The Credit Roundtable
THE VOICE OF THE BUYSIDE

March 6, 2023

Re: CBIA Special Mandatory Redemptions Position Paper

The Credit Roundtable[1] appreciates the opportunity to submit its comments on the Canadian Bond Investors Association (CBIA) position paper published February 2023 on Special Mandatory Redemptions (SMR) and their view of weaknesses in the current market practices for SMR. The CBIA position paper can be accessible in the Model Covenant Section of the CBIA website along with additional information on Model Covenants.

The Credit Roundtable (CRT) would like to voice its support of the CBIA's position and what they have outlined. The Key Provisions of the Position Paper are:

1. The SMR Redemption Price should be the higher of a) 101% of the principal amount and, b) a price based on a percentage of the original offer spread.
2. A reasonable time period should be established for which the SMR is in force.
3. SMR Redemption provisions should take precedence over other redemption or call features during the SMR Period.
4. Modifications to the SMR terms should require the support of at least two-thirds of bondholders.
5. Consent Fees or other compensation granted for modifications to the SMR be paid to ALL bond holders if the original terms are modified, regardless of whether the bond holder provided positive consent.

CRT previously published a white paper on SMRs in 2018 which can be viewed here.

We welcome the opportunity to discuss our concerns, opinions, and recommendations regarding SMRs in greater detail. Please direct any questions to Kelly Byrne Skarupa of The Credit Roundtable at kbyrne@taminc.com or (914) 332-0042.

Sincerely,

The Credit Roundtable

[1] [1] Formed in 2007, The Credit Roundtable ("CRT") is a group of large institutional fixed income managers including investment advisors, insurance companies, pension funds, and mutual fund firms, responsible for investing more than $5 trillion of assets. The Credit Roundtable advocates for creditor rights through education and outreach and works to improve fixed income corporate actions, ineffective covenants, and the underwriting and distribution of corporate debt. Its mission is to improve risk assessment and management through education and seeks to benefit all bond market participants through increasing transparency, market efficiency and liquidity.