The rising cost of servicing loan strategies

Unlock more accuracy and efficiency and keep syndicated loans and private debt working hard for your business and your investors

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What are bank debt facility instruments costing your business?

Across the buy and sell sides of capital markets, investment banks and asset managers are turning to innovative investment strategies to help diversify their portfolios, stabilize cash flows and deliver maximum returns for their investors.

With competitive interest rates for borrowers, syndicated loans and private debt offer particularly high potential value in the drive to make money work harder. But the disordered processes that often underpin loan strategies are threatening the coherence and smooth running of the loan lifecycle – and making operations costlier to coordinate.

A largely manual marketplace continues to make bank debt facility instruments complex, time-consuming and expensive to manage. The market is demanding transparency, but mistakes are still creeping into the data. Data itself can be hard to access and analyze, as well as to trust.

Value is at stake but costs and errors are crushing your margins. It’s time to rethink how you manage and coordinate the complexities of syndicated loans and private debt.

As banks pulled back from underwriting leverage loans, the private credit market stepped in to rise in value from $725 billion in 2018, to $1.7 trillion in 2023 – and could hit $2.8 trillion by 2028. The broadly syndicated loans market has also climbed steadily since 2018, to reach a high of $1.4 trillion.

Sources: Pinebridge Investments, Private Credit vs. Broadly Syndicated Loans: Not a Zero-Sum Game, July 2024; Prequin, 2024 Global Report: Private Debt, December 2023

Discover an easier way to unlock accuracy and efficiency in loan management

Beyond surges in growth, superior investment yields and extra fee income, there can be a high price to pay for servicing syndicated loan and private debt strategies. And it all comes down to the inefficiency of underlying loan operations.

You've put your investors' money to work with loan strategies, but you need to save time and reduce errors and costs. You need to free up access to insights and analytics for informed decisions. You need to keep your loan strategies working at the peak of their powers without pushing up your costs.

What's stopping you?

Read on to learn how to respond to the three main challenges that are disrupting and holding back today's syndicated loan and private debt operations.

You need to keep your loan strategies working at the peak of their powers without pushing up your costs.

Challenge #1:
Data is unreliable

You can't keep the wheels turning on your loan operations with inaccurate data on syndicated loans and private debt. But with no central database for all loan counterparties, errors are all too common.

McKinsey says, "Data collection and quality issues throughout the loan servicing process result in the absence of a definitive source of truth. The mounting volumes of unstructured data ... are complicating automation efforts and servicing workflows."[1]

Even if the data you receive is correct, there's the potential for costly error when you key it into your systems manually. Syndicated loans and private debt deals are complex and ever-changing – and it's easy to make mistakes when you're making frequent manual updates.

Are you sure you're basing your choices on insight you can trust?

1. McKinsey, Modernizing Corporate Loan Operations, January 2024

Even if the data you receive on syndicated loans and private debt deals is correct, there's the potential for costly error when you key it into your systems manually.

Response #1:
How to seize every opportunity

Inaccurate data costs you money. You need accurate loan data quickly so you can make smart investment decisions. Technology can accelerate the process by digitizing and synthesizing data from large volumes of loan documents and other financial systems.

AI and machine learning in particular are playing an increasingly prominent role in ensuring the accuracy of loan and other financial data.

With these powerful technologies helping transform disparate loan data into a top-quality digital data feed, you can get daily and intraday updates on all your loans, automatically updating your accounting system.

In short, you'll get the accurate insight you need to help grow your loan business.

When you can't rely on your loan data, you can trust advanced technology to deliver the accurate data points you need to keep your investment strategies hard at work.

14% of leaders in financial services firms say they are already using AI or machine learning for data quality management.

