



Bank Loan Market Practice

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Author(s): ISITC Settlements Working Group

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Document History

Version #	Change Date	Description of Change	Page	Author
1.0	05/25/2005	Initial Draft for Market Practice requirements for the US markets.		J. Brasile
1.1	07/21/2005	Updated feedback/comments		
1.2	03/22/2006	Updates based on conference call held to review doc		
1.3	05/10/06	Format Specification and sample added.		
1.4	05/25/06	Update to document based on conference call held <ol style="list-style-type: none"> 1. Initial Trade notification should be for accounting purposes only. Therefore, the instruction will contain the SETR//RPTO indicator. 2. Update to Bank Loan Processing and Documentation Timeline section to highlight the initial trade is for reporting only, and the final trade details may still require the fax of the funding memo for compliance reasons. To be determined based on conversations between IM and custodian. 3. Final trade notification should contain the SETR//TRAD to differentiate from the pre-trade instruction. 		
1.5	08/23/06	Update to document based on conference call held 8-23-06 <ol style="list-style-type: none"> 1. Addition of comments in 35B of initial and final trade message explaining the issuer id can be a Deal, Tranche or Security Cusip 2. Note in 19A::SETT field of final trade instruction explaining the breakdown of fees (i.e. assignment fees, delayed compensation, economic benefit of paydown, etc) will be provided in the funding memo faxed by the IM to the custodian via pdf. File and not through the swift message. (P.5 under funding memo data elements) 3. Open question regarding additional payee name within wire instructions on final trade instruction stated within Cash Party Sequence. 4. Discussions on-going with AMF and LSTA working groups to involve agent bank and broker firms to understand the breakdown of sub-loan payments and issues caused by delay in final loan details beyond the 60 day limit of ticket on Bloomberg. Comments listed in introductory section of document. 		



Version #	Change Date	Description of Change	Page	Author
2.0	05/24/2012	Update to Initial trade section 22F::SETR//RPTO codeword has moved qualifiers to 22F::STCO//RTPO as part of SR2012.		J. Brasile
2.1	08/22/2013	Update to initial and final trade instruction PSET field to clarify usage of country code US since field is mandatory, yet there is no PSET applicable		J. Brasile
2.2 – 2.8	6/16/2014	Rewrite of previous unpublished MP version (v2.1) to align to standard ISITC template as well as to incorporate bank loan payments recommendations within the Payments MP.		C.Blow
2.9	7/23/2014	Updated Appendix 3.2 Cash Code Words definitions to better reflect nature of cash events. Changes also reflected in Bank Loan Appendix of US Payments MP.		C.Blow



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1.0 Background

This document is intended to establish the position of the US NMPG (ISITC N.A. - Settlements Working Group) regarding bank loan trade and payment communication between Investment Managers and Custodian Banks and/or Accounting Agents. Given the current lack of communication standards in the bank loan space, ISO15022 and FIN MT recommendations are put forth in this market practice as means to reduce the highly manual (fax, email) communication methods in place today.

1.1 Scope

The messaging recommendations in this document are focused on the trade and funding communications associated with the purchase or sale of a bank loan (also commonly referred to as syndicated loans, leveraged loans and institutional loans) in either the primary or secondary market (assignment or participation). As such, this document is intended to cover the following scenarios:

1. Loan Transaction Communication between Investment Manager / Service Provider and Custodian / Accounting Agent
2. Loan Funding Communication between Investment Manager / Service Provider and Custodian / Accounting Agent
 - a. Loan funding communication should occur upon completion of applicable legal transfer documents and agreement of settlement date / funding details between Lender and Issuer/Agent Bank
 - b. The loan funding recommendations contained within this market practice do not supersede the requirements for on-going communication of Loan Settlement Package details (e.g., funding memorandums, A&As, etc.). These should continue to be communicated separately where required and agreed to at an SLA level.

In addition to the above scenarios, cash code words associated with post settlement payment events (e.g., principal paydowns, delayed draws, interest payments, etc.) are listed and defined in the appendix of this market practice should an Investment Manager / Service Provider seek to provide notice of these events via FIN messages as an alternative to other means of notification (e.g., vendor sourced). These code words are also found in the ISITC Payments Market Practice.

Communication of loan sub-accounting (e.g., contract/tranche) details are not in scope for this market practice.

1.2 Future Considerations

1. In addition to the ISO15022 message recommendation herein, the industry is moving toward an FpML (5.x) messaging recommendation for the communication of loan lifecycle events. As this FpML standard becomes further defined, an FpML recommendation will be included within this market practice alongside the ISO recommendation
2. ISO MX messages (PACS009 / CAMT057) for generic / basic cash payments to be added into this market practice as open questions surrounding these messages are resolved.
3. ISITC is working on a business justification to create new ISO MX messages (PACS009 / CAMT057) that will allow for accounting breakdown information on net payments to be communicated via ISO message. Once these new ISO messages are modeled and approved, Settlements will incorporate the market practice recommendation as a potential replacement to provide additional breakdowns (e.g., fees) that are included in the funding memo.
4. Communication of funded vs. unfunded portion of delayed draw loans requires further conversation / feedback from working group

