

## **The LSTA Board Approves a New Primary Markets Delayed Compensation Protocol**

On Tuesday, October 23rd, the LSTA Board adopted a primary delayed compensation protocol (the "Protocol") that represents an important step in furthering the LSTA's mission of promoting a fair, orderly, efficient and growing corporate loan market. The Protocol will go into effect on January 1, 2020 and will apply to all "primary" allocations i.e., allocations of new money in connection with new-issue syndications and amendments of existing deals. The Protocol, facilitated by the LSTA with the participation of a wide range of market participants, should result in important changes in practices and behavior that will reduce not only primary settlement times, but also those in the secondary market.

Following is a Q&A on the basic structure of the protocol:

### **When does the protocol apply?**

The Protocol will apply only when the Seller and the Agent Bank are the same or affiliated parties. In addition, it will only apply to Buyers that are KYC approved and "on-boarded" (a) within three business days of the funding of the deal or execution of the credit agreement (the "Trigger Date") or (b) within three business days of the date that allocations are given if such allocations are given after the Trigger Date.

### **What must a Buyer do in order to qualify for primary delayed compensation?**

A Buyer must sign a confirmation and an assignment agreement reflecting its purchase and declare that it is ready to settle the trade from that day forward until it actually settles. If the trade doesn't settle within the following 6 Business Days, primary delayed compensation will begin to accrue for the benefit of the Buyer.

### **How does the Protocol affect delayed compensation for secondary trades?**

Delayed Compensation for secondary trades, and in particular Early Day Trades, will be adjusted in order to align with the delayed compensation that a buyer is capable of earning on the primary allocation.

### **What are the next steps before the new Protocol can be implemented?**

The LSTA will work with the Membership to amend the Standard Terms and Conditions for Par/Near Par Trades and technology platforms, especially the Electronic Settlement Platforms, will implement changes to reflect the new Protocol. More comprehensive Frequently Asked Questions and Answers (FAQs) relating to the Protocol will follow. If you have questions, please contact [Ellen Hefferan](#).