Source: FIS, Global Innovation Research, 2024

Challenge #2: Operational costs are spiraling

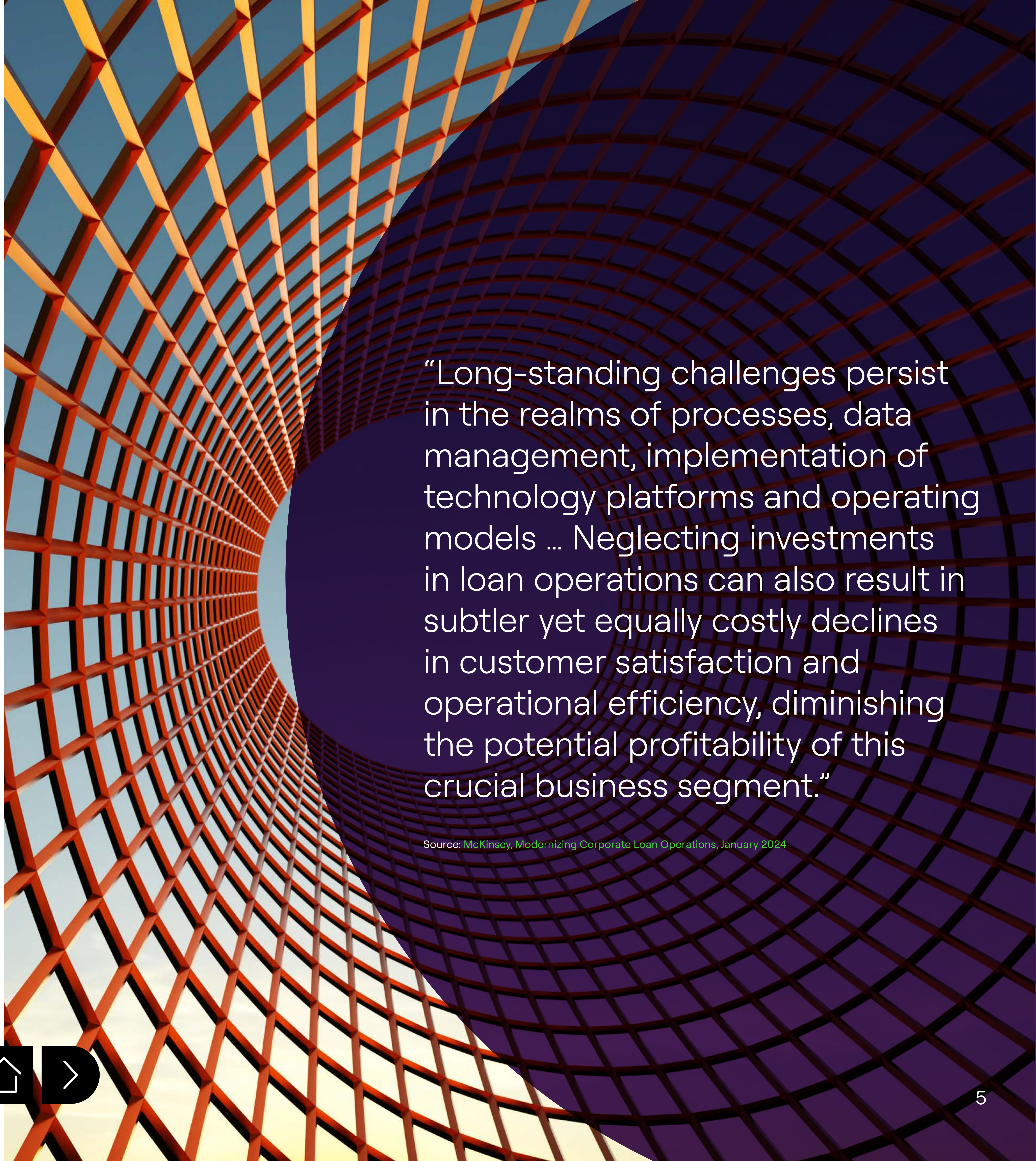
The loan market is still highly manual and key details on loans are often buried in poor-quality documents, making it difficult and extremely labor intensive to pull together, collate and verify accurate data. With both insight and efficiency at stake, modernization is an urgent priority for loan operations.

“Inefficiencies and costly errors continue to plague syndicated-loan operations,” says McKinsey.

“Syndicated-loan agreements can vary widely in structure and documentation. The lack of industry-standard data formats and terms makes it difficult to perform data analysis and automate processes.”[2]

Then there’s the question of how your business absorbs loan data. Extracting data points manually from loan documents and keying them into multiple systems wastes time you can’t afford. The costs to your business soon add up.