1.3 Definitions

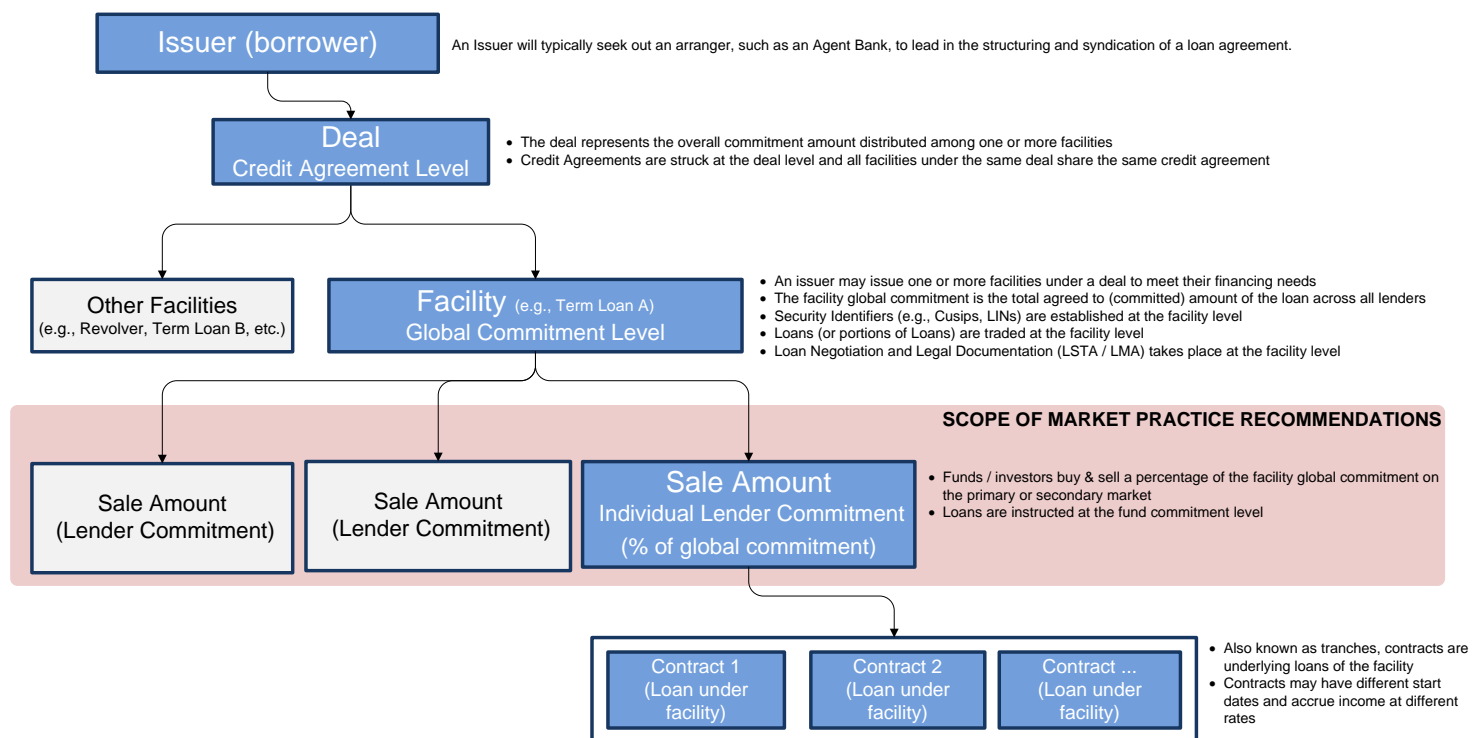
A bank loan is essentially a fixed income security with a par/notional amount, interest rate and a maturity date. Like a fixed income security, trade instruction, settlement, accruals, valuation and asset servicing are all part of the bank loan process. Bank loans however, by their nature, are considered to be out-of-network assets as they do not trade on regulated exchanges or flow through traditional custodian network structures (e.g., CSDs).

The 'Definition' section to follow is intended to provide further context on bank loans and some of their unique attributes however is not intended to be all encompassing or capture all bank loan nuances, types, etc.

What are the primary components of a bank loan?

As financing needs occur a loan issuer ('borrower') will seek out an arranging party such as an agent bank to lead in the structuring and syndication of a loan. Loans are issued in credit 'facilities' which represent the type of loan / financing structure for the debt and are governed by credit agreements. Security identifiers are created at the facility level. The total amount of credit (loan) that is committed to by one or more investors is referred to as the 'global commitment'. The amount of a facility purchased by individual investors ('lenders') represents a portion of that global commitment. Each loan facility may be broken into one or more contracts / tranches. Each contract/ tranche may have different terms such as all-in rates (base + spread), repricing dates, length, etc. These contracts/tranches represent the breakdown of the full loan amount (commitment) purchased by the lender.

The diagram below represents a very basic loan structure:





What are the primary types of bank loan facilities?

There are many different variants of loan facilities issued in today's market however the most common types of facilities are outlined below:

1. A Term Loan ("TL") is an installment loan. The borrower may draw upon the loan during a short commitment period and repay based on either a scheduled series of repayments or a one-time lump-sum payment at maturity. Typically term loans are fully drawn at closing and have regular principal and amortization schedules. Most term loans are pre-payable at any time without cost to the borrowers. There are many variants of term loans to include A, B, C, D terms, senior loans, first/second lien loans, covenant-lite loans, etc.
2. Revolving Credit Line ("Revolver") loans allows borrowers to draw, repay, and re-borrow from the committed portion of a loan. As the borrower repays a portion of a previously drawn amount, an amount equal to the repayment can be borrowed again under the prevailing terms of the loan agreement. These types of loans are structurally similar to a credit card. In addition to paying interest on the outstanding loan amount, borrowers will pay a commitment fee for the unfunded portion of loan commitment.
3. Delayed Draw Loans are term loans that allow the issuer the option of borrowing (drawing down) funds over a period of time as required in order to meet their financing obligations. Unlike revolver loans, repaid amounts of previously drawn funding may not be redrawn. The issuer will pay a commitment fee (known as a ticking fee) on the unused portion of the lender commitment.

In addition to the above, there are other types of loans (e.g., Bridge loans, PIK loans, etc.) however these are less common / frequent than the above.

How are loans purchased & sold?

In the primary market, the original facility is a contract between the borrower and either a single entity that originates the deal or a group of lenders called a syndicate. In a syndicated loan arrangement, loans are provided to a borrower by the loan syndicate. Each syndicate member extends credit (e.g., loan commitment) under a legal credit agreement up to a specified percentage of the total loan commitment (e.g., the global commitment). This initial loan syndication is referred to as the primary market.

Post initial origination, lenders may wish to sell part or all of their holding of the loan commitment in the secondary market. Within the secondary market there are two primary forms of ownership.

1. Assignment – in the situation of an assignment, the initial lenders ownership of the loan is transferred to the buyer via appropriate legal transfer documents (e.g., Assignment & Assumption Agreement, Novation Agreement, etc.) which often require the consent of the issuer.
2. Participation - in the situation of participation, the initial lender sells part or all of a loan commitment to a buyer however, the loan commitment remains in the name of the initial lender. The initial lender will continue to receive payments (P&I) and will subsequently pay the buyer of the loan. In situations of a participation, the issuer (and Agent Bank) is often unaware (and not required to consent to) the initial lenders sale of the loan.

Loans can be traded as Par or Distressed. A Par trade is generally priced above 90 cents on the dollar with a distressed trade being priced below 90 cents on the dollar. Per LSTA (Loan Syndications and Trading Association) guidelines, Par trades should settle within T+ 7 days, while Distressed trades should settle T+20 days, but they may and often do settle beyond these timeframes. Distressed documents are reviewed by outside counsel prior to settlement.

In addition, loans typically include a number of fees at settlement (e.g., commitment, facility, cost of carry, economic benefit, etc.). All fees are based on contractual rates, as set forth in the applicable loan documentation. Please refer to the Bank Loan Appendix within the ISITC Payments Market Practice for further details on bank loan related fees.



