

**International Financial Law**

**International Finance Law**

**INTRODUCTION TO INTERNATIONAL FINANCE**

**G A WALKER**

1.	Introduction	(1)	Contact Structures and Finance Options		
		(2)	Relevant Terms and Conditions		
(a)	<b>Structure and documents</b>	(3)	Related Legal Issues		
(b)	<b>Parties rights and duties</b>				
2.	Markets and Definitions	(1)	Historical Development	(a)	City of London
(c)	<b>Party liability</b>	(a)	<i>diagram</i>	(2)	Main Markets
(d)	<b>Limitation or exclusion</b>	(b)	<i>2 page</i>	(3)	Main Definitions (International)
(e)	<b>Remedy [MISREP]</b>		<i>summary</i>	(c)	Financial Markets
				(d)	<b>Eurodollar Markets</b>
				(e)	Bretton Woods
3.	Core Contracts	(1)	<b>Loans</b>	(1)	<b>Euroloans</b> (Terms and Syndicated) [LMA]
		(2)	<b>Bonds</b>	(2)	<b>Eurobonds</b> [ICMA]
		(3)	<b>Project Finance</b>	(3)	<b>Euronotes</b> (Short duration)
		(4)	<b>Securitisation</b>	(4)	<b>Commercial Paper</b> (Disintermediation)
		(5)	<b>Derivatives</b>	(5)	<b>Financial Derivatives</b> [ISDA]
4.	Contact Parties, Examination and Negotiation				
(1)	Term Loans		<b>'Term Loan Agreement'</b> ( <i>Lead Bank</i> )		<b>[SUMMARIES]</b>
		(1)	<b>Financial Terms</b>		(Interest and LIBOR)
(a)	<b>Information</b>	(2)	<b>Conditions</b>	(a)	<b>Precedent</b> <i>Pre-Loan</i>
(b)	<b>Disposal</b>			(b)	<b>Reps and Ws</b> <i>Pre-Advance</i>
(c)	<b>Negative Pledge</b> (scope, breach, enforcement)			(c)	<b>Covenants</b> <i>Post-Advance</i>
(d)	<b>Pari Passu / Pro Rata Sharing</b>				
(e)	<b>MAC</b>	(3)	<b>Events of Default</b>		<b>Negotiation</b>
				(a)	<b>Materiality</b>
				(b)	<b>Evergreens</b>
				(c)	<b>Cross-default</b>
(2)	<b>Syndication</b>		<b>Lead Bank/Agent Bank</b>	(1)	<b>Function</b>
(a)	<b>Severality</b>	(d)	<i>democracy</i>	(2)	<b>Liability</b>
(b)	<b>Equality</b>	(e)	<i>limited agency function</i>	(3)	<b>Exclusion</b>
(c)	<b>Proportionality</b>				
(3)	<b>Eurobonds</b>	(1)	<b>Managers</b>	(4)	<b>Negotiability</b>
		(2)	<b>Bondholder Meetings</b>	(5)	<b>Listing (Access and Price)</b>
		(3)	<b>Bondholder Trustee</b>	(6)	<b>Depositaries and Custody</b>
5.	Special Contracts				<b>[TRUST]</b>
(1)	<b>Project Finance</b>		Parties, Structures, Sponsors (Functions), Risk and Documentation		
(2)	<b>Asset-Backed Finance</b>		Parties, Structures, SPVs, Risk, Documentation and Transfers <b>Securitisation</b>		
(3)	<b>Derivatives Finance</b>		Risk, Purpose, Advantage and Disad, Risk and Standard Documentation (ISDA)		
(4)	<b>Title Finance</b>		Leasing, HP, S&L, ROT, Receivables Financing, S&P, Repos and Stock Lending		
(5)	<b>Acquisition Finance</b>		Senior and Mezzanine Debt Financing		
[SECURITY]	(6)	<b>Secured Finance</b>	Structures, Collateral and Security, Terms, Guarantees, Enforcement		
	(7)	<b>State Finance</b>	State Loans, Sovereign Immunity (Governments and Central Bank)		
	(8)	<b>Structured Finance</b>	Repacking, CDOs (CLOs/ CBOs), CLNs, CDs [non-examinable 2007]		
6.	Special Issues				<b>Standard documentation and Market Self-Regulation</b>
(1)	<b>Financial Regulation</b>		Risk, Regulation, Standard Docs	(a)	<b>LMA</b>
				(b)	<b>ICMA</b> (IPMA and ISMA)
				(c)	<b>ISDA</b>
					<b>STOCK MARKETS AND EXCHANGES</b>
(2)	<b>Asset Transfers</b>		Options and Effect	(a)	<b>Assignment (Legal and Equitable)</b>
				(b)	<b>Novation</b>
				(c)	<b>Participation</b>
(Restrictions, benefit, commitments, set-off, security and guarantees appropriation, recourse, rescheduling, management, capital and regulation)				(d)	<b>Risk Participation</b>
(3)	<b>Legal Opinions</b>		Purpose and content. Limitations (exclusions) and Value		
(4)	<b>Financial Remedies</b>		Distress, Demand, Preferences, Remedies (Combination and dispute Resolution and Lien), Set-off, Enforcement, Receivership, Enterprise Act 2002, Floating Charges, Liquidation, Freezing Orders and Injunctions		
(5)	<b>Public International</b>		Law Choice of Law and Jurisdiction, Moratoria and Extra-territorial Orders		

**INTERNATIONAL FINANCIAL MARKETS AND INSTRUMENTS**

Global financial assets quadrupled by 2007 to \$194tn (343% GDP) but fell \$16tn 2008 to \$178tn

