfully embedded itself.

With the global Private Debt markets soaring, tapping into the larger capital sources brings with it significant tax and regulatory complexity across all key jurisdictions. Increased opportunity and increased complexity requires the need for increased support from the leading Governance, Risk & Compliance firm in the market.



# What does Waystone do for private debt managers?

Waystone works with a variety of institutional Private Debt / Specialty Finance clients providing bespoke services in a number of key jurisdictions:

## USA

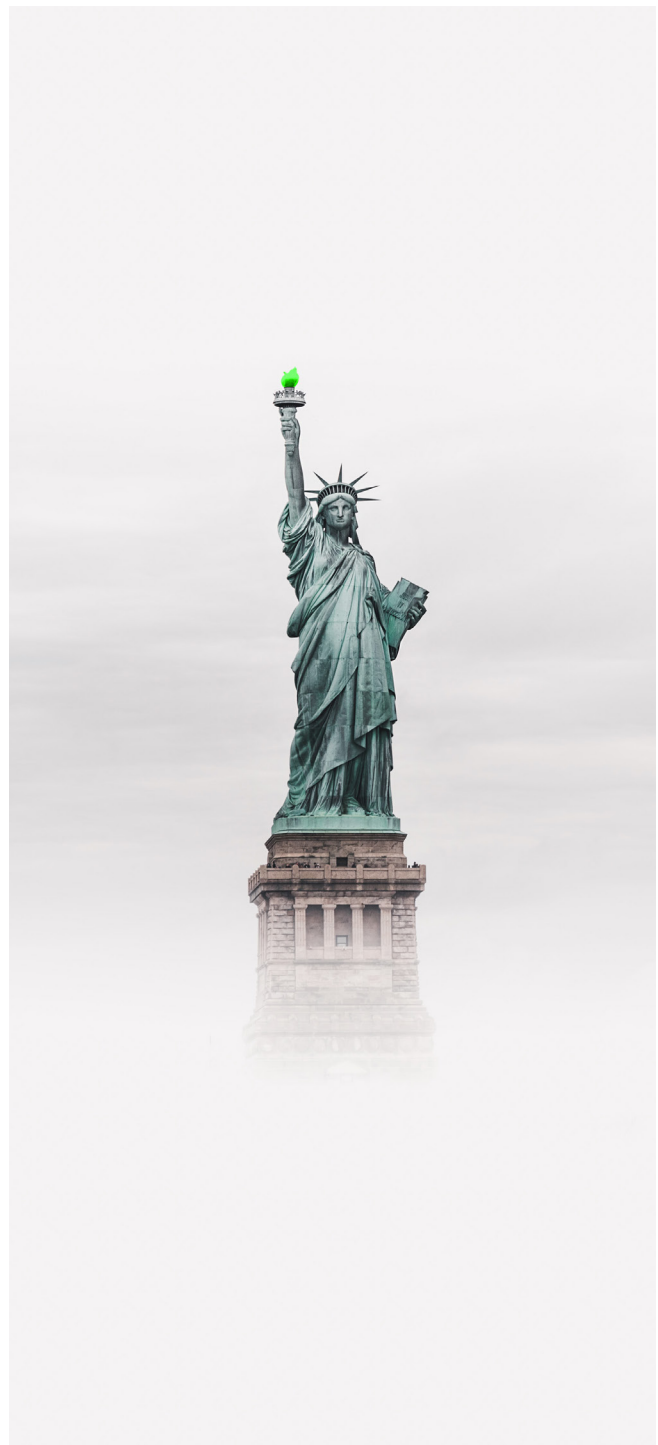
68 of the top 100 Private Debt Fund Managers are based in the United States. The unique characteristics associated with the origination of loans and the challenges that presents when raising capital internationally means that there are many uses for suitably qualified independent Governance, Risk & Compliance professionals both domestically and internationally, including the following:

**Conflicts Committees:** Waystone professionals sit on the Conflicts Committees for a number of Private Debt managers in the U.S. The appointment of a suitably qualified independent professional to the Conflicts Committee helps to strengthen the overall governance model of the Investment Manager, which provides great comfort to Institutional Investors.