Who are the key participants in the loan lifecycle?

From initial syndication through to secondary market purchase/sale there are a number of parties involved in transacting a loan facility/commitment. Outlined below are some of the principal parties involved:

1. Issuer / Borrower – this is the party/company issuing debt (borrowing money) and responsible for repayment of the loan
2. Lender – this is the party who commits to lending money to an issuer/borrower for a period of time for a consideration (e.g., interest). This is the party to whom repayment is owed.
3. Agent Bank - is the party that undertakes the administrative responsibilities of the loan facility on behalf of the lenders and borrowers and is the party to whom the issuer/borrower interacts with on a regular basis. The agent acts as both a financial and communications intermediary between the issuer/borrower and the lenders. The Agent Bank is responsible for tracking positions and making interest/fee payments to the Lender of record.
4. Counterparty – in the secondary loan market, lenders work through counterparties to transact the sale of a loan commitment to buyers
5. In addition to the above participants, other parties such as loan administrators, custodians and accounting agents play important roles in the pre-settlement → post settlement loan lifecycle.



1.4 Actors and Roles

While there are multiple parties involved in a bank loan throughout its lifecycle (as outlined in the previous section), there are three primary actors involved in the instruction and receipt of a bank loan transaction:

- Instructing party- the instructing party is the buyer or seller of the bank loan who provides the source data and terms of the loan transaction
- Sender – the sender is the party who sends the message containing the trade data but is not necessarily the provider of the source data or terms of the loan. Often times the sender and the instructing party are the same.
- Recipient – the recipient is the party who receives the messages containing the source data and terms of the loan transaction from the sender

There are multiple actors involved in the process and each actor may play more than one of the roles outlined above.

Instructing Party	Sender	Recipient
Investment Manager	Investment Manager	Custodian Bank
	Service Provider / Outsourcer	Accounting Agent
	Vendor	

1.5 Sequence Diagrams

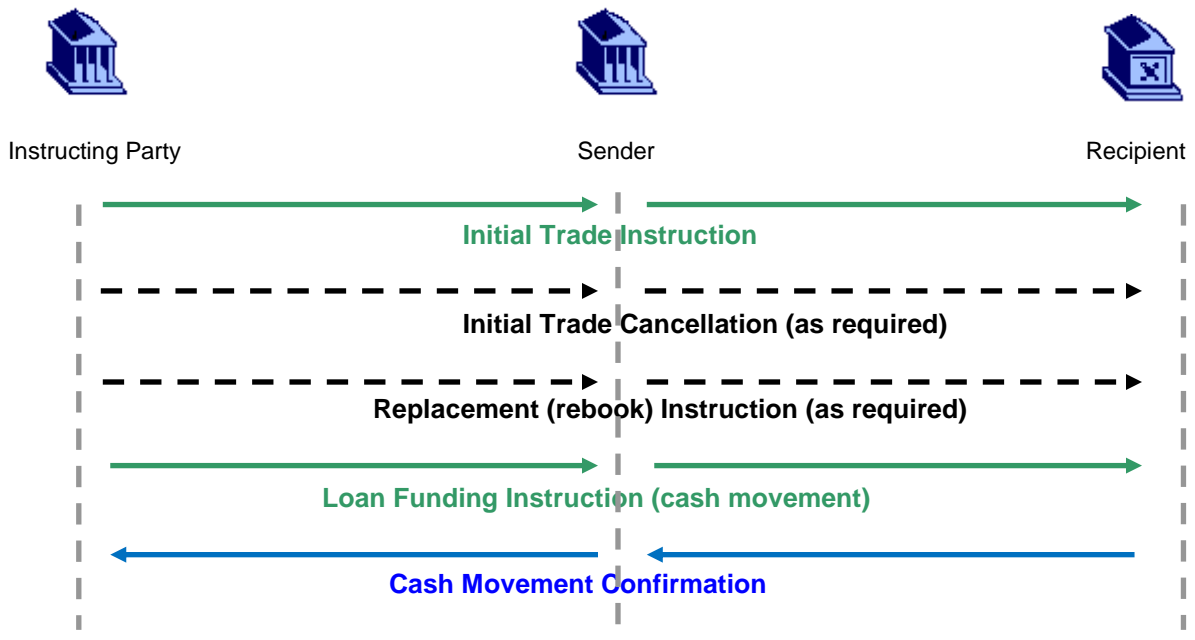
Bank Loan transactions flow from the Investment Manager or Service Provider/Outsourcer to custodian / accounting agent

In **green**: the main communication requirements for this process.

In **blue**: the surrounding communication requirements.

