



Fusion LenderComm

The future of syndicated lending

Enabling streamlined, transparent and secure
digital information exchange between lenders
and agents



Why syndicated lending needs to evolve

Syndicated loans are a vital source of funding for corporations, major infrastructure projects and even governments worldwide.

While volumes of syndicated lending have slowed in recent months under the impact of the COVID-19 pandemic, it remains a large and dynamic global market, with an aggregate loan value estimated at about

\$4.5 trillion¹
in 2019.

Banks lend in syndicates to achieve more efficient geographical and institutional sharing of risk, tap global liquidity, and manage their capital allocation. The fees on syndicated loans make it a potentially high-margin activity for those banks able to efficiently structure complex credit agreements and manage portfolios of multi-lender, multi-faceted deals.

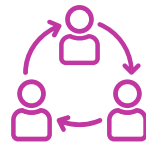
But while syndicated lending offers many attractions, it's a market beset by some significant drawbacks. In particular, it combines rapid growth in lenders with the use of information exchange mechanisms that are frozen in time. The continued use of slow, fragmented manual processes and legacy point-to-point communications between agents and lenders increases the number of reconciliation breaks, and adds time, cost and risk for all participants.

Real change is needed to boost speed, efficiency and visibility, and bring syndicated lending into the 21st century. To find out what that new era will look like, please read on.

What's needed to bring syndicated lending into the 21st century?



Digitization of data
across the market



Streamlining of
information exchanges
between agents and
lenders



Enhanced collaboration
using the power of the
cloud

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***Finastra's Fusion LenderComm
directly delivers the first two
advances – digitization and
streamlining of interactions –
and creates an environment that
enables the third, collaboration.
The result? A new era for
syndicated lending"***

Helen Orton

Senior Principal Product Manager, Syndicated Lending,
Finastra

1. <https://blogs.iadb.org/ideas-matter/en/covid-19-and-the-deglobalization-of-banking/>

2 **FINASTRA** The future of syndicated lending Fusion LenderComm

What are the challenges in syndicated lending?

Issues both in the primary issuance market...

Despite the slowdown in activity prompted by the COVID-19 outbreak, syndicated lending remains a huge and vibrant global market. There's also the prospect of a strong rebound in volumes after the pandemic, as large organizations worldwide seek finance to fund M&A deals, and look to borrow and restructure to get through the post-crisis period. Such a resurgence in activity will lay bare the entrenched issues in the market.



In recent years, a rapid proliferation of lenders participating in the market has made loans far more complex to arrange and manage



While agents use sophisticated loan servicing systems to handle complexity, widespread usage of manual processes and outdated communication methods hamper speed and efficiency



The need to rekey messages creates massive potential for errors and inconsistencies, pushing up reconciliation breaks between agents and lenders



Heavy workload for both lenders and agents results in high headcount and costs, frequent delays, and significant operational, accounting and reporting risks



The market is facing increasing regulatory pressure, including rising data requirements for regulatory reporting



The lack of digitization means the only way to meet rising reporting requirements is to hire more staff



Processes are hampered by the general lack of visibility for lenders into their positions, as these are held in the agents' systems

...and in secondary trading and settlement

The efficiency challenges and lack of visibility in primary issuance are mirrored in the secondary trading market. There is no central platform for sellers to publish loan positions for sale or for buyers to see what is available in the market. This is a barrier to new entrants looking to invest in the loan market.

Also, the settlement process for secondary trading is fragmented and slow, with communication between seller, buyer and agent bank typically carried out – as in the primary issuance market – via email and fax. The outcomes include longer settlement periods, together with high costs, usage of multiple platforms to settle trades, and a need for additional reconciliation.

The numbers

200 to 1,000+

Lenders in a single deal

500 to 10,000

Daily notices from agent banks

600 to 800

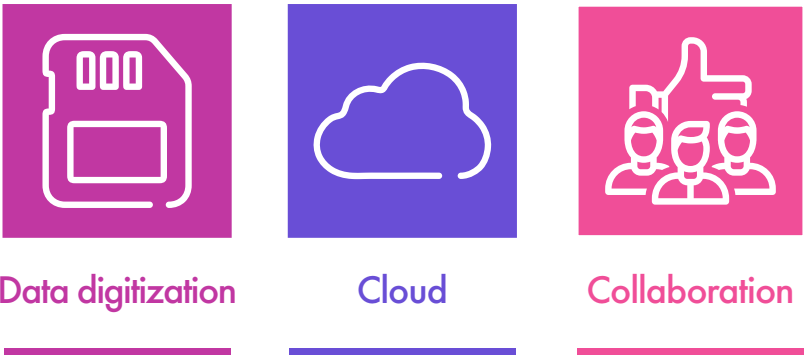
Queries from lenders at the quarter end

What are the key building-blocks to modernize the syndicated lending market?

