

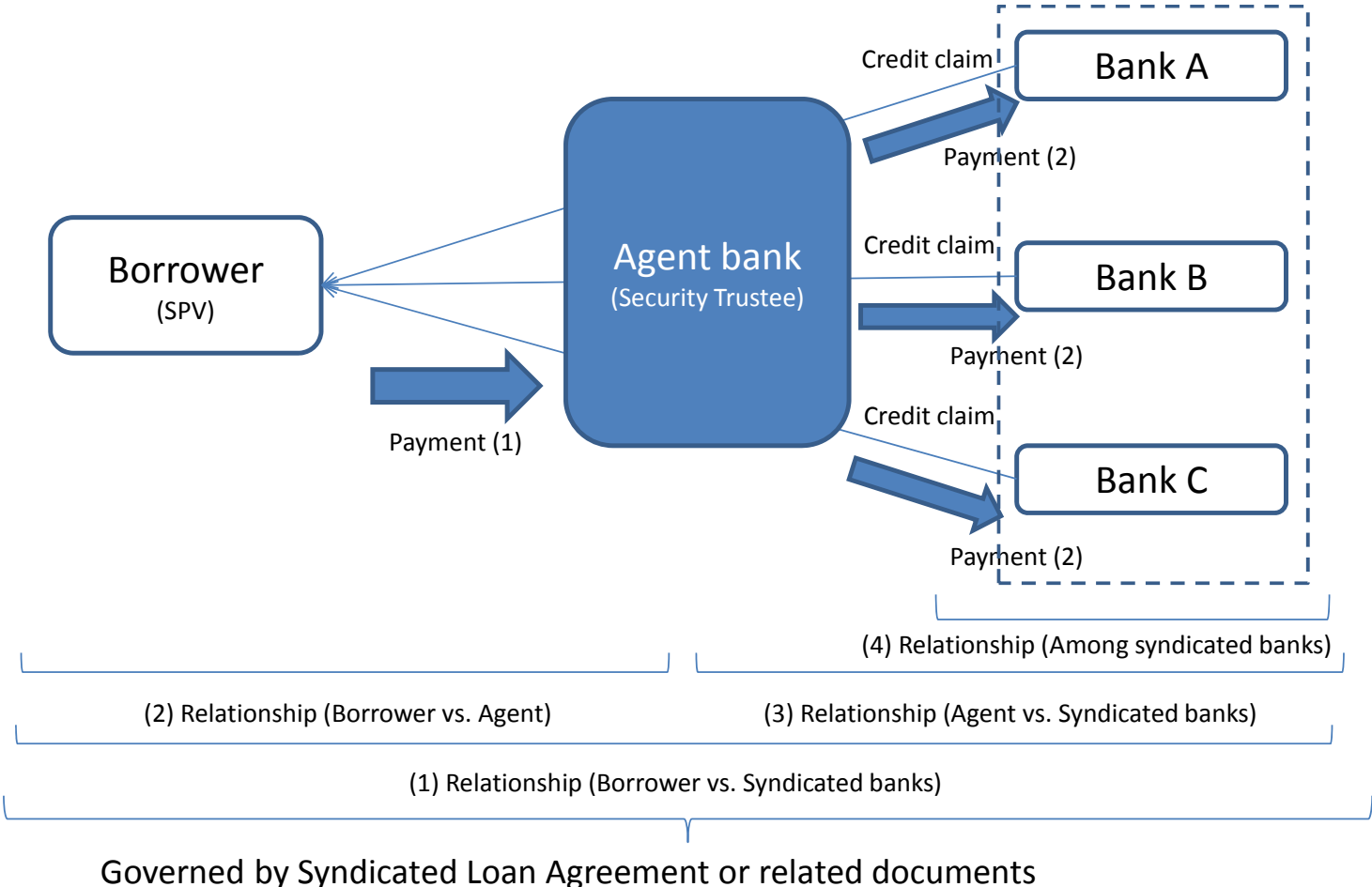
Syndicated loan market

Kentaro Tamura
MMCG meeting
December 10, 2012

Eligible credit claims as collateral

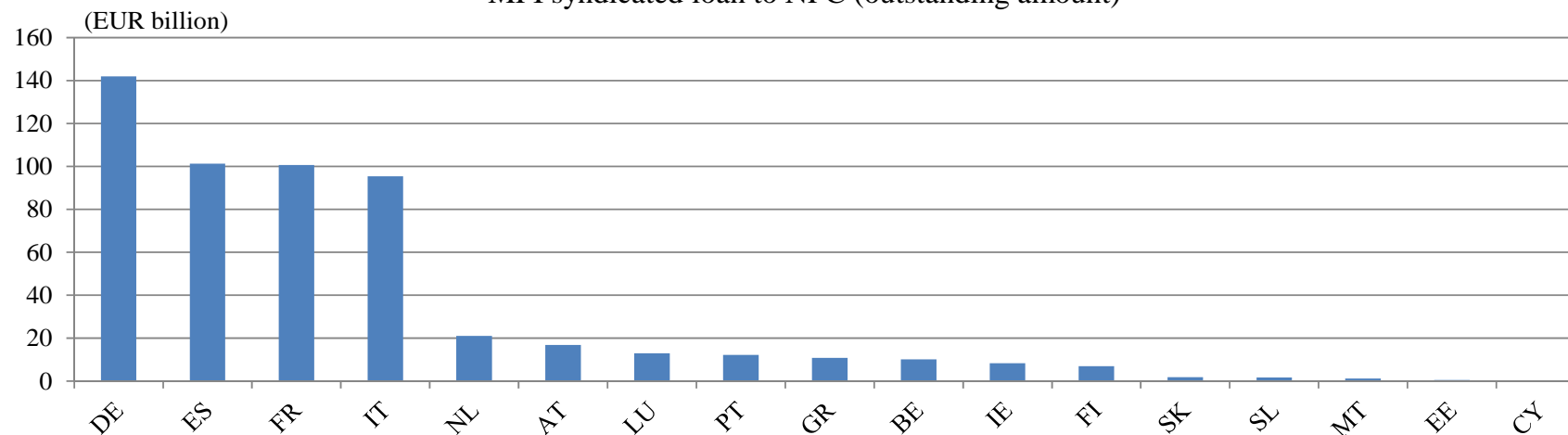
- **Credit claims (stand-alone) fulfilling the criteria of the General Documentation**
- **ABS/covered bonds (credit claims as underlying assets)**