2 McKinsey, Modernizing Corporate Loan Operations, January 2024



“Long-standing challenges persist in the realms of processes, data management, implementation of technology platforms and operating models … Neglecting investments in loan operations can also result in subtler yet equally costly declines in customer satisfaction and operational efficiency, diminishing the potential profitability of this crucial business segment.”

Source: McKinsey, Modernizing Corporate Loan Operations, January 2024

67% of financial services leaders say their cost reduction initiatives have a high impact.

Source: FIS, Global Innovation Research, 2024

"Overall, the syndicated-loan-operations process is in dire need of streamlining and harmonized automation throughout the loan lifecycle … To truly modernize syndicated-lending operations, banks must adopt a comprehensive approach that enhances both processes and data capabilities. Key aspirations should include standardized workflows, robust centralized data capabilities, seamless integration across systems and intelligent automation to eliminate manual interventions."

Source: McKinsey, Modernizing Corporate Loan Operations, January 2024

Response #2: How to keep costs down and margins up

The key to more efficient loan operations is to automate the traditionally manual process of delivering loan data, which frees up your team from costly administrative tasks.

With the application of new technologies like AI and machine learning, it's also possible to help expedite the insights you need to improve your investment returns – and your margins.

Writing particularly about banks, McKinsey says, "Successful loan operations invest in straight-through processing (STP), use automation and analytics to address reconciliation issues, and use advanced algorithms to identify potential matches."

But whether you're an investment bank or an asset manager, human intelligence and expertise are still critical to ensuring the accuracy and quality of loan data.

"Loan operations demand a profound understanding of financial markets, products, regulations and often institution-specific knowledge," continues McKinsey.

"Ideally … knowledgeable professionals would be engaged in quality assurance tasks rather than mundane reconciliation activities. However, in banks with limited automation and lower STP rates, the operations workforce is heavily burdened with a substantial volume of manual tasks."[3]

3 McKinsey, Modernizing Corporate Loan Operations, January 2024

Inefficiencies in loan operations are costing more than ever. Advanced automation helps keep syndicated loans and private debt working for your investors with less overhead.

Challenge #3:
The price of growth is soaring

It can take vast teams of people to manage syndicated and private debt strategies.

