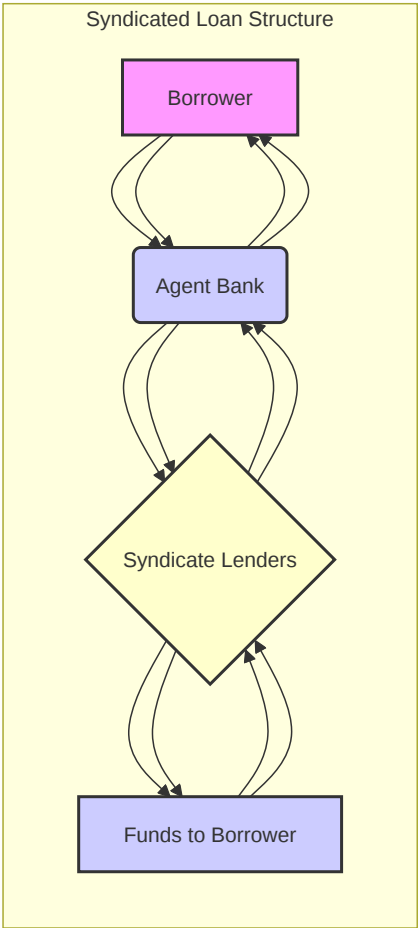


Syndicated Loan Basics

Syndicate Loan Structure

A syndicated loan involves multiple lenders (banks or other financial institutions) providing funds to a single borrower. This structure is often used for large loan amounts that a single lender may be unwilling or unable to provide.

Diagram:



Key Participants

<b>Borrower:</b>	The entity receiving the loan proceeds.
<b>Agent Bank:</b>	Acts as the primary point of contact between the borrower and the syndicate lenders. Manages administrative tasks, disburses funds, and collects payments.
<b>Lead Arranger (or Bookrunner):</b>	Responsible for structuring the loan, marketing it to potential lenders, and forming the syndicate.
<b>Syndicate Lenders:</b>	The banks or financial institutions that provide a portion of the loan.

Agent Bank Responsibilities

- **Communication:** Serving as the primary communication channel between the borrower and the syndicate lenders.
- **Administration:** Managing loan documentation, compliance, and other administrative tasks.
- **Fund Disbursement:** Coordinating the disbursement of funds to the borrower.
- **Payment Collection:** Collecting principal and interest payments from the borrower and distributing them to the lenders.
- **Monitoring:** Monitoring the borrower's financial performance and ensuring compliance with loan covenants.

Facility Types

Types of Facilities

<b>Term Loan:</b>	A loan with a fixed repayment schedule and maturity date. Often used for specific projects or acquisitions.
<b>Revolving Credit Facility (RCF):</b>	A flexible credit line that allows the borrower to draw down, repay, and redraw funds up to a specified limit during the term of the facility. Used for working capital needs.
<b>Delayed Draw Term Loan (DDTL):</b>	A term loan where the borrower can draw down funds over a specified period, often used for project financing.
<b>Bridge Loan:</b>	A short-term loan used to finance a temporary funding gap, often in anticipation of a larger financing transaction.
<b>Letter of Credit (LC) Facility:</b>	A facility providing letters of credit to support the borrower's trade or other obligations.

## Loan Dynamics

### Borrow, Paydown, and Commitment

<ul style="list-style-type: none"><li>• <b>Borrow:</b> Drawing funds from the available credit facility. Increases the outstanding loan balance.</li><li>• <b>Paydown:</b> Repaying a portion of the outstanding loan balance. Decreases the outstanding loan balance.</li><li>• <b>Commitment:</b> The total amount of credit the lenders have agreed to provide. For an RCF, this is the maximum amount that can be borrowed. For a term loan, it's the original loan amount.</li></ul>
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### Rate Set and Margin Changes

<b>Rate Set:</b>	The process of determining the interest rate applicable to a loan for a specific period (e.g., monthly, quarterly). Usually based on a benchmark rate plus a margin.
<b>Margin Change:</b>	Adjustments to the margin (the spread above the benchmark rate) based on changes in the borrower's creditworthiness or market conditions. Often tied to financial covenants.
<b>Interest Rate Calculation:</b>	$\text{Interest Rate} = \text{Benchmark Rate (e.g., LIBOR, SOFR)} + \text{Margin}$

