

**INTERNATIONAL FINANCIAL MARKETS AND INSTRUMENTS**

*This summaries 'International Financial Markets' Module 1 (Additional Reading)*

**(1) MONEY MARKETS**

- (1) **Primary Money Market** [maturities of less than 1 year] (2)
- (i) **CDs**
  - (ii) **TBs** (a) **Bank of England**
  - (iii) **CP** (b) **Discount Houses** (i) **Investment Banks**
  - (iv) **BAs** (c) **Clearing Banks** (ii) **Commercial Banks**
  - (v) **Bank Deposits** (iii) **Complex Groups/ Conglomerates**
- (2) **Secondary Money Markets**
- (a) **Local Authority Market**
  - (b) **Finance House Market**
  - (e) **Sterling Inter-Bank Market** *Eurodollar Market*
  - (c) **Inter Company Market**
  - (d) **Sterling Certificate of Deposit Market**
  - (e) **Sterling Commercial Paper Market**

**GILT MARKETS [GOVERNMENT DEBT MARKETS]**

- (i) **Consols 1752** [US T Bills <1, Notes 1-10 and Bonds >10 years]
- (ii) **War Loans** (a) **Government Gilts** *UK CGO CREST [GEMMs/IDBs/SEMBS]* (3)
- (iii) **DD Stock** (b) **Treasury Bills**
- (iv) **Convertible** (c) **Sale and Repurchase Agreements (Repos)**
- (v) **T Bills**

**BANKING MARKETS**

**Syndicated Loan Market** *Euroloan Market [Inter-bank Market]*

- DEPOSIT TAKING AND LOAN MARKET** *Commercial Bank Market*
- (a) **Corporate Loans** (d) **Commercial Property**
  - (b) **Consumer Credit** (d) **Residential Mortgages**
  - (e) **Trade Finance**
  - (a) **Subsidiary** **Credit Transfers** (a) **Assignment**
  - (b) **Branch** (b) **Novation**
  - (c) **Joint Venture** (c) **Participation**
  - (d) **Consortia** (d) **Risk Participation**
  - (e) **Representative Office** (e) **Securitisation** (5)

- KEY TRENDS**
- (1) **MARKET INTEGRATION (CROSS-BORDER AND SECTOR)**
  - (2) **GENERAL 'DISINTERMEDIATION' (COMMERICAL PAPER) AND 'SECURITISATION' (LOANS TO BONDS)**
  - (3) **'REPACKAGING' AND 'STRUCTURED FINANCE'**
- SEPARATION**
- (4) **'PRIVITISATION' AND 'DECONSTRUCTION' OF RISK**
  - (5) **COMPLEX RISK MANAGEMENT, STANDARD DOCUMENTATION AND EXTENDED MARKET SUPPORT**

**CAPITAL MARKETS**

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- SECURITIES AND CAPITAL MARKETS**
- (a) **Debt** (a) **FRNs** *71 10-20 years*
  - (b) **Equity** (b) **NIFs** *5-7 years >70s*
  - (c) **Warrants and Hybrids** (c) **MTNs** *85 9mth-15 year*
  - (d) **Depository Receipts** (d) **MOF[MOFF/MLF/BONUS]**
  - (e) **Eurodollar** (i) **Bonds** (Duration Ladder)
  - (ii) **Notes**
  - (disintermediation) (iii) **Commercial Paper**
  - (iv) **'Convertibles' and 'Callables'**
  - (v) **Structured Finance**
  - (i) **Repackaging [synthetic]**
  - (ii) **CMOs/ABSs/MBSs**
  - 'CDOs' (iii) **CBOs/CLOs/CEOs**
  - (iv) **CLNs**
  - (v) **SIVs/Conduits**

**FINANCIAL DERIVATIVES MARKETS**

- (i) **Risk Cover/Hedging**
- (ii) **Trading/Speculation**
- (a) **Swaps**
- (b) **Futures** (I) **Financial Contracts**
- (c) **Options** (ii) **Indices**
- (d) **Credit Derivatives** (iii) **Oil and Gas**
- (e) **Hybrids** (iv) **Energy**
- (i) **TRSs** (v) **Commodities**
- (ii) **CSSs**
- (iii) **CDSs**

**ALTERNATIVE INVESTMENT MARKETS** <http://www.riskglossary.com>

- (a) **Hedge Funds** (a) **Pension Funds**
- (b) **Private Equity** (b) **Collective Investment**
- (c) **Sovereign Wealth Funds** (c) **US Mutual Funds**

**CURRENCY MARKETS**

- (a) **Spot**
- (b) **Forward**

**(6) GOLD MARKET** *London Gold Fixing*

- (7) INSURANCE MARKETS**
- (a) **Life** *[Assurance]*
  - (b) **Non-life** *[Contingent Liability]*

**(8) COMMODITY MARKETS** *Auction Rooms* **G A WALKER**

INTERNATIONAL LOAN FINANCE

EURO LOAN MARKET – HISTORICAL DEVELOPMENT

<b>LOAN STRUCTURES</b>	(1) Principal Amount
1. <b>Lenders</b>	(2) Term Duration
2. <b>Borrowers</b>	(3) Drawdown Tranches
3. <b>Term Loan</b>	(4) Interest Fixed/Float
	(5) Repayment Bullet Obligations

<b>AGENT BANK</b>	Agent Lenders (a)
(a) Partnership	(b) New York
(b) Security	(c) Tokyo
(c) Dealing/Arranging	(d) Frankfurt
(d) US SE/SEA Notes	(e) Shanghai
(e) Consumer Credit	

<b>LOAN FACILITIES</b>	(1) Euro Loans [participated]
	(2) Multi-Purpose Facilities [MOFFs]
	(3) Term / Revolving Facilities [RCF]
	(4) Credit Lines
	(5) Title Finance
	(6) Project Finance
	(7) Property Finance
	(8) Acquisition Finance
	(9) Securitisation
	(10) Subordinated Debt

(i) Senior	(ii) Mezzanine	(iii) Junior
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**BORROWER [AND BORROWER'S GROUP]**

**ARRANGING OR LEAD BANK**

**SYNDICATE**

<b>ISSUE PROCEDURE</b>	(1) 'Mandate Letter'
(a) Approach	(2) 'Term Sheet'
(b) Fee Letter/Quote	(3) 'Information Memorandum'
(c) Award Mandate	(4) Procedure Subject to Contract
(d) Solicit Interest	(5) Fees
(e) Instruct Solicitor to Draft Docs	

<b>SYNDICATION</b>	(1) Severality
<b>PRINCIPLES</b>	(2) Proportionality
	(3) Equality
	(4) Democracy
	(5) Limited Agency Function

<b>NEGOTIATE DOC</b>	(1) Receipt Duties
	(2) Payment Duties
	(3) Banking Duties
	(4) Notification Duties
	(5) Default Duties

<b>LIABILITY</b>	(1) Theft
	(2) Fraud
	(3) Negligent
	(4) Innocent
	(5) Regulation

<b>LIABILITY LIMITATION</b>	(1) Legal at CL
	(2) Nec Express
	(3) Construction / 'CP'
	(4) Oral Warranty/Repug
	(5) Exclusions
<b>DEFAULT EFFECTS</b>	(a) Limited Role
(i) Suspension	(b) Gen Immunity
(ii) Cancellation	(c) Specific Imm
(iii) Acceleration	(d) Fiduciary
(iv) Rescission	(e) Loss
(v) Enforcement	
(g) Business Expansion	
(h) Country Expansion	
(i) Improved Terms	
(j) Fee Income LB 0.5%/Commit 0.75%	

**BORROWER GROUP COMPANIES**

**GUARANTOR [S]**

(f) Comment, Negotiate and Finalise	(i) Publication [Tombstone]
(g) Conditions Precedent Docs	(j) Transfers
(h) Signing	

<b>SYNDICATION</b>	(a) Credit Risk
	(b) Capital Charge
	(c) Large Exposure
	(d) Liquidity / Funding
	(e) Diversification
	(f) Reputation