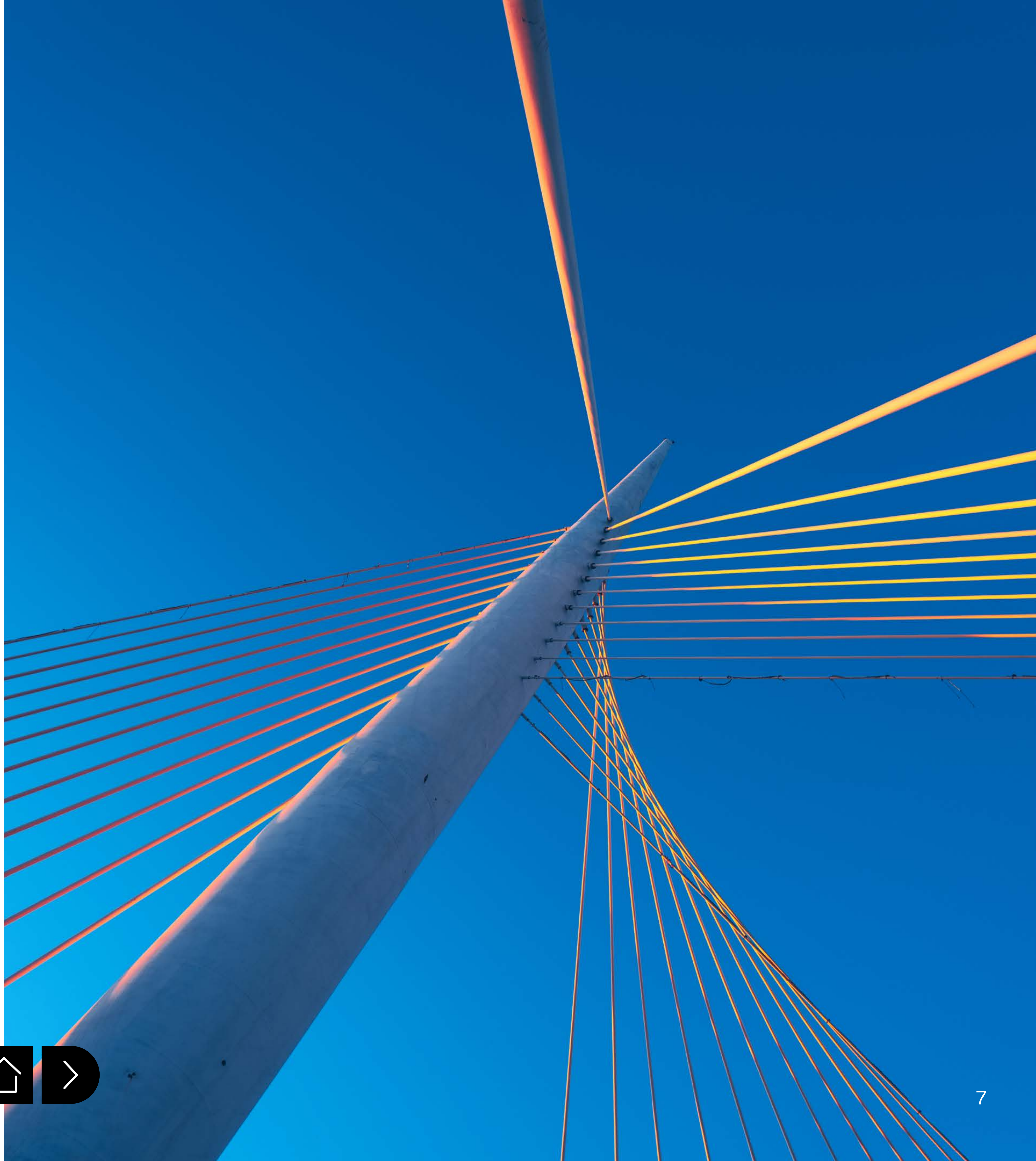
McKinsey says, “Banks’ extensive reliance on manual processes and workflows, with extensive manual data inputs and verifications involving multiple handoff points, leads to suboptimal servicing efficiency.

“Coordinating with syndicate members and customers to address missing notices, extract data and populate core banking systems entails significant and time-consuming work.”[4]

So, how can you build your book of business without increasing your staff and upgrading or adding to your infrastructure?

4 McKinsey, Modernizing Corporate Loan Operations, January 2024

How can you build your book of business without increasing your staff and upgrading or adding to your infrastructure?



Response #3:
Prepare to scale your business faster

Capitalize on investment opportunities and optimize speed to market with a fully managed service for the delivery of loan data.

Managed services take no time to implement. But as you start to modernize your loan operations, why stop at setting up a digital feed of global loan data?

Scalable middle-office services are also available to provide both the hardware and the human expertise you need to keep improving your efficiency and growing your loan business.

Your loan business can't afford to delay growth. Let managed services provide the data and the scale you need to expand your portfolio fast.

More than a quarter (26%) of leaders in financial services firms say that embracing cloud computing has a high impact on their business operations.