Total Global Money (Cash) Supply \$1tn 1990, \$2tn 2002, \$4tn 2008  
 [EU - \$1035.2bn, 24.30% (euro overtake \$ ft dec 2008); USA - 850.7bn, 19.97%; Japan - 762.4bn, 17.90%; China - 492.3bn, 11.56%; India - 140.3 bn, 3.29%; Russia - 110.8bn, 2.60%; UK - 87.5bn, 2.05%] Reserves + Coin and Banknotes

- MONEY MARKETS** Monetary Base MO notes/coin + op bk deposits  
 NIBM1 notes+NBPS deposits  
 M1 NBPS interest site deposits  
 M2 NBPS BS and nat savings  
 M3 NBPS time deposits and CDs  
 M4C NBNSPS fx deposits  
 M4 NBNSPS MNIAs
- (1) **Primary Money Market**  
 (i) CD (1) Bank of England  
 (ii) TBs Discount Houses  
 (iii) CP Clearing Banks  
 (iv) BAs
- (2) **Secondary Money Markets**  
 (i) Local Authority  
 (ii) Finance House Tenders  
 (iii) Sterling Inter-Bank " " (1)  
 (iv) Inter Company FC+MO " " (2)  
 (v) Sterling CD " " (3)  
 (vi) Sterling CP " " (4)  
 (vii) Gen FCs+MOs " " (5)

UK Reserves £96,708 (e) Sterling CP  
 UK supply drop (a) Coin 'Monetary Asset'  
 5% may 2012 (b) Notes FCs + 'Mon Oblig'  
 with 3324bn QE (c) CBaccet FCs+supportMO  
 (d) Acct FCs+non-supptMO  
 (e) Gen FCs+MOs

**GOVERNMENT DEBT MARKETS** Total Government 29(32) tn 2007/2008  
 Total government debt grew 9% to \$31.7tn in 2008

- (a) Government Gilts  
 (b) Treasury Bills  
 (c) Repos
- BANKING MARKETS**  
 Euro Syndicated Loan Market

**DEPOSIT TAKING AND LOAN MARKET** \$56.1 (\$1.1) tn 2007/2008 Global  
 Global bank deposits grew \$5tn or 9% in 2008

- \$59.267(\$4.417) tn 2007/2008 'claims' \$1.833(1.683) tn 2007/2008
- (a) Corporate Loans Commercial Property  
 (b) Consumer Credit Residential Mortgages  
 (c) Trade Finance  
 (d) \$90.8 (87.4) tn 2007/2008 Global  
 (e)

Total value private debt \$5.1tn (but fell \$2.4 to \$3.2tn current market values) (including bonds and asset-backed securities)

Total Size Domestic Financial Assets

US	\$39,983 1999	Russia and Europe	883
UK	\$4,291	Australia, NZ and Can	3,576
Europe	\$28,797	HK, Sing and Taiwan	1,936
Japan	\$23,354	Emerging Asia	4,830
		Latin America	1,530
		Middle East and Rest	1,413

**TOTAL WORLD GDP**

EU \$17,577,691tn  
 US \$15,094,025tn  
 China \$7,298,147tn  
 Japan \$5,869,471 tn  
 Germ \$3,577,031  
 UK \$2,417,570

**TOTAL GOVERNMENT DEBT**

US \$15.6 (\$10.85 +\$4.74) tn 62%  
 Japan \$ 8,512tn 198%  
 UK \$1,654tn 76%  
 China Surplus \$426bn 2008 fall 31% 209  
 Germany \$104 (60) 2008 fall 59% 209  
 Japan \$64 (58) 2008 fall 56% 209

**CAPITAL MARKETS**

FRNs  
 NIFs  
 MTNs  
 MOF  
 CP/SCP/ECP

**SECURITIES AND CAPITAL MARKETS**

- Corporate bond issuance \$1.1tn 2009  
 (a) Debt \$48 (51) tn  
 (b) Equity \$62 (34) tn  
 (c) Warrants and Hybrids  
 (d) Depository Receipts  
 (e) Eurodollar
- (i) Bonds (Duration Ladder)  
 (ii) Notes  
 (iii) Commercial Paper  
 (iv) 'Convertibles' and 'Callables'  
 (v) Structured Finance
- (i) Repackaging [synthetic]  
 (ii) CMOs/ABSS/MBSS  
 (iii) CBOs/CLOs/CEOs  
 (iv) CLNs  
 (v) SIVs/Conduits

**FINANCIAL DERIVATIVES MARKETS**

\$707.568,901,000,000tn  
 Rise \$107tn 6 months to June 2011 (\$673 June 2008)  
 [Banks hold \$16.97tn off-BS assets up 2.14tn 6 ms esp carbon ETS]

- (a) Swaps  
 (b) Futures  
 (c) Options  
 (d) Credit Derivatives  
 (e) Hybrids  
 (f) Financial Contracts  
 (g) Indices  
 (h) Oil and Gas  
 (i) Energy  
 (j) Commodities

**ALTERNATIVE INVESTMENT MARKETS**

Hedge Funds \$2tn 2011  
 Private Equity \$2.4tn 2010  
 Sov W Funds \$4.8tn 2011

**CURRENCY MARKETS**

(a) Spot  
 (b) Forward  
 \$10.1tn 165,000 tonnes 2009  
 \$61.1m each tonne at \$1900 per troy ounce

**GOLD MARKET**

(a) Life \$0.623,4tn  
 (b) Non-life \$1.741tn

**INSURANCE MARKETS**

\$34bn Premia [Alpen Capital]  
 Auction Rooms

**COMMODITY MARKETS**

G A WALKER