**LOAN CONDITIONS AND OBLIGATIONS**

**LOAN DEFAULT - SYNDICATION**

(1) Conditions Precedent <i>Pre-Advance</i>
(a) Constitutional Documentation
(b) Sovereign Confirmations
(c) Security
(d) Legal Opinions
(e) Confirmations or other Evidence
(f) Conditions Subsequent

<b>EVENTS DEFAULT</b>	(a) Non-Payment
	(b) Financial Covenants
	(c) Non-financial Breach
	(d) Misrepresentation
	(e) Cross-Default
	(f) Insolvency

(2) Representations and Warranties
(3) Covenants <i>Fact / Undertaking or Promise</i>
(a) Corporate Covenants

(a) Legal Warranties
(b) Financial or Commercial
(i) Negative Pledge
(ii) Pari Passu
(iii) Disposals

<i>R&amp;W only damages &amp; not rescission</i>	(ii) Financial Covenants
<i>Only if express condition or default</i>	(iii) Information
	(d) General Undertakings

<b>LOAN TRANSFERS</b>	(a) Assignment
	(b) Novation
	(c) Participation
	(d) Risk Participation
	(e) Securitisation

(g) Creditor Processes
(h) Control
(i) Illegality
(j) Repudiation
(k) Material Adverse Change [MAC]

<b>CONTROLS</b>	(1) Fraudulent Misrep
	(2) Criminal Activity
	(3) Statutory Liability
	(4) UCTA 77 / EU Regs
	(5) Misrep Act

(b) Financial Covenants	s 136 LPA 1925
(c) Information	
(d) General Undertakings	

<b>LOAN RESTRUCTURING</b>
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(a) Rescheduling
(b) Paris/London 1956/1976
(c) IMF/WB HIPC/CACs

**EUROLOAN & EUROBOND LAW**

**STRUCTURAL SUMMARY**

**INTERNATIONAL SYNDICATED LOAN (EUROLOAN)**

**INTERNATIONAL BOND OFFERING (EUROBOND)**

**Lead or Arranging Bank**

**Intermediaries (Fees)**

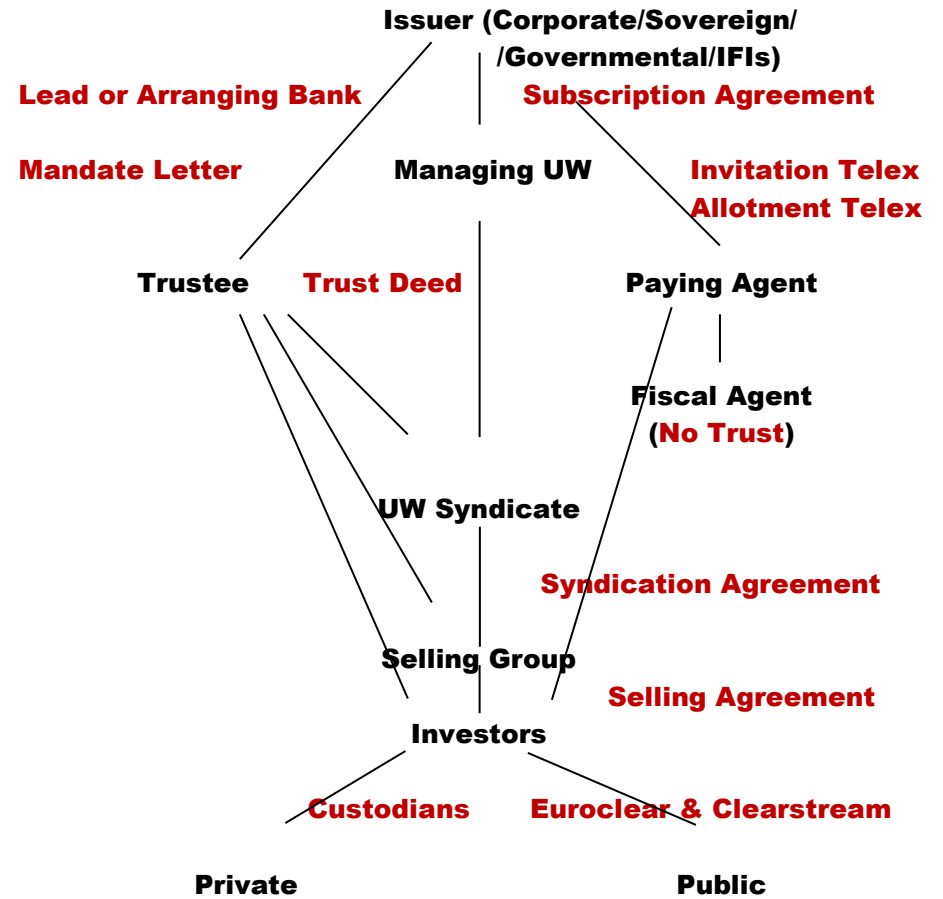
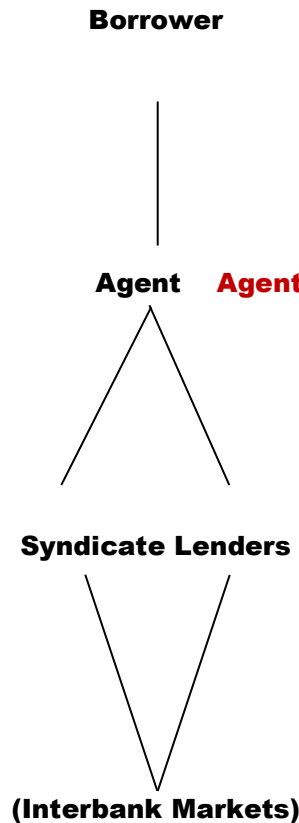
- (1) **Mandate Letter**
- (2) **Information Memorandum**
- (3) **Loan Agreement [Multiple Draw Down]**

**Credit Providers/Investors**

**10 cos 10 syn A/B facilities = 100 / 200 loans but JointS**

**12 draw downs A 1/2 years = 120/240(1,200/2,400)+10 B**

**20 year drawdown on B = A 240 (2,400) + B 2,400 (24,000) = 2,640 (26,4000) total governed by single Loan Agreement**



**Loan Finance**

**EUROBOND ISSUE  
TIME LINE**

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***Beginning of 'Grey Market' until Closing***

**MARKETING**

**D DAY - 7**

**D DAY**

**D-DAY +14**

**D-DAY+21**

**PRE-LAUNCH**  
**Initial Client Request or Approach**  
**Mandate Letter and Due Diligence**

**LAUNCH AND SYNDICATION**  
**Public Announcement**  
**Invitation and Allotment Telex or Fax**

**SIGNING**  
**Subscription Agreement**  
Legal Commitment

**CLOSING**  
***1 week after signing SA***

**(1) Private Placement**  
Managers subscribe whole issue and place directly.

Key terms except Coupon and Price (Par, Discount or Premium)

**Manager's Agreement**  
**Agency Agreement (Fiscal or Paying Agent)**

**(2) Preliminary Prospectus Offering**  
Use '**Red Herring**' or '**Pathfinder**' Prospectus to test market with subsequent public offering.

**Preliminary Offering Circular**

**Offering Circular**

**Underwriting Agreement**

**Conditions Precedent**

**(3) Impact Day Offerings *UK Domestic***  
Managers fix issue terms and announce offering by public advertisement on impact day.

**Subject to Contract**  
***Pagman Spa V Feed Products Ltd***  
[1987] 2 Lloyds Rep 601

**Signing Auditor's Comfort Letter**

**Closing Letter**

**Trust Deed**

**'Bought Deals'**

No preliminary prospectus with managers buy themselves and on-sell. Possibly announce to market on dealers screen at time terms fixed with invitational telexes follow. Managers place issue with clients and other dealers.