**Independent Fund Representative:** This role is particularly applicable to Season & Sell structures. The role of the IFR is to provide independent confirmation that the valuation process applied to the loans originated onshore is correctly followed prior to sale to the non-U.S. vehicle. The IFR is not itself valuing the loans, rather it is a Governance role that bolsters the ability of the Originator to demonstrate that the sale to the offshore vehicle is a truly arms-length transaction.

**GP Services:** In some cases, the Investment Manager needs to divorce itself entirely from the Fund GP. Waystone can provide independent Directors to the GP, as well as Trustee services to hold equity interest in the GP.

**Compliance Solutions:** Waystone Compliance Services is a leading provider of U.S. Regulatory Compliance solutions to Investment Managers. WCS can support internal compliance teams with initial and ongoing compliance with SEC requirements.



## Europe

In Europe, Waystone is recognized by Investment Managers, Regulators, and Investors as the clear market leader in this space. Since 2015, when Waystone played a pivotal role in launching the first Private Debt fund for a U.S. Manager to target European institutional investors, we have worked on the majority of such structures. U.S. Institutional Private Debt managers originally began setting up Fund structures in Europe for access to rich seams of capital from European investors, predominantly in Germany, Nordics, UK & Switzerland.

The appetite for exposure to the U.S. private debt market has continued to increase, with 33 of the largest allocators to the asset class based in Europe. In addition, the use of Irish and Luxembourg “treaty” based structures has become compelling as a standalone reason for launching funds in Europe in this particular asset class. We are seeing large institutional clients launching master funds in Ireland or Luxembourg as the central point for a global structuring solution which often involves a range of feeder funds (both European and non-European), as well as a range of investment vehicles (CLOs, SPVs etc).

**Third Party AIFM:** Waystone Investment Management Services Europe is the most substantive third party Alternative Investment Fund Manager, UCITS ManCo, and MiFID Firm in the market. Waystone has the necessary licenses, infrastructure, technology and expertise to comply with onerous European AIFM requirements. Due to our scale and substance, we can facilitate institutional U.S. investment managers launch Private Debt funds for the European market, run their own portfolio, own their track record, avail of the treaty benefits, and effectively raise capital from institutional European investors.

**Loan Administration:** Waystone uses Bloomberg AIM for loan administration, which allows us to track and administer both listed and unlisted debt, as well as private debt. We provide full administration, from loan portfolio set up, processing credit notices from agent banks, amortization, loan compliance monitoring, trade settlement, as well as daily reconciliation. Specific bespoke loans can be created on Bloomberg AIM, meaning no loan portfolio is too complex.

Utilizing Bloomberg, we can also provide exposure breakdown, historical performance and forecasted future performance at position and portfolio level.

**Corporate Administration:** Waystone Europe provides a range of corporate administration services to European domiciled SPVs & CLOs which are effectively used as a global structuring / capital raising tool. Our services include Directors, Registered office, company secretarial, bookkeeping, financial accounts and cash management. In addition, we provide various agency roles such as; Note or security Trustee, process agent, as well as waterfall and calculation agent. We see these vehicles being utilized in a variety of ways: on a standalone basis, in conjunction with fund vehicles in the same jurisdiction, or as part of a complex global fund structure.

**Capital Introduction:** Waystone is actively engaged with the leading Capital Raising teams in the market and has been vetted by many of the leading investors in the market. Our expert team would be delighted to consult on the current market dynamics for capital raising.

**Debt Portfolio Due Diligence:** Provision of independent due diligence of the underlying loan portfolio, including entity credit risk analysis, review of the borrower financials and all credit risk associated with the borrower. In addition, the team can look at the structure of the loan (as it dictates either capital structure or timing of interest / principal too). This monitoring is done on an on-going basis.



## Cayman

The Private Debt world converges in the Cayman Islands, which is where many of our clients rely on Waystone services, including the following:

### **Fund Governance / Investment Committee:**

Waystone has the largest pool of full-time professional independent directors based in the Cayman Islands. Many of our directors are very familiar with the unique characteristics of a Private Debt / Specialty Finance Fund. This can be utilized in appointments to Cayman Master / Feeder Funds (often in conjunction with appointments to onshore U.S. entities), as well as appointments of Independent Members to Investment Committees where the investment decisions need to be made independently of the Investment Advisor.

### **Corporate Administration for CLOs:**

Waystone Corporate Administration services include SPV formation and set-up, management and administration of the SPV, and provision of corporate accounting services.

