

# Streamlining syndicated lending

## Time for change

Syndicated lending is a vital source of funding for corporations, infrastructure projects and governments worldwide. It's also a potentially high-margin activity for banks, whether as agents or lenders. Yet it's a market with many entrenched issues and inefficiencies that hamper banks' ability to realize the full opportunities it offers.

What issues? The most evident is rising complexity driven by a rapid proliferation in lenders, especially non-banks. A single deal can now have between 200 and 1,000 lenders, or more. Communication between agents and lenders is still handled largely through manual processes and slow, outdated channels like email and fax.

This reduces speed and efficiency while boosting headcount and costs – problems that are amplified by lenders having to rekey the notices they receive from agent banks, resulting in errors that push up reconciliation breaks. The lack of digitization means the only way to meet rising regulatory reporting requirements is to hire more staff.

Radical change is needed to boost speed, efficiency and transparency in syndicated lending and bring the market into the 21st century. In our view, this requires three significant advances:



*Digitization of data across the market*

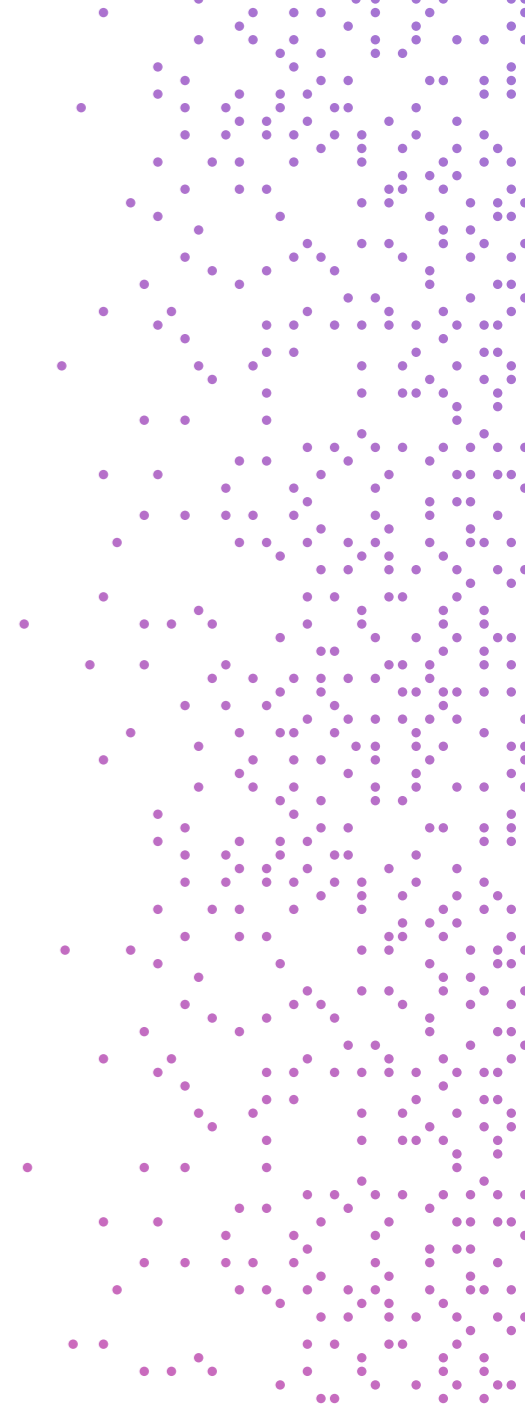


*Streamlining of information exchanges between agents and lenders*



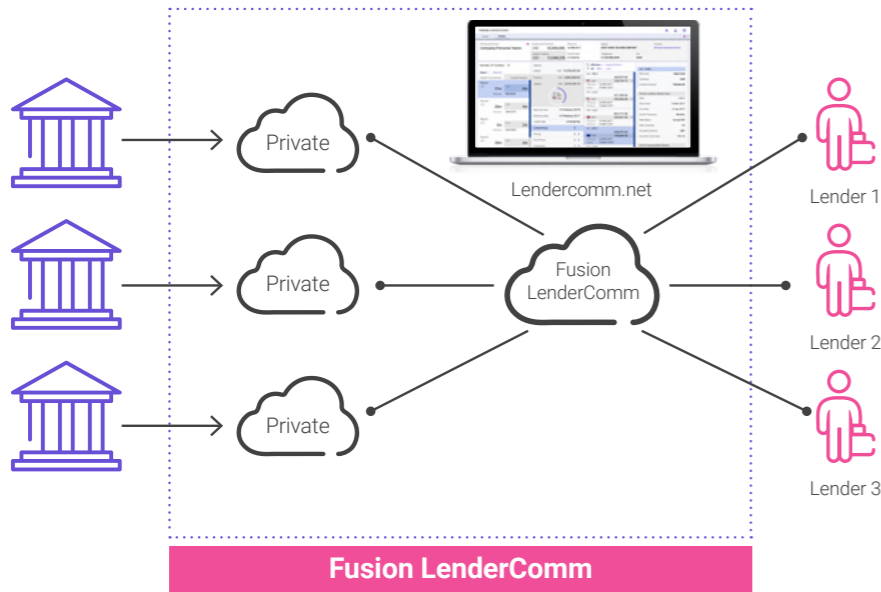
*Enhanced collaboration using the power of the cloud*

Fusion LenderComm directly delivers the first two advances – digitization and streamlining of information exchanges – and creates an environment that enables the third, collaboration. The result is end-to-end transformation and streamlining of the syndicated lending supply chain, bringing major benefits for both agents and lenders.