**[Guarantees]**

**Listing**

**Payment**

**Structures -**

- (1) Immobilisation**
- (2) Dematerialisation**
- (3) Disintermediation**
- (4) Demutualisation**
- (5) Consolidation**

**Instruments -**

- (1) Short Dated**
- (2) Bearer (Anonymous)**
- (3) Unsecured**
- (4) Negotiable**
- (5) Withholding Tax Free**

**[Common Depositary]**

***Tax Equity and Fiscal Responsibility Act of 1982 [TEFRA]***

**Global Bonds TGB**

**[40 Day Lockdown]**

Delivery global and final bonds

**Closing Certificate**

- (6) Listed or Unlisted**
- (7) Committed or Uncommitted**
- (8) Promissory Notes**

INTERNATIONAL BOND FINANCE

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<b>EURO BOND MARKET – HISTORICAL DEVELOPMENT</b>		<b>TRUSTEE</b>	<b>CUSTODIAN</b>	<b>BOND OPTIONS</b>	(1) Euro Bonds Plain Vanilla /Variable
		<b>PAYING AGENT</b>		(2) Floating Rate Notes (NTFs)	
<b>BOND STRUCTURES</b>	(1) Principal Amount	<b>FISCAL AGENT</b>		(3) Note Issuance Facility (NIFs)	
1. Loans & Bonds	(2) Term Duration		<b>BOND STRUCTURES</b>	(4) Medium Term Notes (MTNs)	
2. Structures	(3) Interest Fixed/Float	(1) <i>Private Placement</i>	(a) Issue/Sale Formality	(5) Euronotes	
3. Issue Procedure	[Drawdown 'Taps']	(2) <i>Prelim Prospectus</i>	(b) Doc Complexity	(6) Perpetuals	
4. Special Issues	(4) Repayment	(3) <i>Impact Day Offering</i>	(c) Transferability	(7) Warrants	
5. Form & Comment	(5) Obligations		(d) Credit Control	(8) Convertibles	
<b>ISSUER [ISSUER'S GROUP]</b>		<b>ARRANGING BANK</b>	(e) Default/Recovery	(9) Equity Linked	
	<i>Mandate Letter</i>	(a) <i>Appoint Parties</i>	<b>PUBLIC INVESTORS</b>	(10) Eurocommercial Paper (ECP)	
<b>ISSUE PROCEDURE</b>	<b>DOCUMENTATION</b>	(b) <i>Draft Documentation</i>	<b>PRIVATE INVESTORS</b>	(11) Certificates of Deposit (CDs)	
(1) Mandate	(1) Prospectus of Offering Circular	(c) <i>Negotiate Doc</i>	(12) Multi-Purpose Facilities [MOFFs]		
(2) Launch * Telex	(2) Subscription Agreement	<i>Issuer</i>	<b>MARKET TRENDS</b>		
(3) Documentation	(3) Underwriting Agreement	<i>Issuer &amp; Managers</i>	(1) Immobilisation	<b>MULTI-OPTION FUNDING FACILITY</b>	
(4) Final Terms	(4) Selling Agreements	<i>Managers &amp; Under</i>	(2) Dematerialisation	(1) Short-term Multi Advance	
(5) Signing 7/14 Days	(5) Managers' Agreement	<b>SELLING GROUP</b>	(3) Disintermediation	(2) Medium Term Notes (MTN)	
(6) Stabilisation	(6) Trust Deed	<b>UW SYNDICATE</b>	(4) Demutualisation	(3) Euro & Dom Commercial Paper	
(7) Allotment IPMA	(7) Fiscal/Agency Agreement		(5) Consolidation	(4) Banker's Acceptances	
(8) Trust Deed	(8) Global Bond (TGB)			(5) Swingline Facility	
(9) Listing Market/Trading/Liquidity	620 members   65 countries   Swiss Verein				
(10) Closing <b>TEFRA 1982</b>	<b>ICMA 2005 [AIBD / IPMA (1985) / ISMA]</b>		<b>PARTIES</b>	<i>Euroclear (JP Morgan 1968) / Clearstream (Cedel 1970)</i>	
(11) Global Bond (TGB) 40	(a) Standards	(d) Regulatory Engage	(1) Issuer	<b>INSTRUMENTS</b>	
(12) Definitive Bonds	(b) Sust Finance	(e) Network	(2) Investors	(1) Short Dated	
	(c) Info & Dialogue	(f) Profession Standards	(3) Arranger	(2) Bearer (Anonymous)	
<b>BOND STRUCTURES</b>	(a) <i>Gilt-Edged Securities</i>		(4) Selling Group	(3) Unsecured	
	(b) <i>Local Authority Stocks</i>		(5) Underwriters	(4) Negotiable	
(1) UK Gilts, Stocks and Bonds	(c) <i>Public Sector Board Bonds</i>		(6) Trustee	(5) Withholding Tax Free	
(2) US Treasury, Agency and Municipal Bonds	(a) <i>Registered/Bearer</i>		(7) Payment Agent /Trust	(6) Listed or Unlisted	
(a) <i>Treasuries</i>	(b) <i>Global/Permanent</i>		(8) Fiscal Agent /	(7) Committed or Uncommitted	
(b) <i>US Federal Agency Securities</i>	(c) <i>Immobilised/Custody</i>		(9) Guarantor ( <i>Calculation, Transfer or Exchange Agent</i> )	(8) Promissory Notes	
(c) <i>Municipal Bonds</i>	(d) <i>Dematerialised</i>		(10) Euroclear		
(3) Japanese Government Bonds and Debentures	(c) <i>Exchange/OTC</i>		(11) Clearstream	<b>NEGOTIATION</b>	
(4) German Government Bonds and Debentures			(12) Sub-Custodians	(1) Stabilisation	
(5) Other Government Securities			(13) Lawyers	(2) Listing	
(6) Corporate Bonds	(a) <i>UK Debentures and Loan Stock</i>		(14) Accountants/Audit	(3) Negotiability	
(7) Foreign Bonds	(b) <i>US Corporate Bonds</i>		(15) Tax Experts	(4) Clearing Systems	
(8) Bond Variants	(c) <i>Japanese Bond Market 'Samurais'</i>			(5) Governing Law	

