

Empowering Liability Management Transactions with Real-Time Reporting

by Pia Gowland

Despite the large funds and strategic importance of liability management transactions, real-time information is still not the norm during time-sensitive deals such as tender offers, exchange offers, consent solicitations or debt restructurings.



Once a debt transaction launches, its status can change constantly, particularly closer to its expiration date. The window that bond investors have to participate in a liability management transaction after it is announced by the corporate or sovereign bond issuer lasts two to four weeks, on average. To stay informed about the evolution of the transaction, bond issuers and their advisors have

historically had to rely on infrequent, retrospective emails and spreadsheets prepared by their specialist agents who compile bondholders' tender, exchange or consent instructions – upon the type of event. Such reporting has been given to the dealer managers once or twice a day. The provision of transaction information has barely evolved in decades.

The opportunities for innovation were clear.

Morrow Sodali's BondWatch upended the status quo two years ago: a secure, real-time reporting system that enables companies and their advisors to be fully informed as key deadlines approach, rather than having to wait for reports dispatched infrequently at set times of the day. BondWatch can provide the working group with the ability to view instructions from custodian banks on behalf of ultimate beneficial owners as soon as they are received via the relevant clearing system – DTC in particular for transactions involving U.S. bonds.

With key decisions being made based on the evolution of a liability management transaction, having access to timely data is a must.

As one example, in a recent exchange offer launched by a U.S. bonds' issuer, a minimum participation condition was required for the transaction to consummate. At the beginning of the participation window, bondholders' responses were infrequent. But during the three last days of the offer, instructions started to arrive at any time of the day. With four dealer managers involved in the deal, BondWatch allowed them to assess the evolution of the transaction and proactively push, along with Morrow Sodali as information and exchange agent, for instructions that did not come through; helping the company and working group to achieve the desired participation outcome and avoid an extension of the exchange period.

This situation replicates frequently in numerous offers. No one can object that real-time information adds value to any liability management transaction.

