

## European Leveraged Finance Association (ELFA) Issues Open Letter, Schedules Roundtable Events to Address Market Standards in the European Leveraged Finance Market

### ELFA urges market participants to adhere to its best practice guidance and invites engagement on same

**1 July 2024, London** The European Leveraged Finance Association (ELFA) today published an open letter from its Board addressing critical issues within the European leveraged finance market. Titled “Taking Stock of Market Standards on Disclosure, Process, and Engagement in the European Leveraged Finance Market,” the letter outlines the current challenges faced by lenders and the broader market due to insufficient disclosure, rushed processes, and limited engagement.

ELFA’s best practice guidance includes governance standards designed to support an efficient, fair, and transparent leveraged finance market from the perspective of lenders. The association believes that adherence to these practices would significantly improve the efficient functioning of the market.

Key issues highlighted in the Open Letter include:

#### Rushed Processes Reducing Scope for Negotiation

- The current timelines for reviewing documentation in both the leveraged loan and high yield bond markets are too short, often leaving lenders with insufficient time to analyse and negotiate terms.
- Leveraged loan lenders frequently receive limited or draft documentation, with full documentation provided only a day before commitments are due. This rushed process is particularly evident in repricing transactions, where lenders may have as little as 48 hours to consider their decisions.

#### Insufficient Covenant Information

- There is a lack of reporting on covenant-related information, which creates potential surprises due to unexpected borrower behaviour. This lack of transparency is detrimental to all market participants.
- The letter references the International Organization of Securities Commissions (IOSCO) Good Practices on Leveraged Loans and CLOs, which recommend clear disclosure of material covenants and associated terms.

#### Increasing Restrictions on Transferability

- Overly restrictive transferability conditions are hampering liquidity and negatively impacting the market’s health. ELFA has engaged with private equity sponsors to voice these concerns and is considering publishing best practice guidance on transferability.

ELFA notes that regulators have recently shown interest in processes, transparency and disclosure in the leveraged finance market. ELFA will continue to support a lightly regulated leveraged finance industry in respect of the issues discussed in the open letter and encourages market participants to use the resources developed by ELFA to support best practice. For example, ELFA’s New Deal Disclosure Questionnaire includes questions on covenant capacity to enhance transparency designed to support engagement on these issues during the marketing process for deals.

ELFA intends to host a series of roundtables to explore these issues with market participants. The roundtables will take place July and banks, law firms, private equity sponsors and other market participants interested in joining can contact Emma Kearney at [ekearney@elfainvestors.com](mailto:ekearney@elfainvestors.com).

Visit [elfainvestors.com](http://elfainvestors.com) for more information.

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#### About ELFA

ELFA is a trade association comprised of European leveraged finance investors from over 60 institutional fixed income managers, including investment advisers, insurance companies, and pension funds. ELFA seeks to support the growth and resilience of the leveraged finance market while acting as the voice of its investor community by promoting transparency and facilitating engagement among European leveraged finance market participants. For more information, please visit ELFA’s website: [www.elfainvestors.com](http://www.elfainvestors.com).