FIS

White Paper

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

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 efficiency of the loan lifecycle – and making operations costlier to coordinate.

How can you keep loan strategies working at the peak of their powers without pushing up your costs?

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[1] – and could hit $2.8 trillion by 2028.[2] The broadly syndicated loans market has also climbed steadily since 2018, to reach a high of $1.4 trillion.[3]

However, beyond the growth surges, 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.

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.

There's an easier way to unlock accuracy and efficiency in loan management

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 grow your loan business for less overhead.

What's stopping you?

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

A largely manual marketplace continues to make bank debt facility instruments complex, time-consuming and expensive to manage.

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

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."[4]

Even if the data you receive is correct, there's the potential for costly errors 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?

Get set 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 finance data. According to Gartner, adoption of AI by finance functions has grown significantly in the last year, with 58% using the technology in 2024 (up 21% from 2023), and 39% using it specifically to detect and resolve errors.[5] Meanwhile, in a survey by FIS®, 14% of leaders in financial services firms say they are already using AI or machine learning specifically for data quality management.[6]

With AI and machine learning 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.

The FIS solution

At FIS, data is the backbone of our business. With a complete, accurate and up-to-date set of reference data points on more than 99% of broadly syndicated loans, the FIS Global Loan Data service draws on the loan data that flows through our front-to-back ecosystem of specialist accounting, portfolio management, corporate actions processing and commercial lending solutions.

To help you make informed decisions, Global Loan Data uses the latest state-of-the-art optical character recognition (OCR) technologies and hybrid intelligence to read, extract, validate and digitize agent notices, credit agreements and other source data on syndicated loans and private debt.

And with AI and machine learning driving accuracy and efficiency, Global Loan Data makes data available in an updated feed of referential data points. Production is overseen and validated by our team of loan experts, and the data can be combined with other data sets from across your enterprise for further analysis and insights.

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

With a complete, accurate and up-to-date set of reference data points on more than 99% of broadly syndicated loans, the FIS Global Loan Data service draws on the loan data that flows through our front-to-back ecosystem of specialist accounting, portfolio management, corporate actions processing and commercial lending solutions.
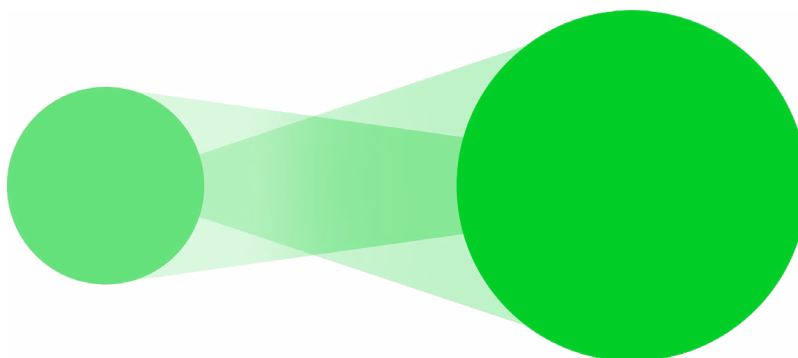
4. McKinsey, Modernizing Corporate Loan Operations, January 2024
5. Gartner, Gartner Survey Shows 58% of Finance Functions Using AI in 2024, September 2024
6. FIS, Global Innovation Research, 2024

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.[7]

"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.

"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."[8]

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.

Take steps 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.

Already, 67% of financial services leaders are reporting the high impact of cost reduction initiatives.[9] But 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."

"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."[10]

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."[11]

The FIS solution

Global Loan Data helps you transform manual operations to streamline the management of loan data. By taking care of the underlying activities related to your loans and digitizing source data, we cut your administrative costs and eliminate the need for manual updates to loan data in your accounting system.

Additionally, we accelerate state-of-the-art OCR technologies and the cleaning of data with AI and machine learning. That makes it even faster, easier and less costly and labor-intensive to deliver an accurate feed of loan data for processing, analysis and decision making.

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

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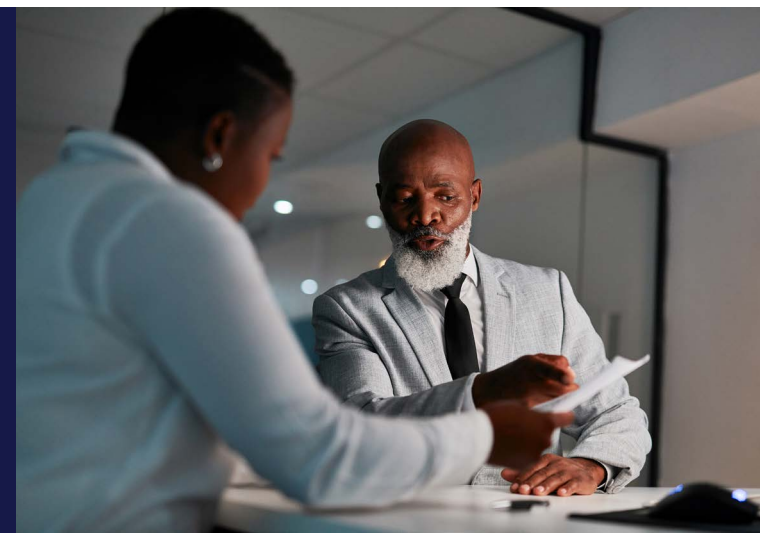
7. McKinsey, Modernizing Corporate Loan Operations, January 2024
8. McKinsey, Modernizing Corporate Loan Operations, January 2024
9. FIS, Global Innovation Research, 2024
10. McKinsey, Modernizing Corporate Loan Operations, January 2024
11. McKinsey, Modernizing Corporate Loan Operations, January 2024

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."[12]

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

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.

Cloud-based managed services take no time to implement and deliver a fast return on investment, with more than a quarter (26%) of financial services leaders reporting the high impact of cloud computing on their business operations.[13] So, 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.

The FIS solution

FIS helps you support a growing credit business with solutions and services that give you a fast return on investment. Since it's delivered as a cloud-based managed service, we will set up and implement Global Loan Data for your firm so you can rapidly accommodate new loans.

Along with the data feed, you can access our out-of-box middle-office services for an efficient and scalable operating platform to help you further grow and scale your credit business. That way, you can add portfolios rather than more people or multiple systems.

FIS has dedicated more than 20 years to building and refining its credit operations platform and services. Combining our highly experienced team of credit professionals with award-winning technology, we help more than 100 clients manage their credit strategies, ranging from broadly syndicated loans to the most esoteric private debt instruments.

To date, we've administered more than $800 billion in assets under administration, supported globally by staff with an average of over 10 years experience. And we continue to improve the accuracy, efficiency and cost-effectiveness of our services by innovating with new technologies, including AI and machine learning.

Your loan business can't afford to delay growth. Let FIS provide the data and the scale you need to expand your portfolio fast and put more money to work for investors.

Along with the data feed, you can access our out-of-box middle-office services for an efficient and scalable operating platform to help you further grow and scale your credit business.

12. McKinsey, Modernizing Corporate Loan Operations, January 2024
13. FIS, Global Innovation Research, 2024

Why pay a high price for putting loan instruments to work?

Syndicated loan and private debt strategies can be complex and costly to manage. 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.

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