*Loan Finance*

<b>HISTORICAL</b>	<b>1300s</b>	<b>EURONOTE &amp; CP (&lt;1 year)</b>	<b>BOND YIELDS (Return on Bond or Coupon Payments over Life Bond)</b>	<b>INVESTOPEDIA</b>
(1) <i>Monte Commune</i> Florence	(1) Underwritten / Discount	(1) <b>Coupon Rate</b>	<i>Annual Coupon / Face Value</i>	
(2) <i>Annuities Habsburgs Neth</i>	(2) Issue Days / Hours	(2) <b>Current Yield</b>	<i>Annual Coupon / Bond Price</i>	
(3) <i>Shares East India 1609</i>	(3) Maturities Fixed 7/365	(3) <b>Yield to Maturity (YTM)</b>	<i>Future Cash Flows</i>	<i>Price = Discounted Cash Flow</i>
(4) <i>3% Ann 1726 / Consols 1751</i>	(4) Settle 7 / Same Day	(4) <b>Bond Equivalent Yield (BEY)</b>	<i>Half YTM (6 months)</i>	<i>Yield to Maturity</i>
(5) <i>Eurobonds Auto 1 7 1963</i>	(5) £500,000 / £100,000	(5) <b>Effective Annual Yield (EAY)</b>	<i>Total Profit or Return (including Compound Returns)</i>	
<i>Aberdeen Harbour 1136 King David I of Scotland Autostrade 1 7 1963 (SG Warburg \$15m 5½% Guaranteed 1972/78) through Bondholder Reinvestment)</i>				
<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>	<b>EUROBOND VARIATIONS</b>	<b>FRN VARIATIONS</b>	
(1) Transferability <i>Negotiable</i>	(1) Cost	(1) Zero Coupon Bonds	(1) Floor FRNs	(7) Step Down FRNs
(2) Anonymity <i>Bearer</i>	(2) Complexity	(2) Foreign Currency Bonds	(2) Drop Lock FRNs	(8) Step Up FRNs
(3) Flexibility Management	(3) Constraint but Choice	(3) Reverse Dual Currency	(3) Double Drop Lock FRNs	(9) Margin as a percentage FRN
(4) Liquidity	(4) Regulation & Taxation	(4) First Coupon on Partly Paid	(4) Cap FRNs	(10) Floating then Zero FRNs
(5) Disposability <i>Sell</i>	(5) Market Volatility	(5) Currency Change Bond	(5) Caller (Minimax) FRNs	(11) Fixed then Floating FRNs
		(6) Annuity Bonds	(6) Inverse FRNs	(12) Variable Rate Notes (VRNs)
				(13) Zero Coupon (or Deep Discount)
				(14) Rolling Rate Notes (RRNs)
<b>OPERATIONAL LOAN &amp; BOND PROVISIONS</b>		<b>TERMS OF BONDS</b>	<i>Par/Premium/Discount</i>	(15) Bunny (or Multiplier)
(1) Disclosure requirements	Comply Registration Oblig	(1) Face of Bond	/	(16) Lender's Option-Borrower's
(2) Documentation	More Complex Documents	(2) Fiscal Agency or PA TD		Option (LOBO)
(3) Advance of funds	Single Advance (Tap Issue)	(3) Form & Transfer		(17) Borrowers' Option-Lender's
(4) Currency Conversion	Impracticable	(4) Covenants		Option (BOLO)
(5) Interest	Fixed of Floating / No Penalty	(5) <b>Pari Passu Clause</b>		(18) Graduated Rate / Indexed
(6) Repayment	Limited Bullet, Instal, Fund	(6) <b>Negative Pledge</b>		Annual Accounts & Listing or Stock Exchange Docs
(7) Voluntary prepayment	Excluded (Selection by Lot)	(7) <b>Information</b>		(a) <b>Fixed Rate</b> <i>Annually in Arrears (End Redeem)</i>
(8) Margin protections	No Increase Costs / Illegality	(8) <b>Interest</b>		(b) <b>Floating Rate Notes</b> <i>Reference Agent Fix Rate (IBOR)</i>
				(c) <b>Zero Coupon</b> <i>Deep Discount (30%) (RFRate)</i>
(9) Payments & Equality	Coupons & No Pro Rata	(9) <b>Redemption</b>		(d) <b>Swaps</b> <i>Possible Interest Swap</i>
	(Agent of Issuer)	<i>Single Instalment</i>	(a)	(a) <b>Bullet</b>
<i>Coupons (interest), Receipts (principal), Talons (27 = 2 coupons)</i>	Limited poss Cancellation (Not Default)		(b)	(b) <b>Instalments</b> <i>Fixed Periodic Instalments / Drawing</i>
			(c)	(c) <b>Purchase Funds</b> <i>Purchase Agent Buy</i>
(10) Warranties	Subscription Agreement	(10) <b>Perpetuals</b>		Only Redeemable on Default or Withholding Tax
(11) Covenants	Limited (Accts / Listing or SE)	(11) <b>Vol Redemption</b>		Sliding Premium (105% > ½%). Not Penalty. Select by Lot
(12) Events of Default (MAC)	Less Strict / Grace / No-action	(12) <b>Early Redemption</b>		Issue Redeem if Withholding Tax (or Sig Increased Liability)
(13) Modifications	Consent unless BH Meetings	(13) <b>Purchase by Issuer</b>		No Restrictions. Dist Share Purchase. Poss Re-issue.
(14) Transfer (Assign / Nov)	Fully Negotiable	(14) <b>Payments</b>		Coupons. Choice if Exchange Control or Illegality
(15) Prescription Statutory	Contractual Cancellation	(15) <b>Prescription</b>		Statutory or Contractual (Gen 5 or 10 Years)
(16) Events of Default	Generous	(16) <b>Events of Default</b>		<i>Non-Payment, Non-Compliance, Cross-Default, Insolvency,</i>
		<i>Bankruptcy, Dissolution, Other Creditor's Processes &amp; possibly Substantial Disposals</i>		No Restriction unless by Trustee (No-action clause & powers Tr)
(17) Acceleration (Consent)	BH Action unless Trustee	(17) <b>Enforcement</b>		Same
(18) Notices & Governing Law Standard		(18) <b>Governing Law</b>		PROF G A WALKER



**PROJECT FINANCE**

*indivisible investment in single purpose project asset*

<b>STRUCTURES</b>		<b>CORE ELEMENTS</b>	(1) <b>PROJECT CONCESSION, SINGLE PROJECT ASSET AND SINGLE PURPOSE PROJECT COMPANY</b>	
(1) <b>BOT</b>	(4) <b>DMOB</b>	(2) <b>LIMITED RECOURSE FINANCING WITH DEFINED SUPPORT DEVICES [SPONSORS AND OFF BS]</b>		
(2) <b>BOL</b>	(5) <b>BOOST</b>	(3) <b>EXTENDED PROJECT CYCLE (below)</b>		
(3) <b>BOO</b>		(4) <b>RISK ASSESSMENT AND ALLOCATION - COMPLEX RISK MANAGEMENT AND CONTROL (below)</b>		
		(5) <b>CONTRACTUAL INTEGRITY - COMPLEX DOCUMENTATION</b>	<b>[RISKS</b>	(1) <b>Completion Risk</b>
				(2) <b>Permitting Risk</b>
				(3) <b>Price Risk</b>
				(4) <b>Recourse Risk</b>
				(5) <b>Operating Risks</b>
				(6) <b>Casualty Risk</b>
				(7) <b>Technology Risk</b>
				(8) <b>Political Risk</b>
				(9) <b>Environmental</b>
				(10) <b>Exchange Rate Risk</b>
				(11) <b>Interest Rate Risk</b>
				(12) <b>Insolvency Risk</b>
				<b>RISK CONTROL</b>
				(1) <b>Security</b>
				(2) <b>Collateral Warranties</b>
				(3) <b>Intercreditor Agreement</b>
				(4) <b>Guarantees</b>
<b>HOST GOVERNMENT CONCESSION</b>		<b>PROJECT OFFTAKERS / SUPPLIERS</b>		
(1) <b>Equity Subscriptions</b>		(Purchasers and Sponsors)		
(2) <b>Subordinated Debt</b>		<b>Offtake/Sales Agreement</b>	<b>Direct Agreement</b>	
				(5) <b>Operating Risks</b>
		<b>Syndicated Loan Agreement</b>		(6) <b>Casualty Risk</b>
				(7) <b>Technology Risk</b>
				(8) <b>Political Risk</b>
<b>SHAREHOLDERS' AGREEMENT</b>		<b>ISSUER [SPV / SPC]</b>	<b>INSTITUTIONAL LENDERS</b>	
(1) <b>Pre-Development Agreements</b>		(1) <b>Banks</b>		
(2) <b>Shareholders' Agreement</b>		(2) <b>Multilateral Banks</b>	<b>Direct Agreement</b>	
(3) <b>Sponsors' Agreement</b>		(3) <b>Export Credit Agencies</b>		
		<b>CONTRACTOR</b>	<b>SECURITY TRUSTEE</b>	
			<b>Direct Agreements</b>	
<b>PROJECT SPONSORS (Guarantees)</b>		<b>PROJECT MANAGEMENT COMPANY</b>	<b>ADDITIONAL DOCUMENTATION</b>	
(1) <b>Subordinated Debt</b>		(1) <b>Construction Contract</b>	(5) <b>Insurance</b>	
(2) <b>Completion Guarantees</b>		(2) <b>Equipment Contracts</b>	(1) <b>Feasibility Study and Info Memo</b>	
(3) <b>Investment or Purchase Agreements</b>		(3) <b>Supply Agreements (Fuel / Raw Materials)</b>	(2) <b>Independent Expert Reports</b>	
(4) <b>Management Guarantee</b>		(4) <b>Operation and Maintenance Agreement</b>	(3) <b>Insurance Policies</b>	
(5) <b>Interest Guarantee</b>		(5) <b>Purchase Contracts (Forward Purchase)</b>	(4) <b>SPV Memo/Arts</b>	
(6) <b>Environmental Guarantee</b>		(a) <b>Electricity Connection Agreements</b>	(5) <b>Administration Agreement</b>	
		(b) <b>Steam Supply Agreements</b>	(6) <b>Legal Opinions</b>	
		(c) <b>Interconnect Agreements (telecommunications)</b>	(7) <b>Interest Hedge Agreements</b>	
<b>ACCOUNTS (Cover Ratio)</b>		<b>SECURITY</b>	(8) <b>Interest Hedge Agreements Swap Agreement (ISDA Master)</b>	
(1) <b>Disbursements Account</b>		(3) <b>Project Products</b>		
(2) <b>Loan Proceeds Account</b>		(4) <b>Construction Contract</b>	(7) <b>Proceeds Acct/Invest</b>	
(3) <b>Maintenance Retention Account</b>		(5) <b>Supply / Sale Contracts</b>	(8) <b>Third Party Claims</b>	
(4) <b>Compensation Account</b>		(6) <b>Insurances / IP Rights</b>	(9) <b>Concession and Proceeds</b>	
(5) <b>Credit Lines</b>			(10) <b>Operating Agreement</b>	

