European Leveraged Finance Association

13 October 2025

ELFA's Transferability Series

Senior Facilities Agreements

ISSUE #3

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Introduction

This is the third instalment of ELFA's Transferability Series, where we aim to address key transferability issues faced by lenders in the leveraged finance market. Every alternate month, we will highlight a specific issue and propose changes to improve clarity, consistency, and fairness in loan agreements and practices. By doing so, we hope to foster a more transparent, efficient, and liquid market.

By addressing these transferability issues, we aim to create a more standardised and predictable environment that benefits all stakeholders. Clear and consistent definitions and market practices will help foster a common understanding and a more efficient and fair market. This, in turn, will enhance liquidity and ensure that lenders can operate with greater confidence and certainty.

In this issue, we address the general lack of clarity with Senior Facilities Agreements (SFAs).

General Lack of Clarity with SFAs

The European Leveraged Finance Association (ELFA) has been engaging with the market to highlight the challenges faced by lenders due to transfer restrictions since 2023. ELFA is concerned with the lack of clarity around SFAs, the exclusion of new lenders in repricings and add-on transactions, and the accelerated execution timelines, which in turn reduce the scope for negotiation. When combined with the increase in portability clauses and the eroding protections, these issues, if left unaddressed, risk undermining lender confidence and market stability.

ELFA proposes solutions to address the challenges related to the speed and timing of transactions and the absence of information. We discuss this further below.

Issues with SFAs

- **Speed and timing of transactions:** Lenders are given insufficient time to properly analyse and review SFAs after they are posted given their complexity. We understand that compressed timelines may be more acceptable in cases such as refinancing, but they create challenges in new money transactions.
- **Reduced scope for negotiation:** The existing timeline of 24 hours to review is particularly demanding and limits the scope for meaningful negotiation. Analysts require adequate time to analyse first-time deals and present their findings to a committee. This is exacerbated by the lack of covenant-related disclosures early on.
- **Lack of information:** Posted and executed SFAs frequently diverge from the final terms agreed upon, leaving lenders without clarity on the transactions they are participating in.
- **Covenant erosion:** The recent rise in portability clauses and the larger trend towards Cov-Lite transactions have led to the erosion of lender protections, which raises concerns regarding the long-term market integrity.
- **New lenders exclusion in repricings and add-ons:** New lenders in repricing and add-on transactions often lack access to the existing SFA and must navigate a lengthy process to obtain it.
- **Over-reliance on "precedent" forms:** Dependence on precedent documentation can lead to outdated and suboptimal terms and limit the flexibility offered to lenders.

Proposed solutions

- **Minimum review period of 3 days for new issues:** Lenders should be given a minimum of 3 business days to review the long-form SFA in new money transactions as agreed following the ELFA Roundtables.
- **Access to the updated term sheet:** Lenders should be provided with the redline of the updated Syndication Term Sheet.
- **Standardisation across SFAs:** Clearer definitions and more consistent drafting across SFAs should be adopted to reduce ambiguity and improve predictability.
- **Posting the existing SFA to new lenders in repricings and add-ons:** New lenders participating in transactions with existing SFAs should receive a copy of the existing SFA to fully understand the terms of the deal they are entering.

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Next steps

We will be engaging with key stakeholders, including lenders, legal advisors, and market participants, to further discuss this proposal and encourage adoption of best practices.

Conclusion

ELFA is proposing changes to the timeline and transparency around SFAs to provide lenders an opportunity to challenge the eroding protections by standardising practices and enhancing access to information, and in turn, advocating for a more resilient leveraged finance market.

About ELFA
The European Leveraged Finance Association (ELFA) is a buyside-only trade association comprised of European investors and non-bank lenders in the high-yield, leveraged loan, CLO and private debt markets. Its membership consists of more than 60 institutional fixed income managers, including investment advisors, insurance corporates and pension funds. ELFA seeks to support the growth and resilience of the leveraged finance market while acting as the voice of its lender community by promoting transparency and facilitating engagement among leveraged finance market participants. For more information, please visit ELFA's website: www.elfainvestors.com.

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