

Fund Finance Friday



LSTA Issues New Credit Agreement Guidance

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By **Leah Edelboim**
Partner | Fund Finance

Yesterday, the Loan Syndications and Trading Association (the “LSTA”) circulated a revised draft of its Form of Revolving Credit Facility to its members.

The LSTA first published its comprehensive Form of Revolving Credit Facility in 2017. Prior to that time, the LSTA had “Model Credit Agreement Provisions,” a library of standard provisions for a credit agreement, but it had not previously offered its members a full-form credit agreement.

The LSTA form credit agreement establishes a baseline for where the market is as it relates to the rights and obligations of the parties to a financing transaction. Parties can often agree that they will go with the “LSTA standard” for portions of their credit agreement.

As to the revised agreement, the changes cover several topics, but, significantly, there are updated provisions that pertain to the LIBOR transition and includes hardwired fallback language. This is important to many market players because, while some banks have developed their own language for the transition, many other banks and their counsel are relying heavily on the model language produced by the LSTA.

Other significant changes relate to the letter of credit-related provisions. Additional changes include updates to the ERISA and Bail-In provisions, as well as standard language pertaining to U.S. QFC Stay Rules.

Cadwalader finance partners Chris McDermott and Jeff Nagle served as external counsel to the LSTA on this project.

The final form is expected to be published in about a month.