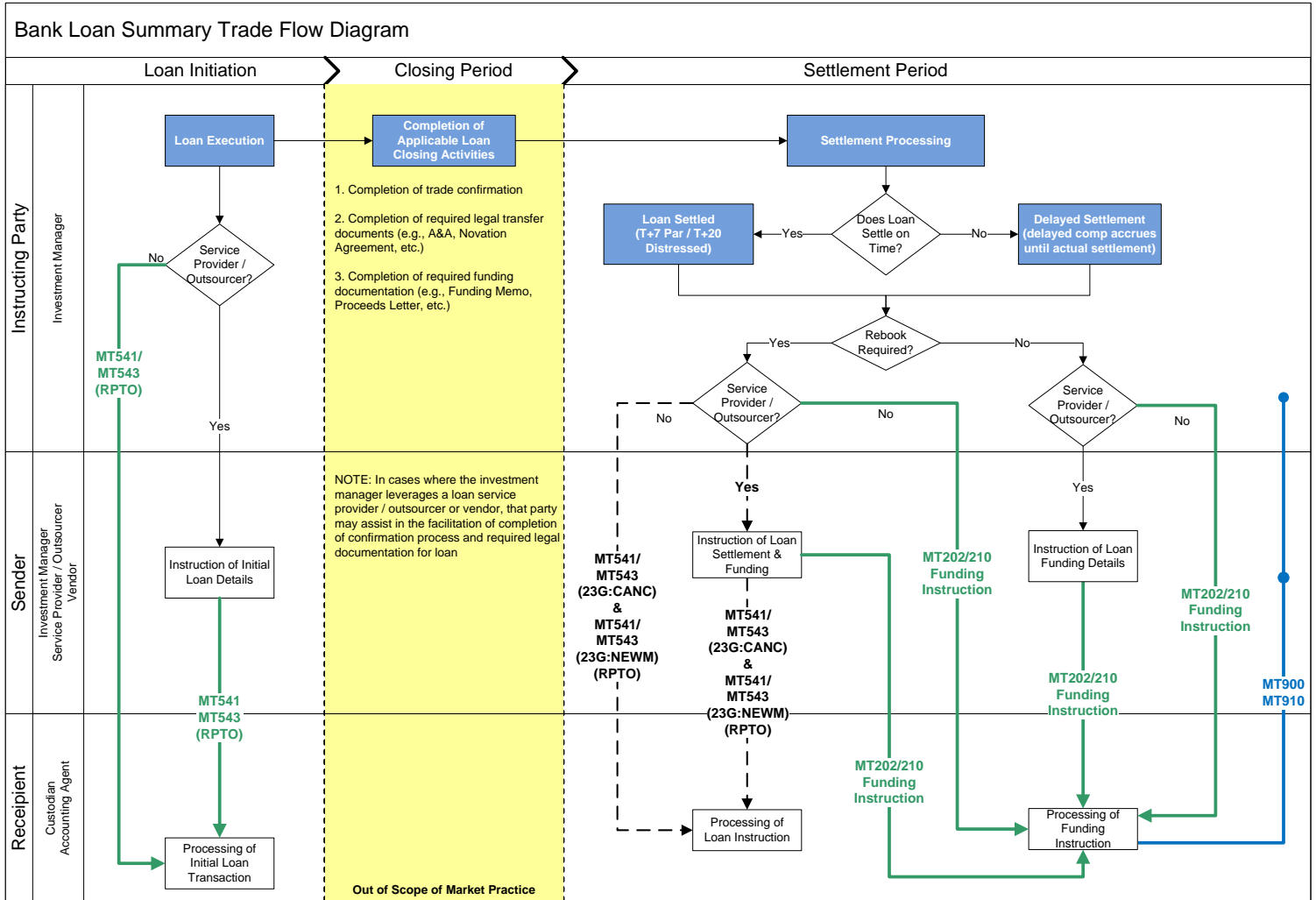
In **dotted line**, the optional/potential supporting communication requirements.

For example:



1.6 Activity Diagram

Outlined below is a high level bank loan trade flow. The scope of the flow is limited to initial and final loan settlement transactions between the instructing party / sender and recipient.





2.0 Business Definition

2.1 Business Data Requirements

Outlined in the table below are the business data element requirements for loan transaction communication between Investment Manager / Service Provider and Custodian / Accounting Agent.

Business Element	Comments
Loan Instruction	
Message Reference	Unique transaction ID from sender
Function of the Message	Indicates if loan is a New or Cancel
Linkage	Reference ID of previously sent loan instruction when cancelling and/or replacing
Settlement Date	ISO 8601 Date
Trade Date	ISO 8601 Date
Deal Price	Price of loan facility
Security Identifier and Description	Security identifier and narrative name for the loan facility. CUSIP is preferred.
Classification Type	Classification of the transaction as a Bank Loan (BKL)
Currency of Denomination	Denomination currency for the loan facility
Maturity Date	Maturity of the loan facility
Interest Rate	Interest rate (all in) for the loan facility. Represents facility floor (base rate) + spread (margin).
Quantity of Financial Instrument to be Settled	Quantity of loan facility (lender commitment) to be settled
Account	Account servicer account number
Settlement Condition Indicator	Identifies initial trade as reporting only
Buyer / Seller Details	Buyer / Seller of the loan facility
Broker / Agent Details	Delivering / receiving agent of the loan facility
Deal Amount (principal)	Price x lender commitment of loan facility
Settlement Amount	Net settlement amount of loan facility



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Outlined in the table below are the business data element requirements for loan payment communication between Investment Manager / Service Provider and Custodian

Business Element	Comments
Loan Funding	
Message Identification	Reference number to unambiguously identify the message.
Debtor (Account Owner)	Party that owes an amount of money to the ultimate creditor**
Requested Execution Date/Settlement Date	Date on which the debtor's account is debited.
End-to-end Identification	Unique identification assigned by initiating party to unambiguously identify the payment. This id is passed on, unchanged, throughout the entire end-to-end chain, which all parties in the chain can use to identify this particular payment
Currency of Payment	Currency
Instructed Amount of Payment	Amount of money to be moved between the debtor and creditor, expressed in currency as ordered by initiating party.
Cash Purpose Code	<p>Underlying reason for the payment transaction (see ISITC Reference Data Classification Code list for approved ISITC cash purpose codes).</p> <p>For the Scope of this market practice, the Cash Purpose Codeword Recommendation is BKFM (Bank Loan Funding Memo). BKFM represents the net cash movement instruction for loan contract final notification (settlement).</p> <p>Note: additional cash purpose codes for post settlement payment events are outlined in the appendix.</p>
Intermediary Agent	The agent between the debtor agent and creditor agent. Optional to be used (or not used) as required for payment chain.
Creditor agent	Financial institution servicing an account for the creditor
Creditor	Party to which an amount of money is due.

**The amount of detail required may vary in accordance with OFAC and/or other regulatory requirements. As this needs to be determined on a case by case basis by individual institution(s), it is therefore not included in the market practice.



2.2 Market Practice Rules

2.2.1 Loan Transaction Instructions

Initial bank loan instructions reflect the preliminary details associated with an investor's commitment to purchase/sell a portion of a global commitment of a loan facility.

The intention of initial loan instructions between an Investment Manager / Service Provider and Custodian / Accounting agent is to provide sufficient details to allow for security record creation and accounting of the loan transaction. Initial instructions should be communicated on Trade Date / Trade Date +1 and be sent as 'reporting only'.

The following business elements are required on the initial loan transaction communication:

- Message Reference
- Function of the Message
- Settlement Date
- Trade Date
- Deal Price
- Security Identifier and Description
- Classification Type
- Currency of Denomination
- Maturity Date
- Interest Rate
- Quantity of Financial Instrument to be Settled
- Account
- Settlement Condition Indicator
- Buyer / Seller Details
- Broker / Agent Details
- Deal Amount (principal)
- Settlement Amount

Standard contractual loan settlement for Par trades is T+7 and for distressed trades is T+20. Given the current complexities of the loan market, these settlement time frames are often exceeded as all required loan documentation is completed across the various parties.

Upon agreement of final settlement details and loan closing date, if key data elements of the initial loan instruction have changed (e.g., settlement date, quantity, security ID, settlement amount, etc.) the original message should be cancelled and a replacement loan transaction sent to the custodian / accounting agent.

The suggested format for communication of bank loan transactions is SWIFT MT541/543 messages.