- **ACC (e.g. credit claims to individual, real estate residential loans, pools of credit claims satisfying a broader set of criteria)**
- **Syndicated loans (in principle accepted under the general criteria for credit claims)**
 - **Mainly for NFCs in relatively large size**
 - **Marginally used in Eurosystem credit operations.**
Why?

Basic structure of syndicated loan

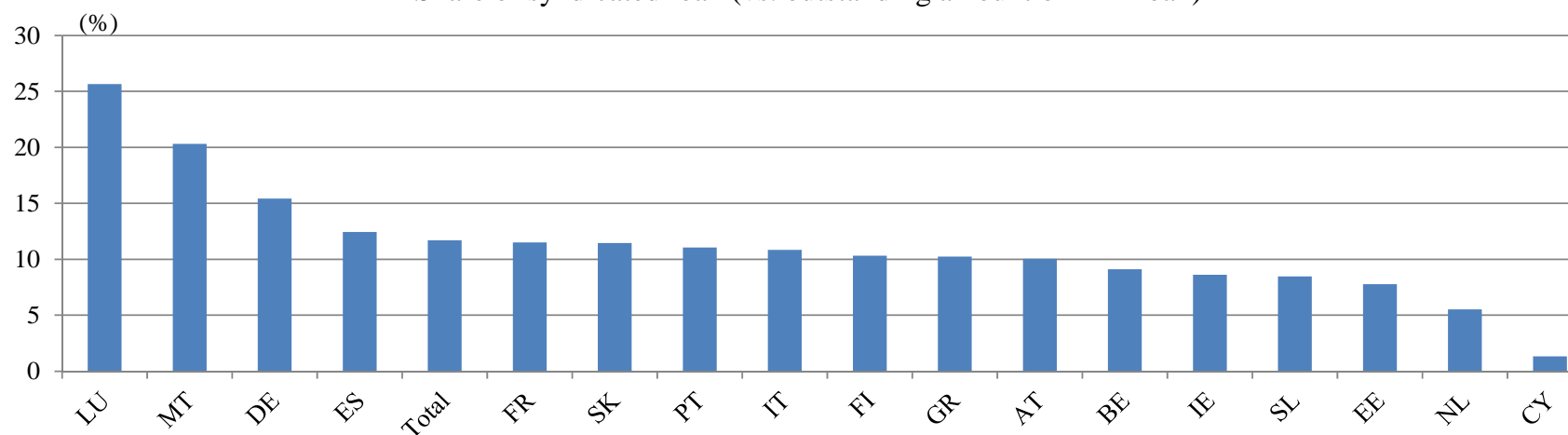


European syndicated loan market (I)

