



*Reduce costs  
and improve operational  
efficiency*

### Benefits

- Enabling the exchange of FpML messages for the loans market
- Creating global standards and best market practices
- Enabling reuse of existing SWIFT infrastructures
- Reducing costs and operational risks
- Close collaboration with market infrastructures and vendors to enable straight-through processing

## Loans

*An automated solution for the syndicated loans market*

SWIFT provides a complete and proven solution to support communication for the syndicated loans market. By offering SWIFT as a highly secure and resilient channel for communication, loan market participants are able to support their users' adoption of global standards, and enable them to reuse their existing SWIFT infrastructures – helping them reduce costs, improve operational efficiency and benefit from economies of scale.

### Industry challenges

Today, the loan maintenance process is essentially manual and information is faxed among market participants, and often followed up with phone call confirmations. This results in millions of faxes going out into the market each month end/quarter end. Add to this the exponential growth in loan trading volume in the secondary market and agent banks find themselves swamped in recordkeeping requirements. This leads to manual errors, backlogs of unsettled trades and cash breaks to primary and secondary investors.

### Current market pain points

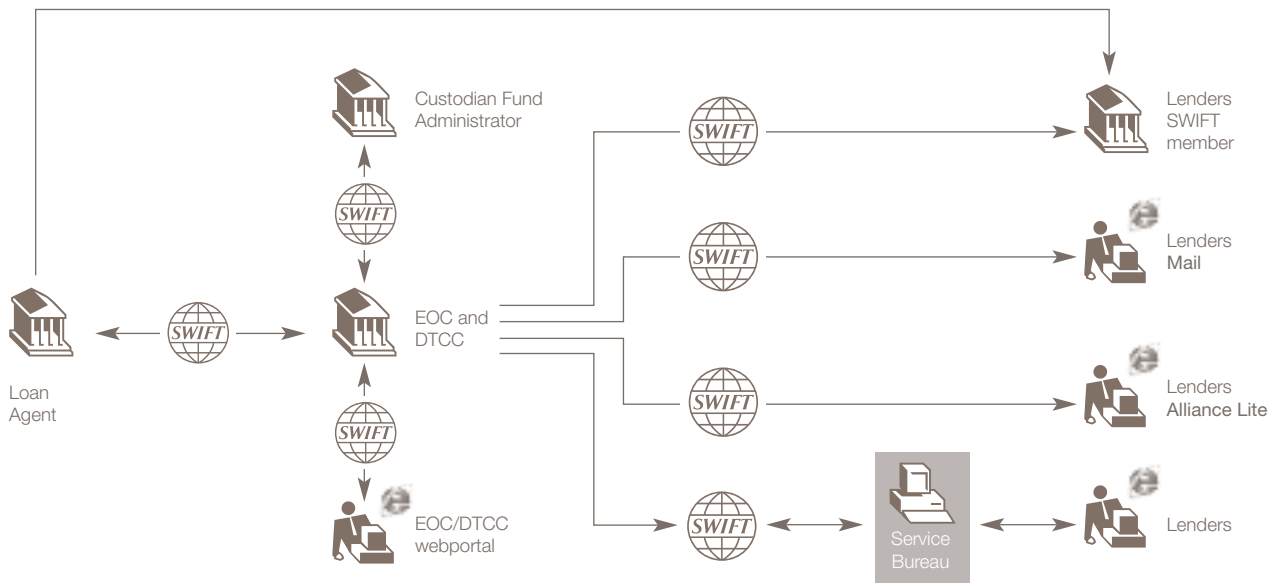
- Electronic agent messaging
- Standard reference data
- Central loan reconciliation
- Automated confirmation, closing and settlement
- Sharing of key information

### SWIFT's Loans solution

SWIFT's solution for Loans facilitates secure electronic communication for the exchange of FpML messages. The FpML messages have been created specifically for the loans market, with a primary focus on agent notices. The intention is to leverage SWIFTNet services and enable the market to benefit from SWIFT's experience in FpML. SWIFT's Loans solution is complementary to offerings from both Depository Trust & Clearing Corporation (DTCC) and Euroclear in the loans market.

FpML compliant messages (XML syntax) are transported over SWIFTNet using SWIFT's InterAct store and forward messaging service.

The first release, Loans 1.0, enables transport of agent notices between the agent banks and the lenders. The second release will include credit agreements, adjustments and rollover events.



▲ The Loans Closed User Group (CUG)

### Closed User Groups (CUGs)

The CUG structure supports the creation of a community between loan market participants, in which SWIFT solutions can be used in a defined context. The loans market can determine the criteria for membership of the CUG, which will typically cover all loan market participants (agent banks, lenders, custodians, CDO trustees, fund administrators etc), and which messaging services are to be used. Via the CUG structure, loan market participants and their communities can shape SWIFT's solutions to meet their needs.