**FATCA/CRS Reporting:** Waystone has a dedicated FATCA / CRS reporting team that will provide a full outsourced service in respect of all types of non-U.S. investment entities. The team, based in the Cayman Islands, provides services to vehicles in 22 jurisdictions globally.

**AML:** The dedicated Waystone AML Compliance team provides qualified individuals to serve as AMLCO / MLRO & DMLRO to all fund types, in-scope management entities, and in-scope SPVs as mandated by Cayman regulatory guidance.



# Non-Exhaustive List Of Representative Case Studies:

As described earlier, Waystone supports institutional U.S. managers in a variety of bespoke and value-add ways. Set out below is a non-exhaustive list of representative engagements to give some color to the ways in which we support our clients:

- AIFM services to Irish fund for an \$18Bn West Coast based manager providing direct lending to the U.S. corporate middle market. This Irish LQIAIF ICAV has raised over EUR1bn from European investors, while also accessing the Ireland U.S. double tax treaty to minimize leakage.
- Independent Fund Representative Services (“IFR”) to \$5Bn NY based private credit manager with multiple offshore entities. This structure utilizes the popular season & sell technique to gaining exposure to the loan market, with the IFR verifying the valuation applied to the loans prior to sale to the non-US entity.
- Independent Director services to \$15bn Boston based Private Equity / Private Debt manager with Cayman SPC structure. This more traditional use of independent Governance shows the strong investors preference for independence within the oversight framework.
- Provision of range of services to U.S., Cayman, Irish and Luxembourg funds, and Irish & Cayman SPVs, for a \$7Bn West Coast based manager providing direct lending to the U.S. corporate small and middle market.
- AIFM services to Irish fund for a Mid-West based manager providing direct lending to the U.S. corporate small and middle market.
- AIFM & GP Trustee / Director services Luxembourg RAIF SCSp for \$6bn NY based middle market private credit manager.
- AIFM services to Irish Loan Origination Fund (“LQIAIF”) for leading Danish Private Credit Manager. Although the market for domestic European origination is lagging behind the U.S., there are EU Investment Managers who are active in the space, and upcoming proposed European regulatory changes are designed to open the market to more harmonized regime for non-Bank lending.
- Provision of Irish Corporate Administration services to U.S. Private Credit manager entering into large Aviation transaction. We have seen many of our PE/PD clients utilize their skills to move into areas that were previously relatively untapped.
- U.S. Conflicts Committee, Cayman Independent Directors to open ended & closed ended Master Feeder Funds for New York based specialty lending / infrastructure manager.
- Cayman Governance & Compliance services, together with Irish and Lux AIFM services, for a private debt structure utilizing U.S., Cayman, Irish, & Luxembourg funds to facilitate multiple types of U.S. & international investors.





# Why Do Private Debt Managers Choose Waystone?

## Institutional Knowledge:

As described above, Waystone has a wide range of sophisticated institutional relationships in the private debt space. Waystone has been at the forefront of the growth and evolution of this Asset Class from the outset. Although we are not lawyers or tax advisors, we have worked with all of the top lawyers and tax advisors in the space across a wide range of non-standard, complex structures, and have been in a position to effectively execute on their suggested structures.

## Investment Oversight:

Waystone has a fully functional CIO Role and Investment Committee. This is not to replicate what the Investment Manager is doing, but rather to provide a qualitative element to our understanding of the underlying portfolio, demonstrate necessary competence in the oversight of the assets to the Regulators, and enable Waystone to add value in its interactions with the investment manager.

## Risk Management Infrastructure:

In a European context Investment Management is divided up between Risk Management and Portfolio Management. The AIFM is entitled to delegate one, but not both, of these functions. In most instances (and all of the cases referenced above) Waystone has delegated Portfolio Management and kept Risk Management. In this context, it is then clear that the regulatory expectation is that the AIFM has experienced / expert staff, and best-in-class technological infrastructure, to maintain effective risk oversight of the portfolio.

## Brand Recognition:

The above points have been highlighted to us during various Due Diligence Reviews as being critical to Institutional Investors, including a number of the large global private banks and many of the leading European institutional allocators. We invest a considerable amount of time, energy and costs to ensure that we provide our partners with the leading, investor-approved solutions.



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