**Leveraged Loan Sponsors Survey**

**Information about the responding firm**

|  |
| --- |
| 1. Firm type: *Please select the* ***one*** *option that most closely describes your group’s activities*
 |
|  International active bank |  |[ ]
|  National/domestic bank or banking group |  |[ ]
|  Private equity group |  |[ ]
|  Asset manager |  | [ ]  |
|  Hedge fund |  | [ ]  |
|  CLO manager independent |  | [ ]  |
|  CLO manager part of a private equity group |  | [ ]  |
|  Insurer |  |[ ]
|  Pension fund |  |[ ]
|  Trade Association |  |[ ]
| Other *(Please describe)* | Click here to enter text. |[ ]

|  |
| --- |
| 1. Please indicate the geographic scope of your firm’s LL activity
 |
|  | **Home region of your firm***Please select one region as appropriate* | **Region(s) in which you are active in LL and/or CLO***Please select all applicable regions as appropriate* |
| North America |[ ] [ ]
| Central and South America |[ ] [ ]
| Europe |[ ] [ ]
| Middle East & Africa |[ ] [ ]
| Asia Pacific |[ ] [ ]
|  | In which jurisdictions are you most active |  |
|  | Approximate firm Size[[1]](#footnote-1) as at 31 December 2020 (expressed in US$) | Click here to enter text. |
|  | Explain the measure you used to indicate the size of the firm’s business in the question 8 above. For example, Annual Revenue, Assets under Management, etc |  |
| **Size of your activity** |
|  | Please quantify the LL transactions, in which you participated as the borrower's sponsor, per year globally? | 2018 | 2019 | 2020 |
|  | Total number of LL deals |  |  |  |
|  | Total volume of LL deals, in million USD |  |  |  |

|  |
| --- |
| **Survey questions** |
| **Your Investment Strategy in LL** |
|  | Please elaborate on your investment strategies in general, including any views on how to set the leverage ratios for your transactions.  |  |
|  | Please also describe your process for identifying potential conflicts of interest and conduct risk when investing in a company or asset using leveraged loans to finance the acquisition. |  |
|  | How often do you or some affiliated entity in the same group invest in a leverage loan to a corporate borrower that you sponsor/own? Please provide examples where possible. What are your policies for addressing conflicts or other issues where such intra-group debt and equity investments occur? |  |
|  | Does your group also include entities that play a role in the leverage loan market either as direct lender or as CLO manager? Please provide examples where possible. And as above, please provide description of policies designed to limit this activity and/or address potential conflicts which might arise from this. |  |
| **Leveraged Loan Issuance Process** |
|  | Please provide a broad overview of the LL issuance process and describe your process for identifying potential conflicts of interest and conduct risk in this process. |  |
| **Disclosures** |
|  | Please describe existing regulatory requirements concerning disclosures connected to leveraged loan issuance. Please also describe your process for providing loan information to lenders/investors, including how frequently such information is updated and how it has changed over time. |  |
|  | What distribution channels are ordinarily used to provide these informational updates? How frequent are these updates? |  |
| **Loan documentation-borrower flexibility** |
|  | Please describe how you/the market make use of increased borrower flexibility around dividend distributions, ability to incur additional debt, ability to move assets to affiliated companies.  |  |
| **Loan documentation – covenants** |
|  | In your experience, what types of covenants (or lack of) are the most contentious with lenders/investors? |  |
| **Loan Documentation – Equity Rights** |
|  | Would you prefer to use your equity cure rights over allowing a breach of covenant and how often do you exercise these? |  |
|  | Please also describe how COVID-19 has impacted the use and disclosure of equity rights. |  |
| **Loan Documentation – Debt Portability Clause** |
|  | Please describe the evolution of the disclosure of debt portability clauses[[2]](#footnote-2). |  |
|  | What is the purpose of such clauses and how are they used in practice? In your experience has the use of these clause in the market been contentious with lenders? |  |
|  | Please describe whether LL are freely transferable and how restrictions over such transfer have evolved over time. What is your view on such restrictions? |  |
| **Impact of COVID-19** |
|  | How has COVID-19 impacted the liquidity of sponsored firms? Which types (sectors) of firms most affected? And how has it impacted the frequency and amount of equity injections into firms? |  |
|  | Please describe the impact of COVID-19 on the frequency of borrower draw-downs under revolving credit facilities, as well as the triggering of springing covenants. |  |
|  | Please explain whether COVID-19 has impacted the use of Material Adverse Change clauses by lenders/investors. |  |
|  | Has COVID-19 created additional risks related to conflicts of interest or conduct? |  |

1. Please choose a commonly used measure of size relevant to the firm type identified in Q5 (e.g.. notional amount of assets under management, notional amount of cash raised, insurance market capitilisation or net premium) [↑](#footnote-ref-1)
2. Debt portability clause refers to the waiver of customary change of control prepayment requirements in connection with a sponsor’s sale of a portfolio company if certain leverage ratios and/or credit rating conditions are satisfied. [↑](#footnote-ref-2)