2.2.2 Loan Funding Instruction

This market practice supports the use of a single message for a single payment, i.e. funds will be debited from a single account at the debtor agent and will be credited to a single account at the creditor agent

Funding payments associated with the loan settlement should be sent via MT202/MT210 messages with the appropriate bank loan funding memo cash purpose codeword.

As noted previously, details of net fee breakdowns and other loan details (e.g., contract breakdowns) should be communicated separately via the Funding Memorandum where required and agreed at an SLA level.

The following business elements are required on the loan payment instructions

- Message Identification
- Debtor (Account Owner)
- Requested Execution Date/Settlement Date
- End-to-end Identification
- Currency of Payment
- Instructed Amount of Payment
- Cash Purpose Code
- Intermediary Agent
- Creditor agent
- Creditor

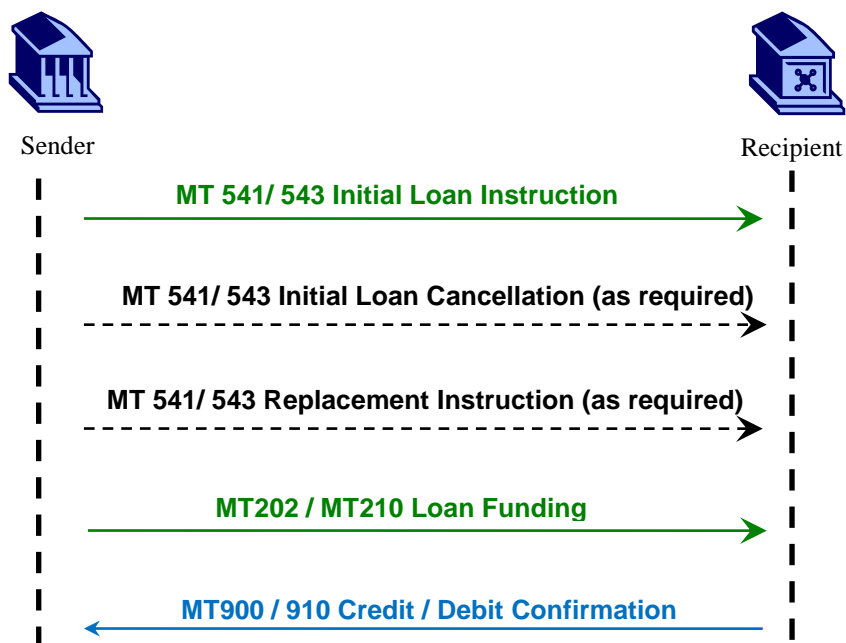
Note: In addition to loan funding at settlement, notification of post settlement payment events (e.g., interest payments, paydowns, etc.) can also be sent via MT202/210 messages. When sent, these messages should be communicated with the appropriate cash codeword (please refer to Appendix 3.2 for list).

3.0 Appendix

ISITC NA recommends the use of ISO15022 messages for the instruction of both initial and final settlement loan transaction. As outlined in the scope section of this market practice, future consideration will be placed on FpML 5.x as a potential syntax for communication of loan transactions.

3.1 ISO15022 Syntax

3.1.1 Message Sequence Diagram



3.1.2 ISO15022 Message Usage Rules

The section below will give the message type and defining elements of the loan instructions. Please note that this section is only identifying the critical fields for the specified business process and does not show all of the SWIFT message fields. For the complete message, please refer to the appendix (3).

3.1.2.1 Loan Transaction Instruction

To instruct an initial loan transaction an MT541/543 message should be used. The message should clearly identify that the transaction is a bank loan and is for reporting purposes only.

```
:23G:NEWM//
:12A::CLAS/ISIT/BKL
:22F::STCO//RPTO
```




3.1.2.2 Loan Instruction Replacement (rebook)

To instruct a replacement of a loan transaction an MT541/MT543 message should be used. Preceding the replacement (new) message should be a cancellation of the initial instruction. The messages should reference the previously instructed initial trade and clearly identify the transaction as a bank loan. In a rebook scenario, the cancellation of the initial message should always be specifically instructed by the Sender (IM/Service Provider) and not assumed by the recipient (custodian/accounting agent).

Cancellation of initial loan transaction:

:23G:CANC//
:20C::PREV//

Replacement Instruction:

:23G:NEWM//
:20C::PREV//
:12A::CLAS/ISIT/BKL
:22F::STCO//RPTO

3.1.2.3 Loan Funding Instruction

To instruct a bank loan funding movement an MT202/210 should be used and should reference the appropriate cash purpose code word as well as the applicable loan contract Reference ID.

:21: BKFM/Ref Number

Note: field 21: is limited to 16 characters so in addition to the cash code word and '/' the field can accommodate a Ref number up to 11 characters long. (For example :21:BKFM/12345678910)

Additional message usage considerations:

- It was agreed if a custodian/accounting agent needs the fees within the net funding amount to be broken down (for example certain vendors require this for tax reasons), this should be communicated separately via the funding memo fax. NOTE: ISITC is working on a business justification to create a new ISO MX message that will allow for accounting breakdown information on a net payment to be communicated via ISO message. Once this new ISO message is modeled we will incorporate the market practice recommendation as a potential replacement to provide the breakdowns of fees that are included in the funding memo.
- An additional scenario was raised where potentially a bank loan buy and sell could be paired-off and one net movement would be instructed. Although this scenario is not common, it was agreed the net movement could be instructed using the same BKFM generic codeword and the multiple bank loan reference IDs should be referenced in the funding memo. This will also need to be considered in the recommendations of usage within the new ISO accounting allocation message mentioned above.

In addition to funding at loan settlement, as previously noted, post settlement loan payment events will occur during the life of a bank loan. The cash payment code words associated with these payments are outlined in the Appendix (section 3.2).

To instruct post settlement payments/receipts an MT202/210 can be used and, if so, should reference the appropriate cash purpose code word as well as the applicable loan contract Reference ID.

:21: 'Applicable Cash Code'/Ref Number

Note: field 21: is limited to 16 characters so in addition to the cash code word and '/' the field can accommodate a Ref number up to 11 characters long. (For example :21:BKFM/12345678910)

3.1.3 ISO15022 Message Structure and Requirements – Loan Trade Communication

Loan trade instructions (whether initial instruction, cancellation or rebook) should adhere to the ISO15022 messaging standard. The message structure is provided below.