**PROJECT FINANCE**

**HISTORICAL DEVELOPMENT**

- (1) Greece and Rome
- (2) Railway and Canal Construction
- (3) North Sea Oil Exploration 1970s
- (4) Infrastructure Construction 1980s
- (5) New Infrastructure Financing

**PROJECT CYCLE**

- (1) Initial Identification and Preparation
- (2) Licence or Concession
- (3) Construction and Equipment Contracts
- (4) Performance - Construction and Completion
- (5) Evaluation and Assessment

**PARTIES**

- (1) Project Vehicle
- (2) Sponsors, Shareholders and Private Equity Contributors
- (3) Host Government
- (4) Project Banks
- (5) Project Contractor
- (6) Project Manager and Operator
- (7) Project Suppliers and Purchasers
- (8) Project Advisors and Experts
- (9) Project Insurers
- (10) Multilateral or Development Banks
- (11) Export Credit Agencies
- (12) Other Project Parties

**ADVANTAGES**

- (1) Funding and debt separation
- (2) Sponsor Insulation
- (3) Off-Balance Sheet Financing
- (4) Project Separation /Credit Assessment
- (5) Credit Standing and Rating
- (6) Project Security
- (7) Taxation, Legal and Regulatory Advantage
- (8) Covenant Compliance
- (9) Investment and Expertise
- (10) Maximum Leverage

**DOCUMENTATION**

- (1) Sponsor Documentation
- (2) Project Company Docs
- (3) Project Documentation

- (4) Financial Documentation
  - (i) Project Loan Agreement
  - (ii) Security Issue or Lease Finance
  - (iii) Interest Rate and Currency Hedges
  - (iv) Direct Agreements and Collateral Warranties
  - (v) Inter-Creditor Agreement

- (5) Security, Insurance and Credit Support
  - (i) Security / Collateral
  - (ii) Credit Support
  - (iii) Insurances
  - (iv) Third Party Rights
  - (v) Inter-Creditor Agreements

**DISADVANTAGE AND RISK**

- (1) Project Complexity
- (2) Documentation Complexity
- (3) Negotiation Delay and Cost
- (4) Project Length and Service Costs
- (5) Insurance and Credit Support Costs
- (6) Overall Costs and Commitment
- (11) Political Risk Mitigation
- (12) Project Completion





**SECURITISATION**

**HISTORICAL**

- (1) 1930s NHA 1934
- (2) 1970 MBSecs DHUD and GNMA
- (3) 1968/70s MPTSecs GNMA and ARMs
- (4) 1977 CMOs by FHLB
- (5) 1985 SRFs wider asset pools

**PARTIES**

- (1) SPV
- (2) Originator
- (3) Servicer
- (4) Investors
- (5) Security Trustee
- (6) Financial Guarantors
- (7) Liquidity Provider
- (8) Funding Manager
- (9) Investment Manager
- (10) Swap Counter Party and Guarantor
- (11) Arranger
- (12) Credit Rating Agency (CRA)

**REGULATION AND SECURITY OFFERINGS**

- (1) Asset Transfer
- (2) Collective Investments
- (3) Financial Promotion
- (4) Listing
- (5) Deposit-taking and Loan Provision (Consumer Credit)

**DOCUMENTATION**

- (1) SPV Establishment
  - (a) Memorandum and Articles
  - (b) Declaration of Trust SPV shares
  - (c) Administration Agreement
  - (d) Board Resolutions
  - (e) Company's Registration Forms

- (2) Transfer Agreement

- (3) Funding Agreements
  - (a) Loan or Syndicated Loan Agreement
  - (b) Prospectus or Offering Circular
  - (c) Subscription Agreement
  - (d) Agency Agreement
  - (e) Trustee Agreement
  - (f) Supplemental Circular and Pricing Supplement
  - (g) ISDA Master Agreement Schedule and Confirmation

- (4) Enhancement
  - (a) Subordinated Loan Originator and SPV
  - (b) Financial Guarantees
  - (c) Letters of Credit
  - (d) Surety Bonds
  - (e) Interest Rate Caps or Swaps
  - (f) Tranching Arrangements
  - (g) Pool Policy
  - (h) Reserve Fund Policy

