



## **Investment Grade Primary Best Practices Framework**

August 17, 2020

### **Introduction:**

The Credit Roundtable (“CRT”) believes the Primary or “New Issue” market plays an important role in ensuring the health of the Credit markets through greater transparency and robust bondholder protections. That being said, after seeing USD Investment Grade new issue volumes steadily and consistently rising to historic levels annually over the last decade, and a renewed focus on utilizing technology now to aid the efficiency of the new issue process in order to manage the increased work flows, The CRT believes this is an opportunity to more broadly discuss other aspects of the new issue process that can be enhanced that technology alone cannot solve.

The following “Investment Grade Primary Best Practices Framework” was developed through consultation with both the 38 active members of The Credit Roundtable, in addition to other institutional investors who have expressed solidarity with the CRT on this initiative. The framework lists specific recommendations through the “Phases” of the new issue process, which we have identified as areas where providing more detailed information consistently would greatly aid the investor community’s investment and compliance process, which may not be as evident to others engaged in the process of marketing, selling, pricing, distributing new offerings. We believe increased volumes may also justify development of more standardized set of conventions that can be mutually agreed to by both issuers and investors, such as covenants and redemption language as well. The CRT believes that all dealers should be consistent with the application of this framework. Also, while this framework has been developed around the Investment Grade new issue process, we believe elements of it are readily transferable to the processes of other asset classes as well, so the CRT would encourage dealers to also adopt the framework, where applicable, across their platforms as well.

The CRT welcomes feedback from other investors, issuers, and dealer community for this important initiative.

Sincerely,

The Credit Roundtable, and Primary Best Practices Working Group



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### **Pre-Announcement:**

- Updated standard of “bring down due diligence” mutually agreed to with the buy-side used
- If investor marketing, improvements to the timing/messaging/ transparency (e.g., “Deal” and “Non-Deal”), reflecting the SEC’s recent rule that extends “Test-the-waters” accommodation

### **At Announcement:**

- Prospectus Supplements/Offering Memorandums (“Reds”) immediately available upon deal announcement
- Consistency of preliminary deal terms disclosed by the Active Bookrunners (“one announcement used”)
- Terms:
  - “Expected” ratings provided (as understood by the issuer based on preliminary discussions with the Rating Agencies) or Rating Agencies providing confirmation of ratings within 15 minutes of deal announcement
  - Stated/disclosed “Initial Price Talk”
  - Actual Maturity date of bond is provided
  - Indication of initial size of deal and if multi-tranche, initial tranching preferences if any
  - Provide actual “Cusip” codes for bond(s)
  - Include additional bond characteristics (e.g., country of risk, incorporation, Labeled “Green”, etc)
  - Disclose all Optional and Mandatory Redemption terms (Highlight terms that are non-“Standard”)
  - For repeat borrowers, highlight any changes to “Standard” terms since the last offering
  - Make available the full list of underwriting participants of the deal before the order book is “Subject”
  - Settlement period should be reasonable, and align with Use of Proceeds.
  - Full Netroadshow/Dealroadshow details provided upfront in the announcement
- To the extent this information can be disseminated electronically, it should be made available to investors by request through their preferred format

### **During Bookbuilding:**

- Stated/disclosed order book updates in regular intervals permitted

### **At Guidance:**

- Updated indication of targeted deal size and tranche sizes (if multi-tranche)
- “Billing & Delivering” agent must be disclosed, if not sooner
- Order Book Update Post-“Subject” disclosed

### **At Launch:**

- Order Book Update Post- “Guidance” disclosed

### **Pricing:**

- Allow a minimum of 30 minutes between start of allocation process and Pricing of deal
- Deals should be priced before 4:30 during normal UST market trading hours or risk pricing the next day
- Final Order Books disclosed

- Term Sheets should be signed “promptly” after pricing; “Free to Trade” same day as pricing

**Post-Trade:**

- VCONs consistently provided and available day of pricing
- Cusips populated with final deal details prior to settlement; ratings confirmed by agencies with Bloomberg
- Distribute final prospectus to deal participants