On both the primary issuance and secondary trading side, the single most important enabler for boosting speed and efficiency while reducing cost and risk is digitization of data.

This would open up the potential for faster, more efficient and more transparent information flows between all participants.

To realize the fullest possible benefits across the market, digitization of data should be accompanied by use of cloud technology, maximizing accessibility and removing the need for direct IT connectivity between lenders and agents. In combination, these two advances can open the way to greater collaboration between participants, based around shared real-time information and – ideally – a single agreed version of the truth.



Data digitization, cloud and collaboration will effectively reinvent syndicated lending, by transforming it into an efficient, modern marketplace enabled by digital technologies. They will achieve this by overcoming four key barriers that currently stand in the way of market efficiency and effectiveness.

Overcoming the four key barriers

- **Rising syndicate size and complexity –**
By enabling agents to publish data to the lenders in real time via secure digital channels. As a result, lenders gain full visibility into all their deal data and don't need to bombard agents with information requests. At the same time, digitization of data will enable many processes on both sides to be automated and migrated to straight-through processing (STP).
- **Frequent reconciliation breaks between the agents and lenders –**
Giving lenders access to deal information from a centralized platform populated directly from the agent banks' servicing systems. The ability to gain deal information across all agent banks digitally removes the need for rekeying, dramatically reducing errors and reconciliation breaks. Operational costs and staffing needs will also fall sharply.
- **Increasing regulatory pressure –**
By making lenders' regulatory reporting faster, easier and simpler through the availability of higher quality, more timely information from a single source populated from agents' systems. The fact that this data is in digital format opens up further opportunities for automation.
- **Lack of transparency in the marketplace –**
Providing visibility of secondary market loan positions for sale or purchase, by creating a platform where sellers can publish deals available for trading and buyers can assess and select them. The availability of this platform will boost trading volumes and encourage new investors to enter the market.

How Finastra's Fusion LenderComm transforms the syndicated loan value chain

Working in close collaboration with some of the world's top global banks, we have developed a solution that delivers the three key building-blocks of digitization, cloud and collaboration to the syndicated lending market – thereby solving its embedded challenges.

Fusion LenderComm is a centralized online platform built on a private secure messaging network, hosted on Microsoft Azure's cloud backbone. It overcomes the issues around cost, efficiency and transparency currently impacting syndicated lending, through digitizing, streamlining and centralizing the exchange of information across all participants.

"Golden source" access

By providing agent banks with the ability to publish "golden source" deal information from their servicing systems seamlessly, simultaneously and in real time to all lenders in their syndicated deal portfolio, Fusion LenderComm vastly reduces the operational cost and burden of agent-to-lender administration. It enables lenders to use self-service capabilities to access accurate information on demand to optimize their loan portfolios.

The solution also facilitates STP by enabling lenders to consume data associated with a credit agreement in an automated way via an open API. This means the agent bank's golden source deal information passes directly into the lender's servicing system – immediately removing operational risks from manual rekeying, and reducing reconciliation breaks between agent and lenders.

End-to-end integration

All of this means Fusion LenderComm transforms the syndicated loan value chain through end-to-end integration from signing through servicing, trade settlement and maturity, while bringing unprecedented transparency to the entire market. What's more, as a cloud-based solution provided on a pay-per-use basis, Fusion LenderComm minimizes capital cost and risk for all users and maximizes connectivity, integration and flexibility.

It also provides out-of-the-box integration with Finastra's market-leading loan servicing solution Fusion Loan IQ and collaborative developer platform and marketplace FusionFabric.cloud. Running on top of [FusionFabric.cloud](#), Fusion LenderComm taps into Finastra's global collaborative open innovation ecosystem that brings together banks, FinTechs and other innovators to capitalize on new and emerging technologies.