# Fusion LenderComm overcomes the issues that are hampering speed and efficiency in syndicated lending

Fusion LenderComm high-level architecture



Fusion LenderComm is a centralized online platform built on a private secure messaging network and hosted on Microsoft Azure's cloud backbone. By digitizing, streamlining and centralizing the exchange of information across agents and lenders, Fusion LenderComm addresses the following challenges:

**Rising syndicate size and complexity** – Fusion LenderComm enables agents to publish data to all their lenders in real time via a secure private digital channel. Lenders gain full visibility on-demand into “golden source” deal and position data via a self-service portal. The digitization of data also enables processes on both sides to be automated and migrated to straight-through processing.

**Frequent reconciliation breaks between the agents and lenders** – By allowing lenders to access deal information digitally sourced direct from the agent banks’ servicing systems, Fusion LenderComm removes the need for rekeying, driving down errors, reconciliation breaks and queries.



## Increasing regulatory pressure

– Fusion LenderComm makes lenders’ regulatory reporting faster, easier and simpler through the availability of higher quality, more timely information.

## Creating a seamless digital community of agents and lenders

By enabling agent banks to publish 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, and empowers lenders to access accurate information to optimize their loan portfolios.

The effect is to create an integrated digital community of agents and lenders connected by the Microsoft Azure cloud backbone. As the high-level architecture shows, agent banks publish the golden source data from their deal servicing system onto the private and secure Fusion LenderComm network, and lenders then access the self-service Lendercomm.net portal to see and drill down into their own deal data.

## Integration with Fusion Loan IQ and FusionFabric.cloud

Fusion LenderComm provides out-of-the-box integration with Finastra’s market-leading loan servicing solution Fusion Loan IQ for deal publication, used by more than 70 banks overall globally. Non-Fusion Loan IQ banks can also participate in the Fusion LenderComm network through a series of standard Open APIs. And as a cloud-based solution, Fusion LenderComm is designed to run on top of [FusionFabric.cloud](#), Finastra’s collaborative developer platform and marketplace that brings together banks, FinTechs and other innovators to capitalize on new and emerging technologies.

## How Fusion LenderComm benefits both lenders and agents

The design principles applied to the development of Fusion LenderComm are based on superior user experience and streamlined data communication that enables automated processing. Both concepts are aimed at optimizing agents' and lenders' commercial loan servicing functions. The result in each case is significant improvements in speed and efficiency.



### Value for lenders...

Currently lenders have no real-time visibility into all their deal information. The data is held in the agent banks' servicing systems and communicated to lenders via notices sent by email or fax. These notices typically contain lifecycle event information and not all the deal information. Fusion LenderComm's self-service portal provides lenders with real-time visibility into all their deal and position information, published directly from agents' systems.

This capability makes Fusion LenderComm unique in the syndicated loan market: no other solution offers "golden source" data from agent banks and shares it via an online portal with the lender of record, over a secure private network architecture. Fusion LenderComm makes facility fee pricing data available to help lenders reconcile funds received from the agent if they have a discrepancy.

Lenders currently have an inability to upload all their deal information into their servicing system, from a source that delivers data direct from the agents' servicing systems. In the near future, this golden source information published on Fusion LenderComm will be made available for electronic consumption to progress one step closer to straight through processing (STP).

This will enable lenders to further reduce their workload, by consuming the information from their agents' servicing systems in a standardized manner without rekeying. As well as suffering fewer reconciliation breaks, lenders can have complete confidence in the quality of the data in their servicing system – enabling timely, accurate reporting of exposures and capital requirements, while avoiding instances of capital misallocation or failure to report. The effect is to mitigate the increasing regulatory pressures on lenders.



***Fusion LenderComm will ultimately transform the syndicated loan value chain by providing end-to-end integration all the way from servicing through trading and settlement to maturity, 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."***

Amy Walker  
Vice President, Fusion LenderComm, Finastra



### ...and for agents

Agent banks are responsible for the ongoing management of syndicated loan transactions on their portfolios. Among other duties, this involves ensuring that the credit agreement is adhered to at all times; that lenders coming into the transaction are eligible; that covenant information is received from the borrower; and that lenders get to see only their share of the transaction.

Fulfilling these responsibilities has become more complex and challenging, as the number of lenders has risen to unprecedented levels. As well as increasing the amount of notices agents must distribute at each lifecycle event, this also boosts the volume of queries coming in from lenders. Responding to such queries is a labor-intensive “time thief” that produces no additional value. So the challenge facing agent banks is how to manage the increase in lenders on syndicated loan transactions but reduce the incoming queries and need for more headcount.

Fusion LenderComm enables agents to address this challenge. Lenders using its self-service portal can answer their queries for themselves, meaning they have no need to contact the agent directly. And the fact that lenders can upload the “golden source” data directly into their servicing systems removes the operational and rekeying risks that cause reconciliation breaks. This relieves the pressure on agents, as again it reduces incoming queries from the lenders.

What’s more, implementing Fusion LenderComm does not require a large-scale investment program for agents – and it provides a low point of entry for lenders, encouraging adoption. The more lenders that are on Fusion LenderComm, the greater the savings for the agents.

### The next step: Fusion LenderComm trading venue and trade settlement

Having established a marketplace community of both agents and lenders on Fusion LenderComm, our community can leverage the network and digitized data to support further downstream integration, establish a trading exchange, streamline settlement, and enhance KYC. This opens some exciting possibilities for the future.

### 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 top100 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](https://finastra.com)

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