

Loan Syndication – Principles, Practices, Operations and Cases

3 Days

COURSE OVERVIEW

This **advanced** loan syndication course aims at raising competencies of Corporate Bankers, Corporate Finance Bankers or Investment Bankers on this hybrid loan product in marketing, originating, and structuring and credit analysis, lead-managing or participating in loan syndication. Participants will acquire the knowledge and techniques on loan syndication in a wholesome approach with global perspectives of syndicated loan mechanisms in breadth and depth so that they can be deal makers in executing workable syndicated loan solutions for their clients and coordinating with participating banks or vice versa.

LEVEL

Advance

WHAT WILL I GET OUT OF IT?

At the end of the program, participants should be able to:

- Apply the appropriate sequence in preparing the loan syndication;
- Apply the principles and practices pertaining to the loan syndication;
- Identify the different types of loan syndication and the types of loan facilities;
- Understand agency problem(s) and overcome them using timetable to guide and manage the loan syndication process;
- Understand the process of loan syndication credit analysis and the packaging of loan syndication with pricing and fees;
- Identify necessary covenants and mandatory repayments as well as lenders' titles and secondary sales
- Identify the necessity of designing the term sheet for information memorandum for participating lenders with necessary documents to guide them in obtaining credit approval;
- Identify collateral, spring lien/collateral release and asset-based lending;
- Apply the principles of loan structure, term sheet, legal documentation, and the review of legal documents within the syndicate members with both lenders' and borrower's legal counsels; and
- Ensure documentation/registration of the collateral proposed in credit/loan application have been properly completed prior to loan drawdown using a checklist approach by the appointed agent as well as security trustee (agent).

WHO'S IT FOR?

- Corporate lending officers/managers or relationship managers
- Branch lending managers

- Investment bankers
- Treasury managers
- Risk management managers
- Credit analysts
- Credit audit managers
- Credit Admin executives and managers

COURSE CONTENT

Day 1

Unlocking the sequence behind the loan syndication

- Introduction
- The principles of loan syndication: the meaning and the basics
- The loan syndication market and its historical development
- Types of syndication: underwritten deal, best-effort syndication, club deal – the practices
- Loan versus bond syndication

Workshop 1: Take a role as lead arranger, explain which types of the loan syndication do you prefer and convince your participating lenders on the choice of the preferred type? Articulate your reasons (Why?).

- Overview of loan syndication market
- Loan syndication process: the information memorandum or bank book, loan investors market and timetable
- Public versus private

Workshop 2: How do you control the loan syndication process? Discuss.

- Benefits of the loan syndication for various participants
- Agency problems, syndicate composition, and cash management
- Syndication composition and organization available
- Timing and syndication transfers

Case study: Role play: One group will act as a lead arranger and will draw up a timetable for organizing a loan syndication credit approval by invited individual participating lenders and review of legal documentation, among others. The other groups will act as participating lenders who provide feedback to the lead arranger (groups) to improve on the timetable to meet the reasonable timing requirements on the loan syndication process. The lead arranger-groups must take the Borrower's timing for the syndicated loan into consideration as it will likely use the loan to repay the existing lenders. Negotiation is a key to successful loan syndication before and after the loan syndication. (Note: A detailed background will be provided in detail for participants in the Workshop.)

Day 2

Balancing the process of credit analysis and of packaging of the loan syndication

- Introduction
- Credit risk review: default risk, loss given-default risk, credit statistics, industry sector, sponsorship
- Types of loan facilities
- Credit approval process by lead arranger and structure of participations and fees
- Pricing a loan in the primary market and for institutional players
- Credit agency rating (if any) versus internal risk rating
- Pricing terms and loan math – the art of spread calculation based on risk rating

Workshop 3: As a lead arranger, what are the major factors you have to consider in the loan syndication?

- Credit approval with credit structure and term sheet and roles of various levels of participants and agents
- Covenants and mandatory prepayments
- Lenders' titles and secondary sales

Workshop 4: When designing a term sheet what are the major terms and conditions must be considered by the lead arranger, which will be fair for participating lenders?

- Collateral, spring lien/collateral release
- Asset-based lending
- How do defaults affect the lead arranger's reputation in loan syndication market?

Case study: Role play - One group will act as a lead arranger, who will go through the credit process of putting up a credit paper (and assume it is approved) with the loan structure and the term sheet of the loan syndication. It will then invite individual participating lenders to the participation of the loan syndication based on the term sheet, pricing and fee structures and information memorandum provided with a timetable for their credit decision making. The lead arranger will clarify any major credit risks concerned with additional information required by the participating banks for them to obtain credit approval within the timetable. (Note: A detailed background of the case will be provided for the Workshop.)

Day 3

Marketing, origination and execution of a loan syndication pertaining to an actionable and workable deal

- Introduction: marketing and origination
- Overview of loan syndication

Workshop 5: How do you prepare your segmentation of the market for loan syndication?

- Lead arranger attracts participants to the loan syndication marketed with acceptable credit risk
- Market disruption clauses consideration

Workshop 6: What likely are the market disruptions that may take place in loan syndication? How market disruption clauses protect the lenders?

- Legal documentation requirements in line with the requirement set in the term sheet stating the agreed securities offered by the borrower, loan agreement, insurance, among others
- Voting right and loan agreement
- Meetings in accordance with timetable that is acceptable to participants – a consultative approach
- Review of standard legal documentation and meetings for discussion on documentation by participants with lenders' representative and legal council and the borrower's representative and legal council
- Execution – engrossing the legal documents including Loan Agreement
- The role of agent - checklist to ensure full implementation of all legal documentation, registration of security, conditions precedent and other terms before disbursement of loan
- Monitoring: the book-runner, the syndicated loan agent, the secondary market
- Strategies for the loan syndication by lead arranger and participating lenders

Case study: Role play - on review of loan agreement the groups will discuss on major terms in accordance with the term sheet. A sample loan agreement will be provided and a group will act as legal counsel for lenders; a group will act as legal counsel for the Borrower; a group will act as the lead arranger and the other groups will act as participating lenders.