

## European Leveraged Finance Association

### *Updates from the Board*

- The European Leveraged Finance Association has grown from one committee of ten founding investor members to over thirty member firms actively contributing to impactful initiatives across six committees – all in just one year.
- The Board set its priorities for ELFA’s 2020 membership year during our Annual Board Meeting in October with the aim of building on the hard work of our inaugural year to improve transparency, increase efficiency, and deepen engagement in the European leveraged finance market.
- In this third volume of the ELFA Updates Series, we summarise those priorities, and highlight the work that our Initiative Committees have already begun to achieve our goals.
- ELFA’s membership now exceeds 30 firms, with more in the process of becoming members.
- We are proud to announce partnerships with Reorg, Houlihan Lokey, Akin Gump, and Cadwalader, Wickersham & Taft, and look forward to a busy calendar of events and a new range of comprehensive resources for our members.
- Finally, we are delighted to announce two new members of the ELFA team – Jacqui Chao Healy, Associate Director, and Omar Mostafa, Legal & Regulatory Volunteer.

**T**he last year has been an incredibly positive start for ELFA. Before we summarise the significant progress achieved during 2019 and describe our priorities for 2020, we would like to thank our partners and all of the individuals within our member firms who have contributed to defining our mission statement. ELFA’s members and partners are what makes this organisation so powerful, and it has been an honour and a pleasure to work with you.

Last year we held four events with our partners on topics ranging from stressed and distressed covenant analysis, to restructuring issues for loans and CLOs, to bond covenant analysis in the primary market, finishing in November on the topic of restructuring trends and strategies with Houlihan Lokey.

We started our work to increase the level of ESG disclosure available for European leveraged finance investors to use in their ESG analysis by way of

coordinated efforts across the market, which are guided by the results of our ESG investor survey. We summarise the progress of the ESG Committee below.

We have so far published three reports under our ELFA Insights Series, a thought leadership platform for our members, covering disclosure standards, password-protected websites, and ESG investing, and these are all available for download [here](#). We have three more ELFA Insights reports in the works, and expect these to be published over the coming weeks.

We look forward to continuing our work to support our members and the wider market. In the coming year we will continue to make progress on our existing initiatives through the leadership of our Committee Chairs. Our Initiative Committees, which are summarised below, are open to any individual within a member firm – if you would like to participate in any of them, please contact [support@elfainvestors.com](mailto:support@elfainvestors.com).

## Our Mission Statement

**ELFA seeks to create a more transparent, efficient, and resilient leveraged finance market while acting as the voice of its investor community. To that end, our diverse forum of investors engages with other industry professionals in order to educate and to promote best practices and transparency.**

## **A Summary of our 2020 Priorities and Key Initiatives**

Our Board set the following priorities for 2020:

- Increase the effectiveness and efficiency of engagement regarding covenant terms during primary market offering process, and improve on-going reporting and access to information
- Engage directly with regulators, issuers, other trade bodies, and the broader market on relevant issues and in collaboration with the other ELFA committees
- Improve the ESG disclosures and information for non-equity listed issuers and develop an ELFA best practices list on ESG for issuers
- Improve documentary protections for loan investors, with an initial focus on transferability restrictions, and process issues, particularly the short time-frame allotted to investors to review full documentation
- Develop awareness about our industry at school and university level in order to help create a more diverse and inclusive leveraged finance industry workforce

The execution of these priorities has been allocated to our Initiative Committees – an update on the work of these committees is set out below.

### **Disclosure & Transparency Committee**

The Disclosure & Transparency Committee is working to increase engagement during roadshow meetings on covenant provisions and other deal disclosure issues through our Key Covenant Questionnaire, which is available for download on our website [here](#).

The ELFA Seminar Series and [ELFA Partner Knowledge Series](#), comprised of resources made available to us by our Partners and the wider market, are also under development by the Committee.

