LSTA's New Delayed Comp Protocol Shows Encouraging Progress, Moves to Phase II

November 1, 2016, New York, NY – As Phase I of the new delayed compensation standard ends and Phase II begins, the Loan Syndications and Trading Association (LSTA) is pleased to announce that well over 90 percent of all secondary par loans trades entered into on and after September 1st were compliant with the new requirements. The data demonstrates that settlement times for those trades are significantly lower and showing measurable progress towards the goal of the LSTA and loan market participants to decrease settlement times.

According to data from ClearPar, IHS Markit's electronic platform, on LSTA secondary par trades:

- 94 percent of all secondary par trades dated September 1st or later (whether settled or not) were compliant and therefore eligible for delayed compensation because the buyer satisfied the requirements of the protocol.
- 98 percent of trades entered into in September that have settled were compliant.
- 86 percent of all trades entered during September have settled. The median settlement time for those trades was T+9 as compared to trades entered January 1st through August 31st which had a median settlement time of T+12.
- Of the trades that were entered into in September, 37 percent settled within T+7 as compared to 23 percent of trades entered January 1st through August 31st.

"The progress that we have seen since September is a positive first step in implementing the new delayed comp regime and advancing our goal of improving settlement times," said Bram Smith, executive director of the LSTA.

The new delayed comp regime was developed by the LSTA's board and a board-level liquidity committee out of a sense of urgency to address the disappointing reality that settlement times have remained steadily and unacceptably long over the years and an awareness that long settlement times could have negative implications and consequences for the loan market.

"The goal of revising the delayed comp protocols is to fundamentally modify behavior to drive positive and significant change in the industry by focusing on operational improvements and best practices," continued Mr. Smith. "The results so far suggest that our initial efforts have been productive, and we have a path forward to achieve our goal of decreasing settlement times."

For Phase II, effective November 1, in order to receive delayed comp for regular secondary trades, the buyer must, by T+5 (rather than T+6) generally execute the Confirmation and Assignment Agreement, select a Settlement Date of T+7 or earlier and persist until the actual Settlement Date, and (ii) lead times greater than one day will no longer be accepted; instead, Buyers will be able to choose either no lead time or one day of lead time. If the Buyer selects one day of lead time and the Agent executes the Assignment Agreement either (a) on or before 11 AM or (b) after 6 PM, the Agent will select an Effective Date one Business Day later than if the Buyer had chosen no lead time. The trade will settle on the Effective Date but the Buyer will not be entitled to delayed compensation for the lead time during which the loan remained on the balance sheet of the Seller.

About the LSTA

The Loan Syndications and Trading Association is the trade association for the corporate loan market, dedicated to advancing the interests of the overall marketplace and promoting the highest degree of confidence for investors in corporate loans. Founded in 1995, the LSTA undertakes a wide variety of activities to develop policies and market practices designed to promote a liquid and transparent marketplace and to encourage cooperation and coordination among the parties which facilitate transactions in loans and related claims. For more information, please visit http://www.lsta.org.

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