

Guide to the Secondary Closing Principles Matrix

One of the core aims of the European Loan Operations Committee is to bring about increased efficiencies in the European syndicated loan market, and drive down settlement times.

In order to facilitate positive behavioural changes in the loan operations market, and thereby increase the efficiency of market practices, a secondary closing principles matrix for par/near par transactions was produced, whose primary purpose is to lay out the principles and behaviours that influence settlement times for par transactions and it is intended to measure trade lifecycle events.

The aim of this paper is to explain the purpose of each of the principles set out in the matrix (attached at Appendix), so that all LMA member institutions can engage with the initiative. It is important to note that this matrix has been constructed so that all members of the loan market, irrespective of whether or not they use a settlement platform, are able to participate.

Initiation

Initiation of secondary trades

Facility Agents should open secondary trade settlement once 70% of the primary had settled, if not before.

Documentation

Trade loaded to ClearPar by T+1

The institution responsible for loading the trade into ClearPar¹, typically the seller, commits to do so either on the trade date (T) or by T+1 working day².

Trade allocation complete by T+1

The buy-side agrees to ensure that allocation of the trade is completed by T+1 or, in the event that the trade is not loaded to ClearPar by T+1, by no more than one working day after said trade has been loaded on to ClearPar.

Manual confirmation circulated by T+2

Any confirmations that are not generated through ClearPar, but are drafted and sent out manually, should be circulated by T+2.

It is assumed that if allocations are required by either the seller or buyer, these allocations have been made known to the party issuing the confirmation by T+1.

¹ For the purposes of this paper, we have used ClearPar as the default automated settlement platform, but other platforms may be used.

² It is assumed that all references to days are counted as working days only.

Confirmation fully executed by T+3

Both the buyer and seller are to execute the confirmation, by agreeing terms and attaching signatures, by T+3.

Assignment v novation / ClearPar Transfer Questions³ selected by T+3

The type of transfer to be used, i.e. an assignment or novation, is to be agreed upon by both parties by T+3. Parties are encouraged to make their elections at the earliest opportunity possible, i.e. as soon as trades are allocated.

Those parties not using ClearPar should bilaterally make an early determination of the form of transfer.

Buyer to complete (all) ClearPar Transfer Questions in order for transfer document (Assignment Agreement or transfer by Novation) to be auto generated in the tool and ready for review/signing.

Transfer Documents signed by both buyer and seller by T+5 (and ClearPar SDC⁴ selected T+5)

Transfer documentation, together with any supplemental documents⁵, is to be agreed and signed by both the seller and buyer by T+5.

If parties intend to use ClearPar SDC, they are to have submitted their valid date suggestion by T+5.

It is assumed that, for parties that manually settle their trades, duly signed transfer documents will have been submitted to the facility agent by T+5.

Parties should check transfer provisions, including minimum transfer and minimum hold amounts, ensuring documentation meets the transfer provisions, before they submit the transfer to the Facility Agent. Parties also need to ensure they are in a position to settle prior to submission/completion of SDC.

Pricing fully signed SD-1

Assuming that the Facility Agent agrees a date for transfer/execution and provides fully executed transfer documentation at least two working days prior to the transfer date, the pricing letter should be circulated, agreed and duly signed by Settlement Date (SD) minus one working day.

Settlement Proceeds remitted on Settlement Date (SD)

Where Settlement Proceeds fall due and all above steps completed by SD, the party required to make payment (including Agent Transfer Fee) agrees to do so on SD itself.

Know Your Customer (KYC) / Borrower Consent

³ Also known as "Pop Ups".

⁴ Settlement Date Coordination.

⁵ For example, accession deeds.

Parties are strongly encouraged 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 to determine what KYC, if any, needs to be undertaken.

KYC information on incoming lender – by T+2

To the extent trading counterparties need to satisfy any KYC requirements, any relevant information should be requested by T+2. It is understood that this would be post allocation of the trade.

Seller request Borrower consent via Facility Agent or directly with Borrower if required - T+3

Where the borrower's consent is required prior to the transfer / assignment becoming effective, the transferability provisions in most facility agreements will generally state that it is the role of the existing lender to seek such consent.

Despite this, it has been common practice within the market for the facility agent to act as a conduit for said consent request.

The existing lender should therefore contact the facility agent, and request that they seek borrower consent to the transfer / assignment on the existing lender's behalf. To the extent the facility agent is unwilling to do so, the existing lender will need to approach the borrower directly to request consent.

Consent requests should be sent to the Facility Agent and/or borrower by T+3. The same applies where the borrower has consultation rights.

Facility Agent 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 (in ClearPar this involves Facility Agent selecting SDC). Facility Agent to promptly sign/execute transfer documents or Assignment Agreement or novation in ClearPar.

Should Security Agent signatures be required, the Security Agent will sign/execute the transfer document in ClearPar within 1 day (note the Facility Agent cannot sign until the Security Agent has signed). If a supplemental document require agent should arrange signature as soon as practicable prior effective date of the Transfer document.

Technology

Automated settlement platform user

The purpose of this principle is to ascertain whether your institution uses an automated settlement platform, such as ClearPar, or whether it has plans to adopt a settlement platform in the near future, i.e. within the next 12 months.

Trade Capture system interface to automated settlement platform

This principle is to ascertain whether, if you are a user of an automated settlement platform, your trades (ticket owner) and/or allocations (buyside) are electronically captured or whether you have to manually upload/populate the same.

Administrative Detail Forms

Agreed content and template structure

The LMA and LSTA's joint recommended Administrative Details Form (**ADF**) template was published on 31 May 2018, updated 2 March 2023.

The ADF template 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.

This principle looks to identify whether each institution intends to fully adopt, or has already fully adopted, the ADF template (and ensure all previous versions are no longer circulated).

It should be noted that the LMA has produced an Agency Details Form (published 2 August 2018), 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.

APPENDIX

TEMPLATE SECONDARY CLOSING PRINCIPLES MATRIX

Institution	Region	Trading Standards															
		Initiation	Documentation							KYC / BC				Technology		Administrative Details Form	
		Agent banks should open secondary trade settlement once 70% of the primary had settled, if not before.	Trade loaded to ClearPar by T+1	Trade allocation complete by T+1 (non-ticket owner by +1 after loaded)	Manual confirmation circulated by T+2	Confirmation fully executed by T+3	Assignment or Novation / ClearPar Transfer Questions selected by T+3	Transfer Documents signed by both buyer and seller / SDC selected if Clearpar by T+5	Pricing fully signed by SD-1	KYC information requested between Trading Counterparts by T+2	Seller request borrower consent via Facility Agent or directly with the borrower if required by T+3	Facility Agent setting the Settlement Date	Automated Settlement Platform User	Trade capture system interface to automated settlement platform	Agreed content and template structure	Adopted full use of ADF	
Bank A	Europe	Intend to adopt	Adopted	Adopted	Adopted	Adopted	Adopted	Adopted	Intend to adopt	Intend to adopt	No plan to adopt	Intend to adopt	No plan to adopt	No plan to adopt	Complete	Live	
Key																	
		Live / Adopted / Complete															
		Adoption in plan for															
		Adoption not in plan															
TBC		Adoption plan TBC															