Shortly we will publish to members the first of the ELFA Partner Knowledge Series, a review of

## **ELFA Insights Series**

The ELFA Insights Series is designed to provide a platform for investor members of ELFA to express their views about issues relating to disclosure, transparency, and market practices. The initiative reflects ELFA's remit to facilitate engagement by its members to the broader market and the general public. The ELFA Insights Series is available to download from our website.

restructuring case studies from Houlihan Lokey, which will be followed in February by a webinar with top restructuring professionals at the firm. The first event for 2020 is expected to take place in April and will be hosted by Akin Gump.

The Committee is also finalising an exciting project with Reorg, one of our 2020 Partners – we anticipate launching the initiative over the coming weeks, and expect it to have a very positive impact on the ability of investors to engage with deal teams on covenant provisions.

The Committee is also exploring issues relating to off-balance sheet disclosure with a view to providing resources to members on the topic.

### **Diversity & Inclusion Committee**

The Diversity & Inclusion Committee is developing its first ELFA Member Survey on programmes within member firms designed to create more diverse and inclusive workplaces for their employees, with a view to sharing information and ideas among ELFA members. The Committee also intends to hold an event during 2020. To receive invitations to our events, send an email to [support@elfainvestors.com](mailto:support@elfainvestors.com).

### **Engagement Committee**

The Engagement Committee is currently examining issues relating to liquidity in the fixed income market, and plans to publish an ELFA Insights report on the topic over the coming weeks – to subscribe to this series, send an email to [support@elfainvestors.com](mailto:support@elfainvestors.com).

The Committee is also forming a working group to pool the regulatory and lobbying expertise of its members in order to prepare for regulatory consultations and other efforts that could impact the leveraged finance market.

## ESG Committee

The ESG Committee recently conducted a survey on ESG investing and disclosure amongst European high yield and leveraged finance investors, and received 100 responses from across 57 firms. The results of the survey will guide our meetings with other stakeholders, including private equity sponsors, sell side banks, and trade bodies.

The need for this coordination is clearly demonstrated by the survey results, which showed that 49% of respondents lack the information they see as necessary to properly analyse ESG factors impacting a borrower's creditworthiness, while over 80% believe that ESG is very or extremely important to their credit analysis.

The ESG Committee expects to publish an ELFA Insights report on the results of the survey and to highlight next steps over the coming weeks - to subscribe to this series, send an email to [support@elfainvestors.com](mailto:support@elfainvestors.com).

## Loan Investor Committee

The Loan Investor Committee expects to publish an ELFA Insights report on transferability provisions and information undertakings over the coming weeks - to subscribe to this series, send an email to [support@elfainvestors.com](mailto:support@elfainvestors.com). The Committee is also coordinating with our Spanish legal partner Zurbarán Abogados on a research piece examining some of the unique issues related to taking security in Spain. The report will be made available both on our website, and on Zurbarán's website [here](#).

## Our Team - and a special thank you to The Return Hub

We are very excited to announce that our team is growing! We have hired Jacqui Chao Healy as Associate Director to assist us in the day-to-day administration of our organisation. Jacqui's background is in fixed income, and after a career break, she is excited to join us in our work to support our members and the wider market. We worked with specialist search firm The Return Hub who reached out to their network to find us candidates for this role. With Jacqui's hire, not only did they find us the perfect person for the job, they did so in just a few weeks.

The Return Hub is a unique recruitment and consultancy firm placing highly qualified, skilled and talented senior professionals back into work after a career break or pivot. They cover a wide range of sectors and roles within Financial Services and also advise on and implement practical strategies that companies can use to target, assess, hire, and support diverse and returning talent. They partner with global FTSE 100 companies as well as SMEs, family offices and startups. To find out more about The Return Hub, visit their website [here](#).

We are also delighted to welcome Omar Mostafa as our first Legal & Regulatory Volunteer. Omar studied English law and completed an LLM in international banking law and finance, graduating with distinction. He has experience working in covenant analysis, M&A deal data, and compliance. This background makes him uniquely suited to working with us to keep our members updated on regulatory developments and legal analysis, in cooperation with our partners.

