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Fund Finance Symposium Panel Recap: Syndications Panel

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The past year has seen a challenging environment for the balance sheet of many banks. The ability for a bank to sell and assign their commitments in fund finance facilities has therefore increased in importance. In the Syndication Update panel in Miami, panelists convened to discuss the latest trends in these efforts.

We heard from both sponsors and lenders on the panel, which gave a rich perspective we wouldn't otherwise see outside the Miami conference. Also of note: many of the lender panelists lead the syndication efforts at some of the largest agent banks in the fund finance market. It's not an exaggeration to say that the group of panelists are representative of who decides what sells and how in our market.

A More "Hands On" Approach

One theme we heard from the sponsor panelists is a more "hands on" approach to building out the syndicate. Previously, before markets tightened, sponsors would rely on the efforts of the agent bank. Today sponsors are helping to attract and land key participants in a broadly syndicated facility. Syndicate leaders on the lender side also agreed that selling commitments is now more "high touch" than previously.

Sponsors Can Be Smart in Leveraging Ancillary Business

The sponsor panelists also shared that a key tool for sponsors in attracting a broad syndicate is the ancillary business a sponsor can offer to the agent and syndicate lenders. Most banks are focused on the fund finance product as a way to cross-sell. Sponsors can be smart and understand how participant banks' business interface with the sponsor's borrowing needs outside of fund finance. Using the cross-sell isn't just for banks anymore It's also a great way for a sponsor to fill out large commitment sizes.

Banks Are Under Pressure to Defend Commitment Sizes

In an environment of depleted deposits and an inverted yield curve, banks are now more focused on balance sheet management. The bank panelists confirmed what everyone in the market has felt, which is that the competition for capital means that each commitment needs to have a strong business case. That usually comes from the ability of a bank to cross-sell its non-fund finance services by leveraging its fund finance commitments. In addition, banks are prioritizing their key existing relationships when allocating capital rather than chasing new opportunities.

Keep It Simple and Provide Enough Time

Bank panelists also emphasized that things now take longer. There are more questions. Gone are the days where you can say, “Here is the document, take it or leave it.” Therefore, it is wise for sponsors and agents to build greater lead time and longer runways for their facilities. Simplicity also helps − if you can keep sanctions, jurisdictions and currencies simple, then you will get more availability.

Conclusion

Sponsors can be smart and centralize their knowledge about their “wallet share to the street,” according to a sponsor panelist. This will allow the sponsor to help the agent allocate effectively to syndicate lenders. Banks also need to see results from cross-selling: many lenders may not show up in the next round if the business case for the initial commitments (that is, the provision of ancillary or advisory services) never materialized. Finally, panelists noted that terminal rate clarity from the Fed will give the market more certainty with respect to capital deployment. And perhaps the most important observation: while fundraising has slowed, it’s not getting smaller. The future looks to a capital markets solution to alleviate balance sheet pressure and provide greater lending capacity to a market that is now mature but still growing.