Together, these attributes and capabilities mean Fusion LenderComm brings syndicated lending decisively into the 21st century. Going forward, the environment will be expanded to include a secondary market securitized loan information platform for buyers and sellers – extending the benefits of accessibility, visibility and efficiency to existing and prospective investors in the market.



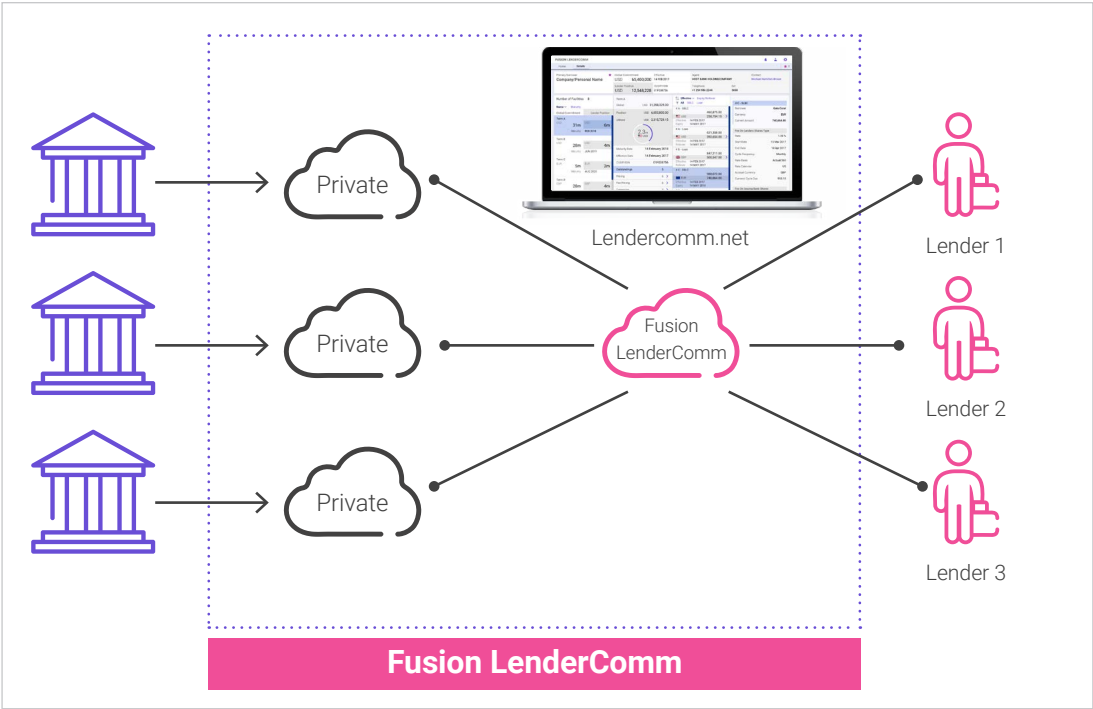
The right solution at the right time

The message is clear.

As volumes rebound in the wake of the slowdown triggered by COVID-19, any bank that's serious about participating in syndicated loans for them long term – whether as agent, lender or both – should consider adopting Fusion LenderComm. It represents the future of syndicated lending, offering a robust route to higher revenues and lower complexity and cost.

Put simply, it's the right solution in the right market – at the right time.

High level architecture



Fusion LenderComm is a community of agents and lenders using Microsoft Azure cloud backbone

Key features of Fusion LenderComm

- Enables seamless collaboration and information exchange in the cloud between agents and lenders – improving efficiency, reducing operational risk and cost, and transparency through immediate access to transactional data.
- Creates a single source of truth through a central portal that provides immediate transaction information for all authorized parties, supporting better and faster decisions based on data that's current and 100% accurate.
- Gives lenders a personalized view of positions across agent banks, helping to manage multiple participations.
- Provides lenders with real-time access to credit agreement terms, accrual balances, position information and detailed transaction data directly from agent loan servicing platforms including Fusion Loan IQ.
- Removes the need for agents to interact manually with hundreds or even thousands of lenders, resulting in significant cost savings.
- Avoids up-front capital costs and implementation effort by being available to both agents and lenders as-a-service.

THE FUTURE OF FINANCE IS OPEN

Finastra is unlocking the power of finance for everyone by creating a platform for open innovation in the world of financial services.



Contact us

About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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