MFI syndicated loan to NFC (outstanding amount)



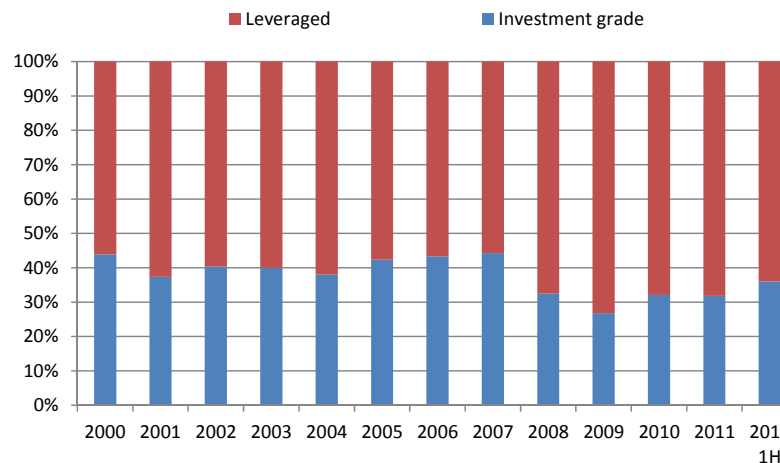
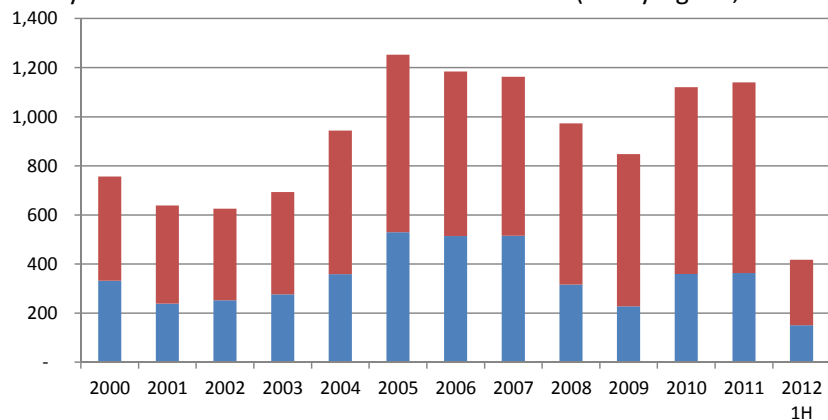
Share of syndicated loan (vs. outstanding amount of MFI loan)



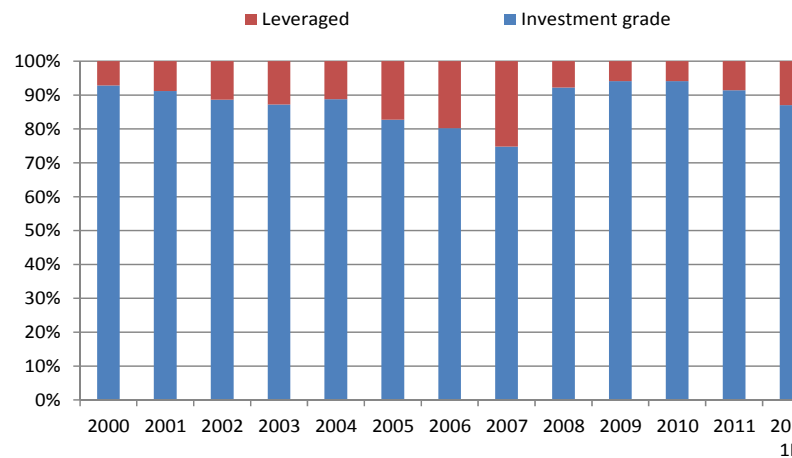
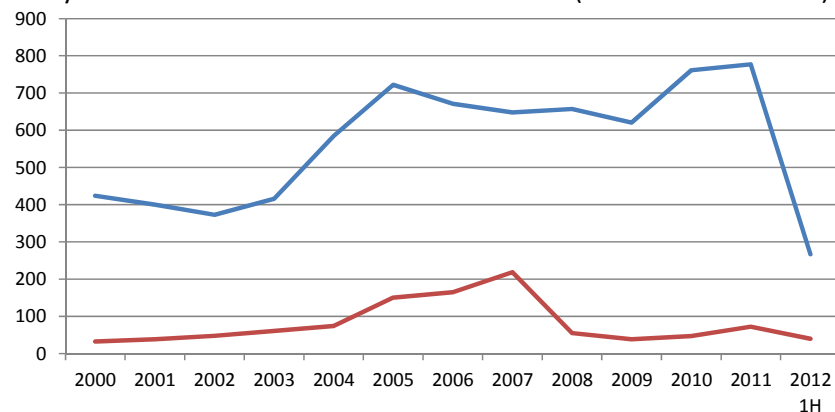
Source: ECB