- (5) Security Trust Deed

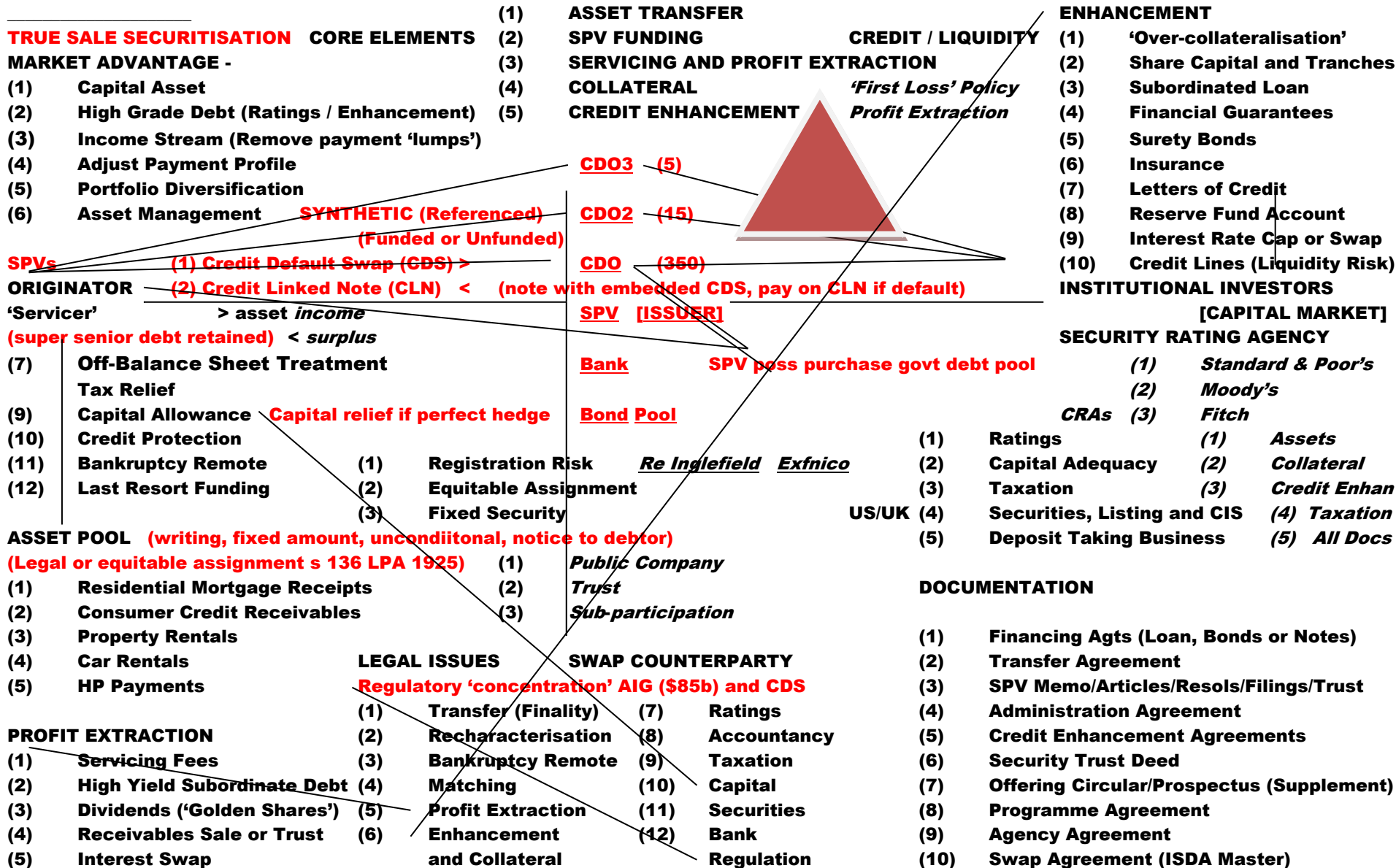
**G A WALKER**

**LEGAL AND DOCUMENTATION ISSUES**

- (1) Assignment and Transfer
- (2) Re-characterisation
  - (a) Sales and secured loans
  - (b) Trusts and Equitable Assignments
  - (c) Fixed Charges
- (3) Bankruptcy Remote
  - (a) Separate Incorporation
  - (b) Non-Consolidation
  - (c) Undervalue and Preferences
  - (d) Legal Transfer
  - (e) Re-characterisation
- (4) Matching
- (5) Profit Extraction
  - (a) Servicing Fees
  - (b) Subordinated Debt
  - (c) Dividends
- (6) Receivables
- (6) Enhancement and Collateral
  - (a) Over-Collateralisation
  - (b) Share Capital and Security Tranching
  - (c) Subordinated Loan
  - (d) Financial Guarantees
  - (e) Surety Bonds or Insurance
  - (f) Insurance
  - (g) Letters of Credit
  - (h) Reserve Fund Account
  - (i) Interest Rate Cap or Swap
  - (j) Credit Lines
- (7) Ratings
- (8) Accountancy
  - (a) True sale
- (9) Taxation
  - (b) BS Treatment
- (10) Capital Adequacy
  - (c) Consolidation
- (11) Security Offerings
- (12) Financial Crisis

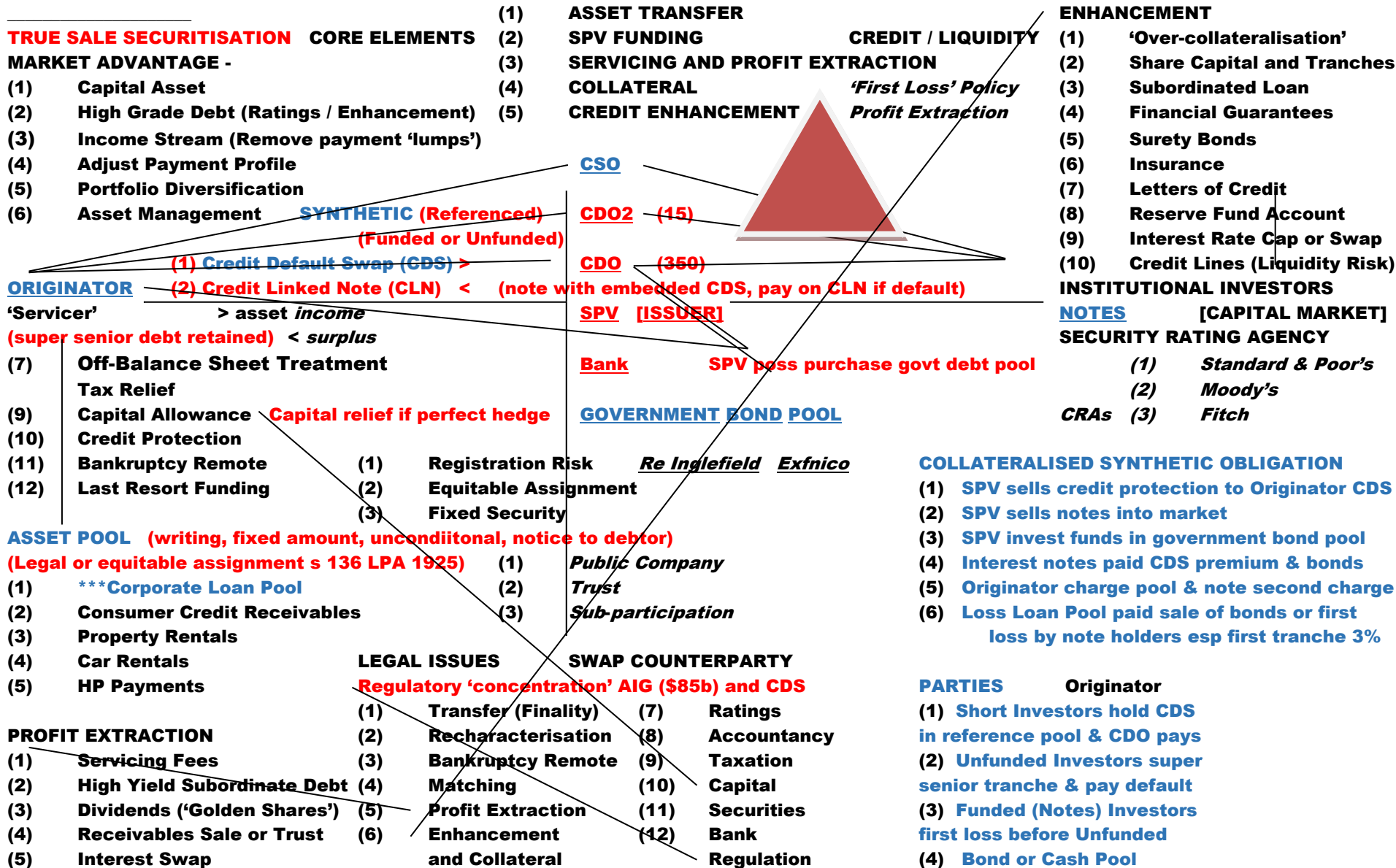
**SECURITISATION (STRUCTURED RECEIVABLES FINANCING)**

**STRUCTURED FINANCE (SECURITISED SECURITIES) Structured Product (fixed income security with embedded derivative)**



**SECURITISATION (STRUCTURED RECEIVABLES FINANCING)**

**COLLATERALISED SYNTHETIC OBLIGATION (CSO) Synthetic Credit Swap package with Government Bond Pool**



**HEDGE FUNDS AND  
ALTERNATIVE INVESTMENT VEHICLES**

**G A WALKER**

US\$1.225 T END 2006 4.843T 2022/ 10,000/9000 GLOBAL FUNDS

*Alfred Winslow Jones \$100,000m 1949 Short Sales & Leverage*

**ADVANTAGES**

- (1) Higher Investment Returns
- (2) Portfolio Risk Management (Reduce Portfolio Risk)
- (3) Portfolio Diversification
- (4) Identify and Correct Market Distortions and Imbalances
- (5) Reduce Market Volatility
- (6) Increase Market Liquidity
- (7) Increase Market Information
- (8) Market Efficiency
- (9) Financial Engineering
- (10) Financial Innovation

**CORE ELEMENTS**

- (1) SPONSOR  
(GENERAL PARTNER)
- (11) Market Return or Profitability
- (12) Ultimate Market Stability

