

Impact, Compliance and Role of CLNs Explored by Stinson Finance Attorney in *Bloomberg Law*

In the News

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Stinson LLP Partner [Cris Cicala](#) authored a *Bloomberg Law* article, "Federal Reserve's Capital Relief Change Eases Path to Basel III," exploring the impact of Basel III Endgame requirements and discussing the use of credit-linked notes (CLNs) by banks as a tactic to mitigate increased regulatory capital requirements and preserve liquidity.

Cicala says banks now have the opportunity to proactively utilize both direct and special purpose vehicle CLNs as an effective means of risk transfer which can result in regulatory capital requirement relief.

"When Basel III endgame requirements go into effect next year, banks in the US will have less liquidity to generate new business unless they take action to reduce risk," Cicala writes. "With robust demand for CLNs right now, expect to see them in heavy rotation as a capital relief strategy in 2024 and beyond." He also notes that direct CLNs will still need to be approved by the Federal Reserve on a case-by-case basis.

While some uncertainties remain, Cicala says the Federal Reserve's clarification regarding CLNs is a significant development for banks as they work to comply with stricter regulations aimed at enhancing financial stability.

A finance, banking and corporate attorney with more than two decades of both domestic and international experience, Cicala focuses his multifaceted practice on providing financial institutions, corporations, private equity and credit funds, real estate developers, media companies and entrepreneurs with practical and strategic legal advice.

Cicala also offers insight on this subject in a *Law360* article, "[What Fed's Credit-Linked Note FAQ Means For Capital Relief.](#)"

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