European syndicated loan market (2)

Syndicated loans to debtors in the euro area (newly signed, EUR bn)



Syndicated loans to debtors in the euro area (number of contracts)



(Source) Dealogic

European syndicated loan market (3)

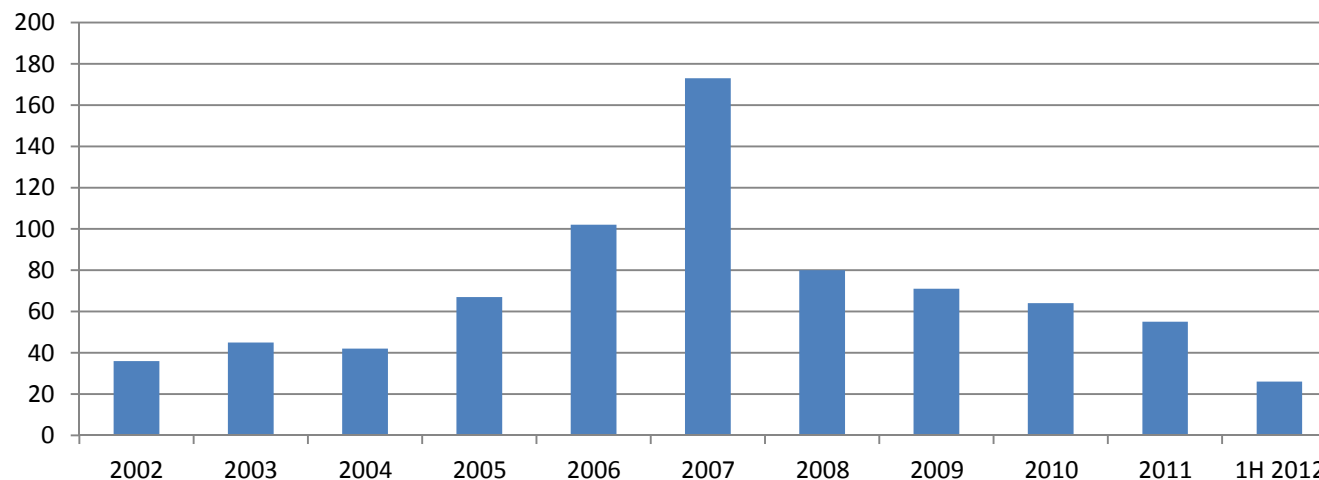
Investment grade syndicated loan to debtors in the euro area										
	2009		2010		2011		2012 1H		Total (from 2009 to 2012 1H)	
	a	b	a	b	a	b	a	b	a	b
Austria	253	3	4,768	6	4,035	8	820	3	9,876	20
Belgium	8,744	18	23,498	23	19,099	43	15,319	11	66,660	95
Cyprus	366	3	0	0	423	2	0	0	789	5
Estonia	0	0	221	1	0	0	0	0	221	1
Finland	4,218	19	5,823	21	13,225	31	2,147	5	25,413	76
France	44,888	92	82,254	113	128,518	140	29,276	49	284,936	394
Germany	61,925	70	66,296	106	70,910	154	24,553	75	223,684	405
Greece	2,047	7	1,650	18	3,689	20	203	1	7,589	46
Ireland	4,471	25	4,985	13	4,419	12	1,867	10	15,742	60
Italy	10,477	92	40,578	125	22,029	104	13,895	26	86,979	347
Luxembourg	10,868	8	12,723	14	12,572	12	3,148	4	39,311	38
Malta	0	0	589	3	42	1	0	0	631	4
Netherlands	16,322	50	33,311	61	38,947	71	12,439	25	101,019	207
Portugal	3,954	16	6,361	22	2,328	7	800	1	13,443	46
Slovak Republic	1,043	2	300	2	85	1	0	0	1,428	5
Slovenia	970	6	1,309	9	1,133	8	0	0	3,412	23
Spain	56,731	210	74,707	224	41,691	163	45,783	57	218,912	654