Index	Message Item	Definition	Mult.	Syntax	Usage Rule / Comments
1.0	Message Type	MT541 – Receive Against Payment MT543 – Deliver Against Payment	NA	ISO15022	MT541 used to instruct a loan purchase MT543 used to instruct a loan sale

ISO15022 Message Structure per SWIFT User Handbook

Business data	MT541/543	MP M / O / C	SWIFT M / O / C	SWIFT UHB Field #
	:16R:GENL	M	M	1
Message reference	:20C::SEME//16x	M	M	2
New message identification	:23G:NEWM :23G:CANC	M	M	3
<ul style="list-style-type: none"> Use of 23G::CANC is appropriate for a cancellation of a previously sent loan instruction. Refer to Field 20C:: within the Linkage Sequence A1 				
	:16R:LINK	C	O	6
Reference	:20C::PREV//16x	C	C	9
<ul style="list-style-type: none"> Use of the 20C::PREV// within the Linkage sequence is mandatory if field 23G::CANC is present. This reference ID should identify the transaction ID being cancelled. Use of the 20C::PREV// is recommended on all rebooks to indicate the original trade that was cancelled 				
	:16S:LINK	M	O	11
	:16S:GENL	M	M	12
	:16R:TRADDET	M	M	13
Settlement Date	:98A::SETT//YYYYMMDD	M	M	15
Trade Date	:98A::TRAD//YYYYMMDD	M	M	15
Deal Price	:90A::DEAL//4!c/15d	M	O	16
Identification of the Financial Instrument	:35B:/US/CUSIP :35B:/XX/Dummy Sec ID :35B: ISIN XX1234567890	M	M	18
	:16R:FIA	O	O	19
Classification Type	:12A::CLAS/ISIT/BKL	M	O	22
Currency of Denomination	:11A::DENO//3!a	C	O	23
Maturity Date	:98A::MATU//8!n	C	O	24
Issue Date	:98A::ISSU//8!n	C	O	24
Interest Rate	:92A::INTR//[N]15d	C	O	25
<ul style="list-style-type: none"> Conditional fields are required if an industry standard identifier is not provided 				
	:16S:FIA	M	O	32
	:16S:TRADDET	M	M	37
	:16R:FIAC	M	M	38
Quantity of Financial Instrument	36B::SETT//4!c/15d	M	M	39
Account owner's safekeeping account	:97A::SAFE//35x	M	M	43



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	:16S:FIAC	M	M	52
	:16R::SETDET	M	M	62
Settlement Transaction Condition Indicator	22F::STCO//RPTO	M	M	63
<ul style="list-style-type: none"> The Transaction Condition Indicator (STCO) will be used to indicate that the loan transaction is required for reporting purposes only. To allow the instruction to be routed properly by custodians/accounting agents, the reporting indicator should be populated. 				
Settlement Indicator	:22F::SETR//TRAD	M	M	63
	:16R::SETPRTY	M	M	64
Place of Settlement	::95C::PSET//2!a	M	M	65
<ul style="list-style-type: none"> Since there is no street settlement on an initial bank loan trade instruction, there is no place of settlement. However, SWIFT network validation rule requires the :95C::PSET field to be present, therefore the recommendation is to use the 95C::PSET with applicable country code 				
	:16S::SETPRTY	M	M	70
	:16R::SETPRTY	M	M	64
Executing Party	:95P::4!c//4!a2!a2!c :95R::4!c/8!c/34x :95Q::4!c//4*35x	M	M	65
<ul style="list-style-type: none"> DTCYID preferred, BIC or NAME/Address if not available Note: MEI is an additional "account" number for loan participants for use amongst loan agents, DTCC, buyers, sellers, etc. It is recommended that MEI be provided in the Loan Settlement Documentation (e.g., Funding Memorandum). In the future this identifier is to be considered during ISO20022 message reviews. 				
	:16S::SETPRTY	M	M	70
	:16R::SETPRTY	M	M	64
Clearing Agent Party	:95P::4!c//4!a2!a2!c :95R::4!c/8!c/34x	M	M	65
<ul style="list-style-type: none"> DTCYID preferred, BIC or NAME/Address if not available 				
	:16S::SETPRTY	M	M	70
	:16R::AMT	M	M	76
Deal Amount	:19A::DEAL//[N]3!a15d	M	M	78
	:16S::AMT	M	M	81
	:16R::AMT	O	O	76
Commission, Fees, Charges	:19A::CHAR//[N]3!a15d	O	O	78
<p>Fees / Charges are typically not known at initial of loan and become available at settlement. There are several fees that may be associated with a bank loan. Current qualifiers do not allow for breakdown of required fee fields so only a NET fee amount can be populated. Individual fee details will need to be broken down on loan settlement documentation (e.g., funding memorandum) sent separately.</p> <p>Common fees include: Upfront fees, Funding fees, Utilization fees, Facility fees, Commitment fees, Letter of Credit associated fees, Amendment fees, Waiver fees, Fronting Fees, Consent fees, Agent/Assignment fees, Delayed Compensation fees, Cost of Carry fees. For further definition of these fees, please refer to ISITC Payments Market Practice.</p>				
	:16S::AMT	O	O	81
	:16R::AMT	M	M	76
Settlement Amount	:19A::SETT//[N]3!a15d	M	M	78
	:16S::AMT	M	M	81
	:16S::SETDET	M	M	82



3.1.4 FIN MT202 Message Structure and Requirements – Loan Funding Payment

The loan funding payment instructions should adhere to the SWIFT FIN MT messaging standard. The message structure is provided below.

Business Element	Field Name	Definition	Usage Rule/ Comment	Tag	Example
Message Identification	Transaction Reference Number	This field specifies the reference assigned by the Sender to unambiguously identify the message.		20	:20: 123456789
Cash Purpose Code	Related Reference	This field contains a reference to the related transaction. <i>Note: Field Length is limited to 16x after the :21:</i>	ISITC recommends populating this tag with an ISITC approved Cash Purpose Code, available on the ISITC Classification Code list on the Reference Data Working Group web-page. ISITC understands the MT 202 has been utilized by the security industry for a number of years, and that organizations have already hard coded this field with other formats. Therefore, the market practice includes the following commonly used alternative formats: <ul style="list-style-type: none"> - Cash Purpose Code/Reference Number - Reference Number transaction. - NONREF 	21	:21: BKFM Or :21: BKFM/Ref Number Or :21: Ref Number Or :21: NONREF
Payment Method			This business element is not applicable to the MT 202 Message		
1) Requested Execution Date / Settlement Date 2) Currency of Payment 3) Instructed Amount	1) Value Date 2) Currency Code 3) Amount	This field specifies the value date, currency and amount to be transferred.		32A	:32A: 090203GBP150000,
Debtor (Account Owner)	Sender's Correspondent	This field specifies the account or branch of the Sender or another financial institution through which the Sender will reimburse the Receiver.	ISITC recommends the use of this field be mandatory; it specifies the debtor's account number that will be debited by the account servicer (normally the receiver of the MT 202 instruction) in order to make the payment.	53a	:53B:// 47896325