## Loan Trading and Interest

### Loan Trading

<ul style="list-style-type: none"><li>• <b>Trade Buy:</b> Purchasing a portion of a syndicated loan from an existing lender.</li><li>• <b>Trade Sell:</b> Selling a portion of a syndicated loan to another lender or investor. Loan trades are typically governed by standard documentation developed by the Loan Syndications and Trading Association (LSTA).</li></ul>
<b>Types of Loan Transfers:</b>
<ul style="list-style-type: none"><li>• <b>Assignment:</b> Transferring all rights and obligations under the loan agreement to the buyer.</li><li>• <b>Participation:</b> The seller retains the loan but sells a portion of the economic benefits (e.g., interest payments) to the buyer. The buyer has no direct relationship with the borrower.</li></ul>

### Interest Calculation and Payment



<b>Interest Calculation:</b>	Interest is typically calculated on the outstanding principal balance using a specified interest rate (benchmark rate + margin) and day count convention (e.g., Actual/360, Actual/365).
<b>Interest Payment:</b>	Interest payments are usually made monthly, quarterly, or semi-annually, as specified in the loan agreement.
<b>Accrued Interest:</b>	Interest that has been earned but not yet paid. In loan trading, the buyer typically compensates the seller for accrued interest up to the settlement date.

## Syndicated Loan Event Keywords and Actions

<b>Borrowing/Drawdown</b>  Keywords: Drawdown, Borrow, Utilisation, Advance, Funding Request  Action: Loan amount is disbursed to the borrower.	<b>Paydown/Repayment</b>  Keywords: Repay, Paydown, Amortize, Reduce  Action: Borrower repays a portion or the entire outstanding loan amount.
<b>Funding Memo</b>  Keywords: Funding Memo, Allocation, Distribution  Action: Document detailing the allocation of funds to participating lenders.	<b>Restructure/Amendment</b>  Keywords: Amend, Restructure, Waive, Modify  Action: Changes to loan terms such as maturity, covenants, or interest rate.
<b>Commitment Increase</b>  Keywords: Increase, Upsize, Expand, Add  Action: The total loan commitment is increased, often involving existing or new lenders.	<b>Rate Set/Interest Determination</b>  Keywords: Rate Set, Interest Period, LIBOR, SOFR, Euribor, Margin  Action: Setting the interest rate for the upcoming interest period, based on benchmark rates and margin.
<b>Conversion</b>  Keywords: Convert, Type Change, Facility Switch  Action: Switching between different types of loan facilities (e.g., Revolving to Term Loan).	<b>Prepayment</b>  Keywords: Prepay, Early Repayment, Optional Prepayment  Action: Borrower repays the loan before the scheduled repayment date, often with penalties.
<b>Default/Event of Default</b>  Keywords: Default, Breach, Violation, Event of Default  Action: Occurrence of a condition that allows lenders to accelerate the loan and pursue remedies.	<b>Waiver</b>  Keywords: Waive, Consent, Agreement  Action: Lenders agree to waive a breach of covenant or other default event.
<b>Assignment</b>  Keywords: Assign, Transfer, Novation  Action: Transfer of a lender's rights and obligations to another lender.	<b>Syndication</b>  Keywords: Syndicate, Arranger, Underwrite, Participation  Action: The process of distributing the loan to a group of lenders.
<b>Amendment Fee</b>  Keywords: Fee, Amendment Fee, Consent Fee  Action: Fees paid to lenders for agreeing to amend the loan agreement.	<b>Extension</b>  Keywords: Extend, Maturity Extension, Renew  Action: Extending the maturity date of the loan.
<b>Cancellation</b>  Keywords: Cancel, Terminate, Reduce Commitment  Action: Reducing or terminating the unused portion of the loan commitment.	<b>Rollover</b>  Keywords: Rollover, Renew, Extend  Action: Extending the loan for another period, often at revised terms.

Syndicate loans

Syndicated Loan Funds Flow Diagram

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