

Guiding principles of the Loan Servicing Standards Matrix

One of the core aims of the European Loan Operations Committee is to bring about increased efficiencies in the operational aspects in the syndication process.

In order to facilitate positive behavioural changes in the loan operations market, and thereby increase the efficiency of market practices, a "Heat Map" was produced, which sets out a recommended timetable for completing tasks to be actioned during the life of the loan.

This paper seeks to explain the purpose of each of the fields in the template Heat Map (attached at Appendix).

Fee Guidelines

Billing / Invoicing

Wherever possible Facility Agents will ensure that invoices in relation to commitment fees, facility fees, utilisation fees, non-utilisation fees and all other accruing fees are sent to the borrower(s) a minimum of five business days prior to the fee payment date. If a Facility Agent in its own judgement decides that a minimum of five business days is not practical (e.g. due to anticipated utilisation during the period between issuing the invoice and the fee payment date), the Facility Agent will send the invoice as soon as possible, but no later than one business day prior to the fee payment date.

Late-payment

It is important to note that non-payment can constitute an Event of Default under the terms of the credit agreement. However it is clear on a practical level that not every instance of late-payment results in an Event of Default. The following principles are intended to provide practical guidance in the event of a late-payment scenario that hasn't, for whatever reason, resulted in an Event of Default.

If the Facility Agent is not in receipt of the borrower's payment by the fifth business day following the fee payment date, the Facility Agent will again contact the borrower to request immediate payment.

If the Facility Agent is not in receipt of the borrower's payment by the seventh business day following the fee payment date, the Facility Agent will escalate internally (typically to relationship managers) the fact that payment has not been received. Concurrently, the Facility Agent will provide a written update to the lenders, apprising them of efforts to collect the past-due fee amount. The same steps will be repeated if the Facility Agent is not in receipt of the borrower's payment by the 30th day following the fee payment date.

General Administrative Standards

Conditions Precedent

To the extent that Facility Agents provide status updates to lenders in relation to whether Conditions Precedent have been satisfied or waiver (or not as the case may be), those updates will be distributed to both the operations and credit/business contacts for each lender.

Amended Repayment Schedules

If, for whatever reason (typically following prepayment) the repayment schedule is required to be amended, the Facility Agent will make available to lenders (upon request) the amended repayment schedule by the fifth business date following the event that triggered the amendment.

Pricing Changes

The Facility Agent will confirm all pricing changes (typically margin and/or fee rate) to the lenders on the effective date of the change (the assumption here is the Facility Agent will itself be aware of the pricing change on the effective date). Confirmation will be distributed to both the operations and credit/business contacts for each lender.

Facility Commitment Changes (including issuance of ancillary facilities)

The Facility Agent will confirm all facility commitment changes to the lenders on the effective date of the change (the assumption here is the Facility Agent will itself be aware of the facility commitment change on the effective date). Confirmation will be distributed to both the operations and credit/business contacts for each lender.

Letter of Credit Increases / Decreases / Terminations / Extensions

The Facility Agent will, in relation to Letters of Credit, confirm all material changes (typically increases, decreases, terminations and extensions) to the lenders on the effective date of the change (the assumption here is the Facility Agent will itself be aware of the change on the effective date).

Arranger / Upfront / Participation Fees

Facility Agents will provide to lenders written confirmation of any arranger, upfront or participation fees (or variations thereof) due to lenders (including confirmation of payment date) on the business day that the fee(s) becomes payable. Confirmation will be distributed to both the operations and credit/business contacts for each lender.

Facility Commitment Cancellation

The Facility Agent will confirm all facility commitment cancellations to the lenders on the effective date of the cancellation. Confirmation will be distributed to both the operations and credit/business contacts for each lender.

Trading Standards in relation to loan trading

Initiation of secondary trading

Agent banks should open secondary trade settlement once 75% of the primary had settled, if not before.

Consent required for secondary loan trades

To the extent that borrower's consent is required in relation to a secondary loan trade, the Facility Agent will request borrower consent at the earliest opportunity upon instruction by the Existing Lender. Alternatively, the Existing Lender may seek such consent directly.

This principle extends to any other consents required (e.g. Issuing Bank).

KYC for secondary loan trades

Parties should look to follow the KYC guidance set out in Sector 17 (Syndicated Lending) of the Joint Money Laundering Steering Group's Guidance on the Prevention of Money Laundering/Combating Terrorist Financing.

Setting the settlement date

Target of 2-5 days for the Facility Agent to set the settlement date on a "clean" trade, i.e. where there are no outstanding KYC/borrower consent issues.

Administrative Detail Forms

Agreed content and template structure

The recommended Administrative Details Form templates the result of considerable collaborative work between the LMA and LSTA and seeks to provide a standard format to be used in transactions globally. Whilst not all fields will be relevant to every transaction, it is hoped this template will constitute a market standard for communicating key administrative details.

It should be noted that the LMA has produced an Agency Details Form, which is to be used alongside the ADF. This form complies key agent and settlement details to be communicated to syndicate lenders on each transaction.

Adoption of LMA standard template

In relation to providing completed administrative detail forms to Facility Agents, lenders will fully adopt the LMA standard template (and ensure all previous versions are no longer circulated).

This standard has been adopted by some settlement platforms, including ClearPar.

APPENDIX

TEMPLATE HEAT MAP

Institution	Region	Fee Guidelines				By T - CP Satisfaction	Administrative Standards					Trading Standards			Administrative Details Form		
		Billing T-5	T+3 / T+5 non payment client follow up	T+7 / T+30 Internal RM escalation	T+7 / T+30 Lenders updated		By T+5 Amended Rypt schedules advised to syndicate	By T Margin/Fee rate changes advised to syndicate	By T commitment changes advised (inc. Ancillaries)	By T LC Increase / Decrease / extensions advised to syndicate	By T Arranger / Participation / Consent fees advised to syndicate	By T Commitment cancellation advised to syndicate	Initiation of secondary trading upon 75% completion of secondary trading	Agent will request borrower consent (and any other required consents) at the earliest opportunity upon notification of a trade	Target of 2-5 days for the Facility Agent to set the settlement date on a "clean" trade	Agreed content and template structure	Adopted full use of ADF
		(Non Trade Finance related facilities)				(Business & Ops)	(Business & Ops)	(Business & Ops)	Ops	Ops	(Business & Ops)	(Business & Ops)		Ops	Ops	Ops	Ops
Bank A	Europe	Live	Live	Live	Live	Live	On request	Live	Live	Live	Live	Live	To be adopted	Live	Live	Complete	Live