



Pacific Trustees

Berhad

The Trust Company

ROLE OF A TRUST COMPANY

The trustee represents an independent party in what is essentially a tripartite arrangement between the borrower and the holder of debt securities in a capital market transaction.

Trustees are essentially the creation of common law, wherein the trustee is a legal owner of properties or securities held in trust for beneficiaries of that particular property or security. The trustee is essentially the legal owner, as having the title, over the property or security whilst the beneficial owner enjoys some or all the benefits as if it were a legal owner of the property or security.

In corporate structures, a trustee plays the pivotal role of the following:-

- Hold security as legal owner on behalf of bondholders in a securitisation process, ensuring that there is no change in the trust documents, i.e. a trust deed, every time there is a corporate financial transaction
- Provide the necessary requirements for special purpose vehicles (SPVs) through our affiliate companies, in the day to day administration of an SPV, which are companies used to facilitate financial flow through the balance sheets

Amending the structure (non-material) in the security and trust documents, in order to facilitate changes in law or circumstance:-

1. including taxation elements;
2. any changes in the structure of the borrower when there is a change in the entity of the principal debtor; and
3. in substantial breaches of covenants or warranties.

The trust deed represents the document evidencing the trustee's role, duties and powers. Without a trustee, the borrower will have to perform the following functions as there is no certain way to project how the issuance of the security will affect the borrower, and will have to convene a meeting of the bondholders to enable any change to the security documents, and these include:-

- Bondholder meetings are complicated and require sound knowledge of which issues to be discussed
- Bondholder meetings are expensive to convene, as there needs to be notices which are to be sent out to the principal bondholders
- Bondholder meetings are risky in that there is no clear forecast of the results
- With a trustee, there is no necessity to convene unnecessary meetings, as the trustee will provide the relevant information as to whether any change in the structure of the financing will be accepted by the bondholders.
- The trustee will also have a reassuring and stabilising effect. Pacific Trustees Berhad has a wealth of such experience to their credit.