Source: FIS, Global Innovation Research, 2024

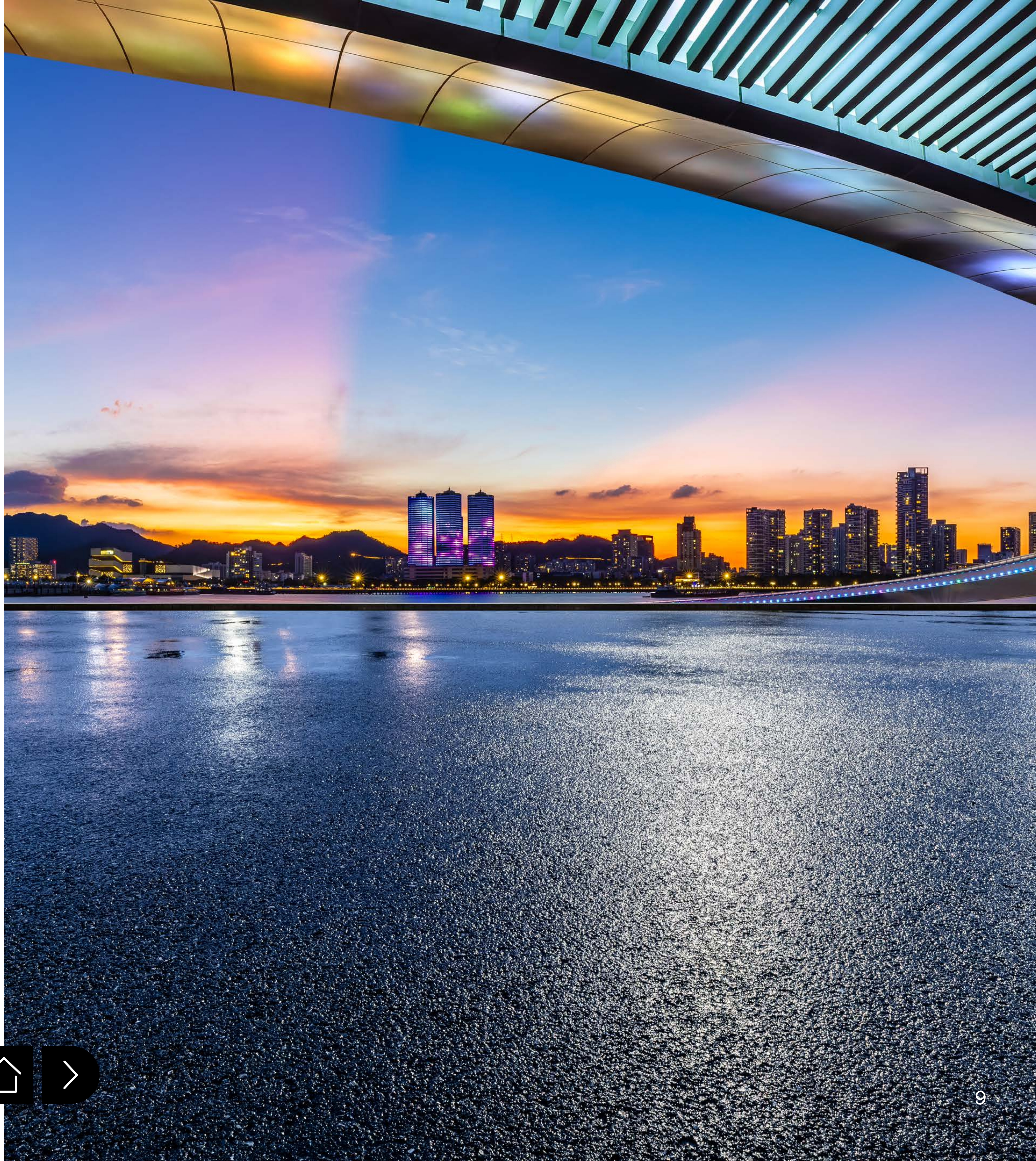
Cut the costs of putting loan instruments to work … with FIS

Syndicated loan and private debt strategies can be complex and costly to manage. And now FIS® Global Loan Data provides an easier way to unlock more accuracy and efficiency in loan operations. Powered by AI and machine learning, the solution delivers accurate intraday updates on bank debt facility data and underlying loan data, which instantly flow into all your systems in one cost-effective data feed.

Now you can save time, reduce errors and costs, and free up access to insights and analytics for informed decisions. Plus, you can grow your loan business for less overhead with scalable middle-office services.

At FIS, we are dedicated to unlocking financial technology to the world and to empowering asset managers and investment banks to effectively put money to work. Get in touch with us today and learn how we can help your business unlock more accuracy and efficiency in loan management.

FIND YOUR UNLOCK



FIS Global Loan Data provides a digital feed of complete, accurate, up-to-date data on syndicated loans and private debt to keep loan strategies working hard for investors.

Our technology powers the global economy across the money lifecycle.

Money at rest

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.

Money in motion

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.

Money at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit FISglobal.com. Follow FIS on LinkedIn, Facebook and X (@FISglobal).

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