### The components of SWIFT's offering for the loans market

#### Benefits

- Removal of dependencies on the exchange of manual (paper, email and facsimile) notifications between market participants; reducing operational risk and providing a scalable solution for the loans market globally
- Leveraging your current SWIFT investments and benefiting from SWIFT's experience in FpML
- Managed implementation to assure smooth adaptation to new processes and message types

- Solid foundation for full, end-to-end automation of the loans market
- Reduced operating cost, error rates; improved business processes
- Industry scalability; well-positioned for continued product innovation
- Service strategy/definition in close collaboration with industry and CUG participants
- Delivery notification providing receipt of message by counterparty

### The SWIFTNet platform

The SWIFTNet platform provides an industry communication protocol. Parties involved in loans and derivatives trading will interact using a common communication platform, SWIFTNet, sharing the same security infrastructure and a common service for which the security features have been selected according to business needs.

### InterAct

InterAct is SWIFT's interactive messaging service supporting the exchange of messages between two parties. With InterAct, the loan market community can exchange messages in an automated and interactive way: an application sends a request message to another application and receives an immediate response message.

### FileAct

SWIFT's FileAct allows the secure and reliable transfer of files and is typically used to exchange batches of structured financial messages and large reports. FileAct supports tailored solutions for the loans market community. FileAct is particularly suitable for securities value-added information and reporting.

### Main players

Industry associations:

- LMA - Loan Markets Association (UK)
- LSTA - Loan Syndications and Trading Association (US)
- LMA - Loan Markets Association (Asia)
- ISDA - International Swaps and Derivative Association, Inc

### Partners:

- Euroclear
- DTCC

### Euroclear

Euroclear is the world's largest provider of domestic and cross-border settlement and related services for bond, equity derivatives and fund transactions. Euroclear responded to the LMA's call in January 2008 for greater processing standardisation, and began to roll out its service LoanReach in 2008.

### **DTCC**

Working with five global banks, The Depository Trust & Clearing Corporation (DTCC) launched Loan/SERV, a new suite of services that will help automate and streamline the processing of syndicated commercial loans, in 2008. DTCC, through its subsidiaries, provides clearing, settlement and information services for equities, corporate and municipal bonds, government and mortgage-backed securities, money market instruments and over-the-counter derivatives.

### **Standards**

SWIFT's solution for loans supports FpML messages. These messages are XML messages developed by the International Swaps and Derivative Association.

### **Rules**

Complementing the FpML messages, a set of detailed business and operational rules has been formulated to create and maintain industry practice.

### **Loans 1.0 supports the following messages:**

- Drawdown Notice
- Rate Reset Notice
- Interest Payment Notice
- Principal Repayment Notice
- On-Going Fee Payment Notice
- One-Off Fee payment Notice

### **Loans 2.0 will support the following additional messages:**

- Rollover Notice
- Letter of Credit Issuance Notice
- Letter of Credit Balance Notice
- Letter of Credit Amendment Notice
- Letter of Credit Fee Notice
- Letter of Credit Termination Notice
- Pricing Change Notice
- Lender Position History

### **Security and resilience**

SWIFT network availability approaches 5x9 reliability – 99.999% of uptime – and offers the kind of peerless security levels only available from a private, secure and closed network.

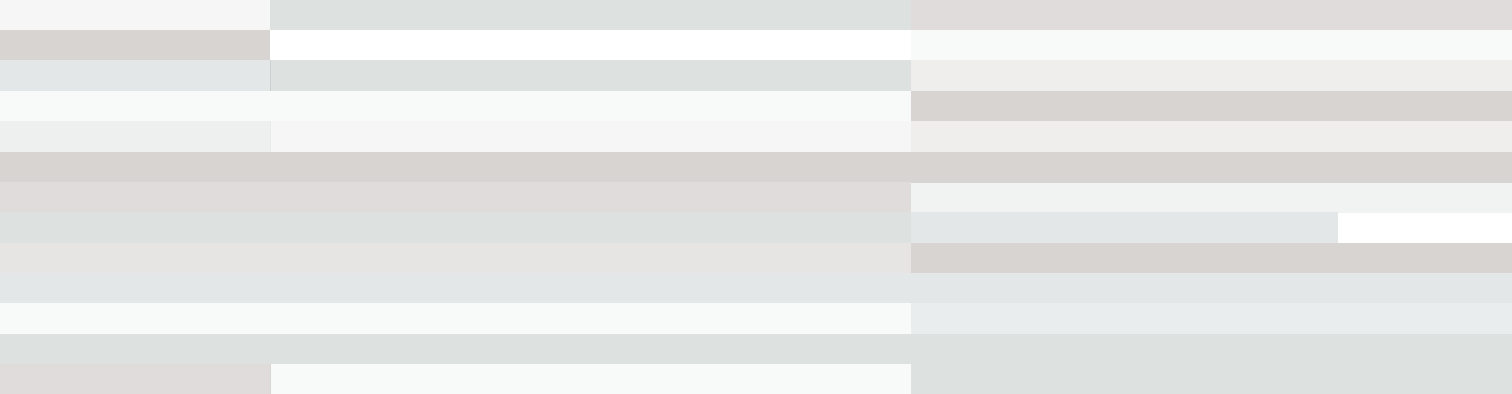
### **Support**

SWIFT provides 24x7 global support.

### **Training**

SWIFT offers a range of classroom and onsite training and e-learning products, specifically tailored to meet your business needs. Visit [www.swift.com/training](http://www.swift.com/training) for a complete list of available courses.

*For more information, please contact your SWIFT account manager or visit [www.swift.com](http://www.swift.com).*



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