- (1) LIMITED PRIVATE COLLECTIVE INVESTMENT VEHICLE
- (2) ACTIVE INVESTMENT MANAGEMENT (WITH PERFORMANCE FEES)
- (3) COMPLEX INVESTMENT STRATEGIES (SHORT / LXEVERAGE AND FDs)
- (4) LEGAL AND REGULATORY ADVANTAGE ('LITE') (CONCESSIONARY UNPREDICTABLE MARKET AND SOCIAL EFFECTS BENEFICIAL TREATMENT)

**PRIVATE INVESTORS**

- (4) US FUND  
Limited Partnership
- (1) ICA 1940 3(c)(1)
- (2) ICA 1940 3(c)(7)
- (3) SE 33 4(2) & Reg D
- (4) SEA 34 s12
- (5) IAA (SEC 2006)

- OFFSHORE FUND
- (1) 100 investors or
- (2) 'qualified purchasers' 5/25m
- (3) 'private placement'
- (5) 499 participants avoid regtn
- (3) 14 'clients' 203(b)(3) Goldstein

- UK FUND
- (1) FSMA
- (2) FSA Docs
- (3) Takeover Panel
- (4) HM RC Interpretations
- (7) REGISTRAR AND TRANSFER AGENT

**HEDGE FUND**

- (2) BOARD OF DIRECTORS
- (5) CUSTODIAN
- (9) INVESTMENT MANAGER
- (10) PRIME BROKER
- (11) TRANSACTION BROKER (CLEARING BROKER)
- (14) LEGAL ADVISER  
(Market Contagion, Crisis and Support)

**STRATEGIES**

- (1) Market Neutral
- (2) Global Macro
- (3) Event Driven
- (4) Directional
- (5) Arbitrage
- (6) Long/Short
- (7) Short Bias
- (8) Emerging Markets
- (9) Managed Futures
- (10) Fund of Funds

**REGULATORY DIFFICULTIES**

- (1) Regulatory Omission and Avoidance (Cross-Border Access, Cooperation and Coordination)
- (2) Complex Investment Strategies, Leverage and Lack Transparency and Understanding
- (3) Aggressive Market Positions
- (4) Market Distortion (Commodity and Oil Markets)
- (5) Market Concentration (Counterparty Risk)
- (6) Market Herding and 'Crowded Trades'
- (7) Conflicts of Interest
- (8) Market Abuse and Insider Trading
- (9) Operational/Settlement Risk
- (10) Closure and Winding-up

- (12) AUDITOR
- (13) MARKET OR MONEY MANAGER
- (14) LEGAL ADVISER  
(Market Contagion, Crisis and Support)
- (11) Cross Sector Loss Transfer and Intra-Market Contagion
- (12) National, Regional and Global Systemic Risk

*Loan Finance*

**HEDGE FUND TREATMENT**

(1)	US	PWG 2007 / SEC 2003								
(2)	UK	august 2002 / March 2003 / June 2005 / March 2006	<b>FSA 2005</b>	(1)						
(3)	INTERNATIONAL		<b>FSF 2000</b>	(1)	Counterparty	(2)				
				(2)	Risk Management	(3)				
(a)	German BaFin 2003		<b>BASEL 2001</b>	(3)	Credit Providers	(4)				
(b)	Australia FSRA 2001		<b>CRMPG 2005</b>	(4)	Capital Adequacy	(5)				
(c)	Canada 2007		<b>MFA/AIMA</b>	(5)	Industry Progress	(6)				
(d)	Italy 2003/2005		<b>2005/2002</b>	(6)	Infrastructure	(7)				
(e)	Rating Agencies 2006			(7)	HLI Disclosure	(8)				
(f)	Wyman 2006	(i)	<b>DNB 2005/07</b>	(8)	Disclosure Practice	(9)				
(g)	Deloitte 2007	(j)	<b>APRA 2007</b>	(9)	Surveillance	(10)				
(h)	ComBancaire 2007	(k)	<b>OSFI 2006</b>	(10)	FX guidelines	(11)				
						(12)				
(4)	COMMONWEALTH		<b>FSF 2007</b>	(1)	Core Intermediary Risk Management					
				(2)	Strengthen Core Intermediary Market Liquidity					
(5)	EU	ECB report 2005		(3)	Consolidated Counterparty Data Collection					
		ESCB report 2005 (large exposures)		(4)	Enhance Market Discipline					
		<b>AIFMD 2011/61/EU</b>		(5)	Review and Enhance Global Industry Standards					

**HEDGE FUND CRISES**

					and Loss Confidence	(1)	<b>LCTM \$5-1b (3-5b)</b>
					*Market Disruption	(2)	<b>AMARANTH \$9/6b</b>
					Liquidity Disruption	(3)	<b>PHILLIPE JABRE</b>
					Info and Regulatory Action	(4)	<b>LOSS / £750,000</b>
					*Control and	(5)	<b>FRAUD</b>
					Operational Risk		dp 16
					Risk Management	UKFSA (1)	<b>* Hedge Funds 2002</b>
					*Miss-Valuation	(2)	<b>Feedback 2003</b>
					*Market Abuse	(3)	<b>Prime Brokers 2004</b>
					Fraud	dp 05/4(4)	<b>* Engagement 2005</b>
					Money Laundering	dp 05/3(5)	<b>Retail Products 2005</b>
					Conflicts Interest	fs 06/2 (6)	<b>* Engagement 2006</b>
					*Retailisation	(7)	<b>Managers Impact 2006</b>
						fs 06/3 (8)	<b>Retail Products 2006</b>

**REGULATORY CONCERN [FSF 2007]**

(1)	Expansion of Fund Activity
(2)	Core Intermediary Key Role
(3)	Market and Product Complexity
(4)	Direct and Indirect Systemic Risk
(5)	Significant Indirect Exposures
(6)	Erosion of Counterparty Discipline
(1)	Greater Risk Taking
(2)	Increased Complexity
(3)	Uncertain Correlations / Volatilities
(4)	Revenue Linkage and BS Exposure
(5)	HLI Liquidity Impact in Shock
(6)	Information Uncertainty if Stress
(7)	Increased Market Making Concentration

**REGULATORY CHALLENGE**

(1)	Regulatory Omission
(2)	Lack Transparency and Understanding
(3)	Risk Management
(4)	Market Liquidity
(5)	Market Concentration and Herding
(6)	Market Linkage and Distortion
(7)	Conflicts of Interest and Fraud
(8)	Market Abuse, Insider Trading and ML
(9)	Operational/Settlement Risk (Infrastructure)
(10)	Closure and Winding-up
(11)	Loss Transfer and Contagion
(12)	Systemic Risk

**REGULATORY RESPONSE**

“focus hlis, pbs and cis (with enhance oversight and guidance)

(1)	Intermediate and Market Based Response
(2)	Counterparty Risk Management & Oversight
(3)	Risk Management (capital & credit providers)
(4)	Concentration, Leverage and Conduct Guides
(5)	Asset and Portfolio Valuation Rules
(6)	Disclosure and Transparency (open access)
(7)	Financial Promotion and Retail Protection
(8)	Conflicts of Interest, Fees and Preference
(9)	Market Abuse [Insider Dealing] Fraud and ML
(10)	Infrastructure [Clearing and Settlement]
(11)	Regulatory Cooperation and Coordination
(12)	Market Support [FSF AIM Committee] [EU MoU]

- HFs, SF and EF]



PRIVATE EQUITY FINANCE

G A WALKER [2007]

(1) MEMBERS/SHAREHOLDERS	(7) ADVISORY COMMITTEE	(a) Pension Funds
(2) FUND MANAGER [FSA regulated] [English Limited Partnership (LLP) or Private Limited Company (PLC)]	(3) EXECUTIVES	(b) Insurance Cos
(4) GENERAL PARTNER [English Limited Company] (Unlimited Liability)	(5) FOUNDER LIMITED [LLP] PARTNER [Carry Vehicle]	(c) Endow Foundations
		(6)(a) US INVESTORS
		(d) Banks and FIs
		(6)(b) US EXEMPT INVESTORS
		(e) Individuals
	(6) LIMITED PARTNERS	(6)(c) NON-US INVESTORS
		[SECONDARY PE MARKET]