(Note) a = total value (EUR mn), b = number of deals

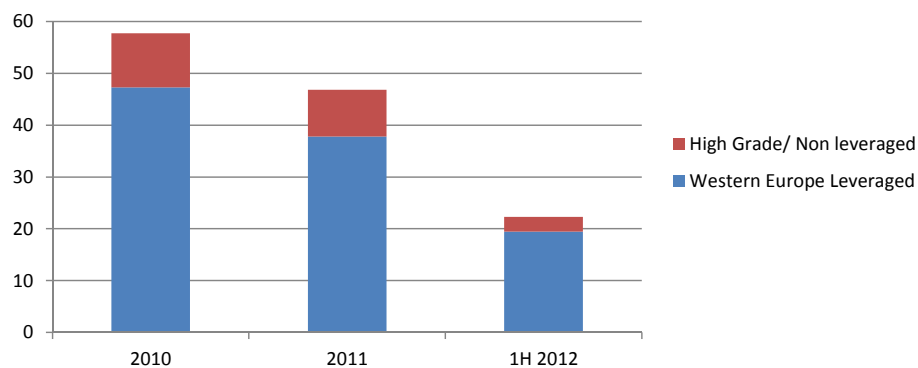
(Source) Dealogic

European syndicated loan market (4)

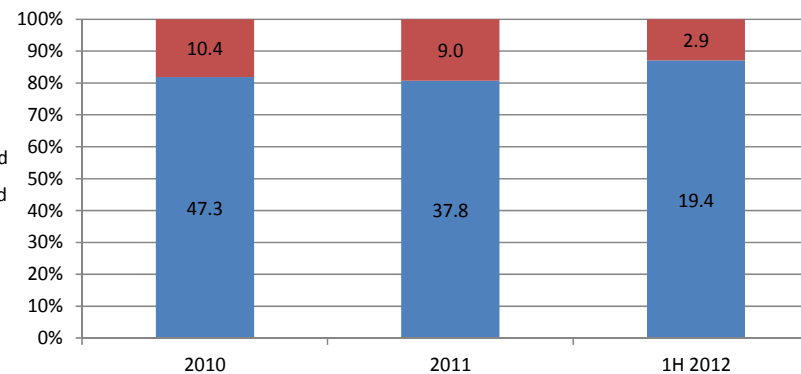
Syndicated loan secondary market trading in Western Europe (YTD, EUR bn)



Syndicated loan Secondary market trading in Western Europe (YTD, EUR bn)



Share of Non leveraged syndicated loan transaction



(Source) Thomson Reuters LPC Secondary Loan Trading Volume Survey

General Documentation

Eurosystem Eligibility criteria relating to syndicated loan

Type of asset
(6.2.2.1)

The share of a syndicated member institution in a syndicated loan is considered an eligible type of credit claim. Credit claims may not afford rights to the principal and/or the interest that are subordinated to the rights of holders of other credit claims (or other tranches or sub-tranches in the same syndicated loan) ...

LMA documentation

LMA documentation (Section 9: Changes to parties)

24.2
Conditions of
assignment
or transfer

- (a) The consent of the Company is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is; (i) to another Lender or an Affiliate of a Lender [; or made at a time when an Event of Default is continuing].
- (b) The consent of the Company to an assignment or transfer must not be unreasonably withheld or delayed. The Company will be deemed to have given its consent five Business Days after the Existing Lender has requested it unless consent is expressly refused by the Company within that time.
- (c)
- (d) An assignment will only be effective on:
 - (i) Receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender

Issues for discussion

- How strong is the demand for the usage of syndicated loans in the euro area (private market transaction/ Eurosystem operations)?
- What are the impediments of the usage of syndicated loans in private market transactions (secondary market purchases, usage as collateral) in the euro area?
- What are the impediments (if any) for the submission of syndicated loans to the Eurosystem as collateral (e.g. complexity of structures, governing law)?