We would like to thank Shweta Rao, who has left ELFA to start work as a Senior Director with Reorg. We wish Shweta all the best. From everyone at ELFA, thank you for sharing your time and passion with us over the past few months.

## Our Partners

We are excited to announce partnerships with a group of market-leading legal, restructuring, and covenant advisors. These partnerships will increase ELFA's ability to provide valuable resources to our members through the ELFA Partner Knowledge Series. Our partners are described below, and on the new Partners page of our website: [here](#).

### Reorg

Reorg is committed to revolutionizing the way organizations uncover complex and opaque information in the global leveraged finance, stressed and distressed debt markets. Through their innovative technology and passionate industry experts, they are empowering clients to discover the financial and legal information they need to make better business and investment decisions.

Debt Explained by Reorg offers expert legal analysis and data on European high-yield bonds and leveraged loans covenants and structures.

## Reorg (Continued)

Debt Explained reports on and scores deals, cross-checking for accuracy, and this thorough, comprehensive analysis is then transformed into hundreds of data points and entered into searchable databases. For more information on Debt Explained by Reorg: <https://reorg.com/debtexplained>.

## Houlihan Lokey

Houlihan Lokey is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and valuation. Houlihan Lokey guides clients through the complex financial and strategic challenges that they face during each stage of their business life cycle.

As a leading advisory-focused independent investment bank, Houlihan Lokey is able to serve as a trusted advocate to its clients across a number of key disciplines. The firm's financial restructuring group, lead by Joe Swanson and Peter Marshall, will lead the partnership with ELFA. For more information, visit Houlihan Lokey's partner page on our website, or visit [www.hl.com](http://www.hl.com).

## Akin Gump

Widely recognised as one of the leading law firms representing creditors in complex cross-border financial restructurings, and with lawyers operating across Europe, the US and Asia, Akin Gump's

financial restructuring team advises on many of the largest and most significant cases in the market. For more information please visit:

[akingump.com/financial-restructuring](http://akingump.com/financial-restructuring).

## Cadwalader, Wickersham & Taft LLP

Cadwalader, Wickersham & Taft LLP is a leading international law firm focused on financial products, transactions, and markets. Cadwalader's London office has significant practices in CLOs, special situations, direct lending and financial restructuring. Greg Petrick, Chair of the Firm's Financial Restructuring practice, and David Quirolo, a market leader in advising on CLO transactions, will lead the partnership with ELFA.



## Upcoming ELFA Events

- **PEI Responsible Investment Forum** taking place on 11-12 June is the largest European event focused on ESG and responsible investment for the private equity industry. With ESG continuing to rise up the agenda for institutional investors and fund managers increasingly seeing the value its implementation, this event is more important than ever. Our executive advisor Sabrina Fox will be speaking on the growing role of ESG analysis and assessing risk.
- **ELFA Seminar Series Featuring Akin Gump** We will hold our first event in the ELFA Seminar Series with our partner, Akin Gump, in April. The date, time and topic are currently being considered - if you have any suggestions please send them to [support@elfainvestors.com](mailto:support@elfainvestors.com).

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**In 2020 we will build on the strong foundations we laid last year all in support of our mission to act as the voice of investors in the European leveraged finance market. We will increase our impact on the market and thereby enhance the benefits of membership to our organisation.**

**ELFA welcomes all investors in European leveraged finance - for more information about how you can get involved, contact Sabrina Fox, Executive Adviser to ELFA, at [sfox@elfainvestors.com](mailto:sfox@elfainvestors.com).**

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## The Benefits of Being an ELFA Member:

- Quarterly educational seminars for member firms with leading industry professionals
- A forum to share ideas for improving the leveraged finance market, which can be reflected in the initiatives that emerge from ELFA
- Participation as a thought-leader to develop industry guidelines and standards to promote transparency and establish industry best practice
- Educational initiatives to assist member firms in discovering risk in documentary provisions
- Dedicated working groups for both bond and loan investors working to achieve both their shared and unique goals