PE MARKET

FUND STRUCTURES

(limited partnership unregulated CIS s 235 FSMA)

(1) 80b 1983-2007 / 29,000 deals	(8) PRIVATE EQUITY FUND [LPA 2007]	(1) Onshore limited partnerships [LPA 2007]
(2) 8% work force / 19%		(2) Offshore limited partnerships
(3) 1500 deals PA		(3) UK quoted private investment trusts [PITS]
(4) £3.3b fees 2005 UK 7% turnover	(9) [NOMINEE]	(4) UK quoted venture capital trusts [VCTs]
(5) UK lower 27>15% but bigger deals		(5) Offshore tax exempt corporate entities

(10) PRIVATE EQUITY [MBOS/MBIS]	INVESTMENT (a) PE Market (growth and ads)	INVESTMENT (a) Funding	INVESTMENT (11) HOLDING COMPANY [equity]	INVESTMENT [INVESTEES COMPANY] (j) 'Toggles' ['PIKs']
(a) Management	(b) PE Structure	(b) distribution	(12) HOLDING COMPANIES [Debt]	(i) Pay-in-kind Loans/Debts
(b) Investors (PE)	(c) PE Advantage/Risk	(c) Transformation	(13) OPERATING ENTITY [Senior Debt]	(h) Mezzanine Debt
(c) Share Sale	(d) PE Response [Financial Ratios]	(d) Re-financing		(g) Tranche C
(d) Trade Sale	(e) PE Response [PLACEMENT AGENTS]	(e) Exit		(f) Bridge Loans
(e) Company Listing	(15) BANK			(e) Second Lien Debt
(14) LEVERAGE FINANCE SYNDICATE				(d) Tranche B
	FEE'S (a) Priority Profit 1-2%	(a) Equity		(c) High Yield Bonds
	(b) Success 0-5-1%	(b) [Shareholder Loans] (hybrid equity)]		(b) Other Senior Debt
(16) BRIDGE FINANCE SYNDICATE	(c) Monitoring Fees	(c) Senior (Amortising - repayment principal) Debt (collateral)		(a) Tranche - A Senior Debt
	(d) Income and Bonuses	(d) Subordinated Debt (collective postponement)		
[10% of 20% after 'hurdle' / 80% co]	(e) Performance (Carry)	(e) [Non-amortising Debt (8 years repayment with roll-over)]		

*Loan Finance*

**PRIVATE EQUITY STRUCTURE**

(1) <b>FUNDING [PRIVATE POOL]</b>	(1)	Private capital pool	'PE MODEL'	(a)	Non-quoted co medium/long term capital
(2) <b>ACQUISITION [DISTRIBUTION]</b>	(2)	Used acquisition interest in non-quoted co		(b)	Private equity capital (from PE fund)
(3) <b>ENGAGEMENT [RE-FINANCING]</b>	(3)	Objective generate increased growth/performance		(c)	Bank debt (which then further distributed)
(4) <b>TRANSFORMATION</b>	(4)	Continuing active involvement and poss refinancing		(d)	Transformation
(5) <b>DISPOSAL [EXIT]</b>	(5)	But with view longer term disposal rather than		(e)	Exit

permanent relationship with target co

**PRIVATE EQUITY IMPORTANCE [FSA Trends]**

**VIABILITY AND PROFITABILITY**

**FINANCIAL RATIOS**

(1) <b>Significant growth</b>	(1)	<b>Economic environment</b>	(1)	<b>Purchase price / EBITDA</b>
(2) <b>Leveraged finance increase</b>	(2)	<b>Political environment</b>	(2)	<b>Debt / equity</b>
(3) <b>Extend reach private equity</b>	(3)	<b>Commercial environment</b>	(3)	<b>Debt / EBITDA</b>
(4) <b>Availability Secondary markets</b>	(4)	<b>Merges and acquisitions</b>	(4)	<b>EBITDA / cash interest</b>
(5) <b>Equity market shrinkage</b>	(5)	<b>Market environment</b>	(5)	<b>EBITDA / maintenance capex</b>
(6) <b>Lack understanding models and risk</b>	(6)	<b>Legal environment</b>	(6)	<b>EBITDA / capex</b>
		(7) <b>Regulatory environment</b>		

**PRIVATE EQUITY ADVANTAGE**

*(lower cost of capital)*

(1) <b>Capital (Start-up and investment)</b>	TC26
(2) <b>Committed Investment (Stability)</b>	TC21
(3) <b>Engagement (PE risk)</b>	<i>OWNERSHIP</i> TC17
(4) <b>Reduced Service Costs/ Unsecured Lending</b>	(4)
(5) <b>Management Incentive and Efficiency</b>	TC25
(6) <b>Regulatory Burden</b>	TC24
(7) <b>Business Performance and Growth</b>	(7)
(8) <b>Shareholder Value and Return</b>	FSA
(9) <b>Employee Development</b>	TC29 FSA
(10) <b>Market Efficiency (Corporate Control)</b>	(10)
(11) <b>Capital Investment Market Growth (AIM)</b>	(11)
(12) <b>Wealth Generation (Taxation/Employment)</b>	(12)

**PRIVATE EQUITY DISADVANTAGE**

*FSA 4.13-22*

(1) <b>Excessive Leverage</b>	TC(5)
(2) <b>Market Opaqueness</b>	4.67-73
(3) <b>Ownership Economic Risk</b>	4.23-28
(4) <b>Asset Withdrawal ('stripping')</b>	(4)
(5) <b>Excessive Reward (tax distortion)</b>	(5)
(6) <b>Company and Shareholder Loss</b>	(6)
(7) <b>Employment/Pension Loss</b>	TC29/30
(8) <b>Market Efficiency</b>	4.29-42
(9) <b>Market Access</b>	4.62-66
(10) <b>Market Abuse</b>	4.43-57 TC36
(11) <b>Conflicts of Interest</b>	4.59-61 TC37
(12) <b>Financial Stability</b>	FSA 4.3-5

**PRIVATE EQUITY REGULATION**

(1) <b>Leverage [monitor and capital cover]</b>
(2) <b>Transparency and Disclosure [Walker]</b>
(3) <b>Data Collection Review/Coop</b>
(4) <b>Corporate Governance [strengthen]</b>
(5) <b>Taxation Review (carry interest)</b>
(6) <b>Company Law Review [PLCs]</b>
(7) <b>Employment Protection</b>
(8) <b>Pension Protection [segregation]</b>
(9) <b>Retail Review</b>
(10) <b>Market Abuse [FSA]</b>
(11) <b>Conflicts of Interest [FSA]</b>
(12) <b>Stability Review [FLR] [LLR]</b>

**INVESTMENT AREAS**

(a)

*'Buy Out'*

FSA PE 2005 / DP 06/6 Nov 2006

**PARTIES AND CAPITAL**

(b) *'Mega BO'*

(1) <b>Family and private</b>	(c)	<i>Venture</i>
(2) <b>Foreign parent</b>		
(3) <b>Local parent</b>	(6)	<b>Secondary buyout</b>
(4) <b>Public to private</b>	(7)	<b>Retail/Public Quity</b>
(5) <b>Receivership</b>	(8)	<b>Venture</b>

(1) <b>Excessive leverage</b>		(1) <b>Equity capital providers</b>
(2) <b>Unclear ownership of economic risk</b>		(2) <b>Debt capital providers</b>
(3) <b>Reduction of market efficiency</b>		(3) <b>Service providers</b>
(4) <b>Market abuse</b>		
(5) <b>Conflicts of interest</b>	(6)	<b>Market Transparency and Opacity [Market Access]</b>