Business Element	Field Name	Definition	Usage Rule/ Comment	Tag	Example
Intermediary Agent	Intermediary	This field specifies the financial institution through which the transaction must pass to reach the account with institution.	ISITC recommends using option A with BIC address. The field should be populated with the local market clearing id; otherwise populate the BIC code. <ul style="list-style-type: none"> • For three levels of clearing, tags 56, 57, and 58 should be 	56a	:56A: FIBAU33XXX Or :56D:// FW021000ABA



Bank Loan Market Practice

Business Element	Field Name	Definition	Usage Rule/ Comment	Tag	Example
			<p>populated.</p> <ul style="list-style-type: none"> For two levels of clearing, tags 57 and 58 should be populated. 		
Creditor agent	Account With Institution	This field identifies the financial institution which will pay or credit the beneficiary institution.	<p>ISITC recommends the use of this field as mandatory and using option A.</p> <ul style="list-style-type: none"> Where it is the first level of clearing, ISITC recommends populating the local market clearing id; otherwise populate the BIC code. Where it is the second level of clearing, ISITC recommends populating both the BIC code and the creditor agent's account number with the Intermediary Agent in tag 56a. If Counterparty BIC address is not available the preferred method is to identify the Bank using option D (including name and address in the party field 	57a	<p><u>First level:</u> :57D://FW021000ABA Or :57A:FIBAU33XXX</p> <p><u>Second Level:</u> :57A:1234556 FIBADEFFXXX</p> <p><u>Third Level:</u> 57D: //AC123456 Paying Agent XYZ</p>
Creditor	Beneficiary Institution	This field specifies the financial institution which has been designated by the ordering institution as the ultimate recipient of the funds being transferred.	<p>ISITC recommends the use of this field as mandatory and using option A. It should be populated with both the creditor's BIC code and their account number with the creditor's agent in tag 57a.</p> <ul style="list-style-type: none"> If Counterparty BIC address is not available the preferred method is to identify the Beneficiary using option D (including name and address in the party field 	58a	<p>:58A://456789 FIBADEFFXXX 58D://ACCT123 Beneficiary Name</p>



3.1.4 FIN MT210 Message Structure and Requirements – Loan Funding Receipt

The loan funding receipt instructions should adhere to the SWIFT FIN MT messaging standard. The message structure is provided below.

Business Element	Field Name	Definition	Usage Rule/Comment	Tag	Format
Message Identification	Transaction Reference Number	This field specifies the reference assigned by the Sender to unambiguously identify the message.		20	:20: 123456789
Credit Account	Account Identification	This field identifies the account to be credited with the incoming funds	ISITC recommends the use of this field be mandatory; it specifies the creditor's account number that will be credited by the account servicer (normally the receiver of the MT 210 notification).	25	25: 1234567
Value Date	Value Date	This field contains the value date of all incoming funds specified in this message		30	:30: 091015
Cash Purpose Code	Related Reference	This field contains a related transaction reference Number, or other common reference, <i>Note: Field Length is limited to 16x after the :21:</i>	ISITC recommends populating this field with an ISITC approved Cash Purpose Code.** ISITC recognizes that the MT 210 has been utilized by the security industry for a number of years, and that many organizations have already hard coded other formats. Therefore, the market practice also includes the following commonly used alternative formats: <ul style="list-style-type: none"> - Cash Purpose Code/Reference Number - Reference Number transaction. - NONREF **Please see the ISITC Classification Code list on the Reference Data Working Group web-page.	21	:21: BKFM Or :21: BKFM/Ref Number Or :21: Ref Number Or :21: NONREF
Requested Receipt Currency and Amount	Currency Code, Amount	This field specifies the currency and amount to be received.		32B	:32B: USD1200
Ordering Institution	Ordering Institution BIC Address	This field specifies the party which owns the funds and is ordering their account to be debited to make the payment	After discussions with SWIFT Standards it was clarified that the ordering institution is the party who owns the money and is ordering the money to be debited from their account in order to make the payment. Example: If IM ABC is ordering account servicer DEF to debit their (ABC's) account and make a payment to counterparty 123, then IM ABC should be populated in field 52a of the MT210.	52a	52A: GOLDJPJX
Intermediary	Intermediary Institution BIC	This field specifies the financial institution from which the Receiver is to receive the funds. Identifier Code must be a registered BIC.	ISITC recommends the use of this field be mandatory. If an intermediary party is not applicable to the receipt of funds, the ordering institution clearing agent should be populated.	56a	:56A: BKTRUS33



3.1.5 ISO15022 Sample Message Format – Bank Loan Trade Instruction

```
:16R:GENL
:20C::SEME//620099990026642
:23G:NEWM
:16S:GENL
:16R:TRADDET
:98A::SETT//20060301
:98A::TRAD//20060213
:90A::DEAL//PRCT/100,
:35B:/XX/5000009B2
KOCH FOREST PRODUCTS INC TERM B
:16R:FIA
:12A::CLAS/ISIT/BKL
:11A::DENO//USD
:98A::MATU//20121220
:98A::ISSU//20060213
:92A::INTR//5,
:16S:FIA
:16S:TRADDET
:16R:FIAC
:36B::SETT//FAMT/3250000,
:97A::SAFE//9999
:16S:FIAC
:16R:SETDET
:22F::STCO//RPTO
:22F::SETR//TRAD
:16R:SETPRTY
:95C::PSET//US
:16S:SETPRTY
:16R:SETPRTY
:95R::DEAG/DTCYID/00123
:16S:SETPRTY
:16R:SETPRTY
:95R::SELL/DTCYID/00274
:16S:SETPRTY
:16R:AMT
:19A::DEAL//USD3250000,
:16S:AMT
:16R:AMT
:19A::SETT//USD3250000,
:16S:AMT
:16S:SETDET
-}
```



3.1.6 FIN MT202 Sample Message Format

USD Payment via Fed Wire with two levels of clearing

20 : 109800190352
21 : BKFM
32A: 090203USD150000,
53B: /47896325
57D: //FW021000ABA
58A: /456789
 FIBADEFFXXX

3.1.7 FIN MT210 Sample Message Format

USD ADVICE TO RECEIVE

:20: CU123456789
:25: 2233707
:30: 091016
:21: BKFM
:32B: USD1200
:52A: GOLDJPJX
:56A: BKTRUS33
-



3.2 Appendix - Bank Loan Payment Codes

3.2.1 Bank Loan Payment Code Definitions

The bank loan appendix to follow is related to payments associated with the initial settlement and on-going maintenance of a structured product/bank loan. Bank Loan related payments will follow the 'generic' payments messaging flow as documented in the in the activity / sequence diagrams with the below additional clarification:

Interest/Principal Reduction payment flow:

- Agent (loan agent) – sends notification by fax/email/FpML to lender of payment
- Lender/Investment Manager – sends notification of payment to custodian/prime broker to receive funds
- Custodian/Accounting Agent – receives payment and books transaction to accounting systems

Additional Flows:

- Bank Loan Agent acting as an account owner sending the cash instruction to the account servicer (custodian).
- IM or Middle office provider acting as the account owner sending cash instructions to the account servicer (custodian)

Business Element	Codeword	Definition
Principal Payment	BKPP	Cash activity related to the principal paydown specific to bank loans.
Interest Payment	BKIP	Cash activity related to interest specific to bank loans. Types of interest include accrued interest.
Delayed Draw Funding	BKDF	Certain issuers may utilize commitment available against delayed draw, revolver loans or letters of credit, in which case, the lender is committed to fund cash within a given period of time when it is called on by the issuer. The lender receives a fee for this commitment.
Bank Loan Funding Memo	BKFM	Net cash movement instruction for loan contract final notification when sent separate from the loan contract final notification instruction.
Bank Loan Fees	BKFE	<p>Cash activity related to fees specific to bank loans. Types of fees included under this generic definition include Utilization fees, Facility fees, Commitment fees, Letter of Credit associated fees, Amendment fees, Waiver fees, Fronting Fees, Consent fees and Agent/Assignment fees</p> <p>1. Utilization Fee: Calculated as a percentage of the utilized portion of the facility. This fee type is subject to banding rules – different portions of the utilization amount may be subject to different percentages.</p> <ul style="list-style-type: none"> • In transactions where the revolving credit commitments are not expected to be heavily utilized, the commitment fee or facility fee may be lower than in other comparable transactions. • If utilization is not high, the credit agreement may stipulate an additional fee to be payable if utilization exceeds a certain percentage, e.g., 30% of the commitments. On each day that the percentage (e.g., 30%) is exceeded, the utilization fee is payable on all utilizations of the revolving credit facility (not the portion in excess of the 30%)



Business Element	Codeword	Definition
		<p>threshold). Other characteristics include:</p> <ul style="list-style-type: none"> ○ Calculated at a flat rate or subject to grid pricing ○ Generally payable quarterly in arrears (or paid concurrently with payments of interest on the related loans) <p>2. Facility – A fee that is paid on a facility’s entire committed amount, regardless of usage; it is often charged on revolving credits to investment grade borrowers instead of a commitment fee because these facilities typically have a competitive bid option (CBO) that allows a borrower to solicit the best bid from its syndicate group for a given borrowing. The lenders that do not lend under the CBO are still paid for their commitment.</p> <p>Facility Fee: Calculated as a percentage of the global commitment amount of a facility.</p> <p>Facility Extension Fee: This fee represents any fee paid by the borrower to the syndicate lenders for extending an existing facility.</p> <ul style="list-style-type: none"> • Facility fees are computed on the total amount of revolving credit commitments, both used and unused (i.e., entire committed amount). Facility fees generally do not apply to term loan facilities. In addition, a revolving credit facility would not have both commitment fees and facility fees. Other characteristics include: <ul style="list-style-type: none"> ○ Calculated at a flat rate or subject to grid pricing ○ Generally payable quarterly in arrears <p>3. Commitment – In a revolving credit agreement, the fee paid by the borrowers on the unused commitments. On term loans, this fee, which applies to the amount of a commitment that has not yet been drawn down (also referred to as a “ticking fee”).</p> <p>Commitment Fee: Calculated as a percentage of the un-utilized portion of the facility.</p> <ul style="list-style-type: none"> • Commitment fees constitute compensation for the lenders’ contractual commitment to make loans. These fees accrue at an agreed per annum rate on the daily average unused commitments of the lenders. Other characteristics include: <ul style="list-style-type: none"> ○ Calculated at a flat rate or subject to grid pricing ○ Generally payable quarterly in arrears • In operations, these fees may be referred to as ongoing fees, unused fees and unutilized fees <p>4. Letter Of Credit – A fee accruing at an agreed per annum rate that borrowers are obligated to pay to each revolving credit lender on its participation in the undrawn amount of each outstanding letter of credit.</p> <p>Letter of Credit Fee: Calculated as a percentage of the outstanding Letter of Credit exposure within a facility.</p> <p>-Other characteristics include:</p> <ul style="list-style-type: none"> -Accrued at an agreed per annum rate (commonly accrued based on LIBOR spread/margin) -Generally payable quarterly in arrears



Business Element	Codeword	Definition
		<p>5. Amendment– An amendment fee is typically given to a lender who agrees to a change in the credit agreement where offered.</p> <p>Amendment Fee: A fee charged to the borrower for an amendment being made to the originally agreed credit agreement. The fee is based on a rate (as stated in the agreement) applied to the current commitment level.</p> <ul style="list-style-type: none"> • The letter of credit issuer (i.e., lender) may also impose administrative charges to the borrower for issuing, amending, and making payments under letters of credit. In operations these fees may also be referred to as Consent, Extension, Legal, Success or Waiver Fees. <p>6. Waiver Fee: This fee represents any fee paid by the borrower to the syndicate lenders/ agent bank for accepting /processing waiver request. Waiver request is sent by the borrower to obtain approval from the syndicate lenders for any of their requirement, which is outside the terms of the agreement.</p> <p>7. Fronting Fee: The letter of credit issuer also bears an additional risk that one or more of the revolving credit lenders might not fund their participations in a letter of credit if the borrower fails to reimburse. As such, borrowers also pay a fronting fee (i.e., the issuer fronts the letter of credit for the other revolving credit lenders) to compensate letter of credit issuers for this additional risk. Other characteristics include:</p> <ul style="list-style-type: none"> • Accrued at an agreed per annum rate on the undrawn amount of each outstanding letter of credit • Calculated at a flat rate <p>8. Agent Fee – Often referred to as an assignment fee, a fee charged by the administrative agent and set forth in the applicable credit agreement for the costs associated with causing an assignment agreement to be effected.</p> <p>9. Sub-trade Fee – fee paid to settlement service providers</p>