

**INTERNATIONAL BOND FINANCE**

PROF G A WALKER

<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	(4) Drawdown	(2) <i>Prelim Prospectus</i>	(b) Doc Complexity	(6) Perpetuals	
4. Special Issues	(5) Repayment	(3) <i>Impact Day Offering</i>	(c) Transferability	(7) Warrants	
5. Comment	Obligations		(d) Credit Control	(8) Convertibles	
			(e) Default/Recovery	(9) Equity Linked	
<b>ISSUER [ISSUER'S GROUP]</b>		<b>ARRANGING BANK</b>		<b>PUBLIC INVESTORS</b>	
	<i>Mandate Letter</i>	(a) <i>Appoint Parties</i>		<b>PRIVATE INVESTORS</b>	(10) Eurocommercial Paper (ECP)
<b>ISSUE PROCEDURE</b>	<b>DOCUMENTATION</b>	(b) <i>Draft Documentation</i>	(c) <i>Negotiate Doc</i>	(11) Certificates of Deposit (CDs)	
(1) Mandate	(1) Prospectus of Offering Circular	<i>Issuer</i>		(12) Multi-Purpose Facilities [MOFFs]	
(2) Launch	(2) Subscription Agreement	<i>Issuer &amp; Managers</i>			
(3) Documentation	(3) Underwriting Agreement	<i>Managers &amp; Under</i>	<b>MARKET TRENDS</b>	<b>MULTI-OPTION FUNDING FACILITY</b>	
(4) Terms	(4) Selling Agreements	<b>SELLING GROUP</b>	(1) Immobilisation	(1) Short-term Multi Advance	
(5) Signing	(5) Managers' Agreement		(2) Dematerialisation	(2) Medium Term Notes (MTN)	
(6) Stabilisation	(6) Trust Deed	<b>UW SYNDICATE</b>	(3) Disintermediation	(3) Euro & Dom Commercial Paper	
(7) Allotment	(7) Fiscal/Agency Agreement		(4) Demutualisation	(4) Banker's Acceptances	
(8) Trust Deed	(8) Global Bond (TGB)		(5) Consolidation	(5) Swingling Facility	
(9) Listing					
(10) Closing	<i>620 members / 65 countries / Swiss Verein</i>				
(11) Global Bond (TGB) 40	<b>ICMA 2005 [AIBD / IPMA (1985) / ISMA]</b>		<b>PARTIES</b>	<b>INSTRUMENTS</b>	
(12) Definitive Bonds	(a) Standards	(d) Regulatory Engage	(1) Issuer	(1) Short Dated	
	(b) Sust Finance	(e) Network	(2) Investors	(2) Bearer (Anonymous)	
	(c) Info & Dialogue	(f) Profession Standards	(3) Arranger	(3) Unsecured	
<b>BOND STRUCTURES</b>	(a) <i>Gilt-Edged Securities</i>		(4) Selling Group	(4) Negotiable	
	(b) <i>Local Authority Stocks</i>		(5) Underwriters	(5) Withholding Tax Free	
(1) UK Gilts, Stocks and Bonds	(c) <i>Public Sector Board Bonds</i>		(6) Trustee	(6) Listed or Unlisted	
(2) US Treasury, Agency and Municipal Bonds			(7) Payment Agent	(7) Committed or Uncommitted	
			(8) Fiscal Agent	(8) Promissory Notes	
			(9) Guarantor		
			(10) Euroclear	<b>NEGOTIATION</b>	
(3) Japanese Government Bonds and Debentures			(11) Clearstream	(1) Stabilisation	
(4) German Government Bonds and Debentures			(12) Sub-Custodians	(2) Listing	
(5) Other Government Securities			(13) Lawyers	(3) Negotiability	
(6) Corporate Bonds	(a) <i>UK Debentures and Loan Stock</i>		(14) Accountants/Audit	(4) Clearing Systems	
(7) Foreign Bonds	(b) <i>US Corporate Bonds</i>		(15) Tax Experts	(5) Governing Law	
(8) Bond Variants	(c) <i>Japanese Bond Market 'Samurais'</i>				

**Bond Finance**

**HISTORICAL**

- (1) *Monte Commune Venice*
- (2) Annuities
- (3) Shares *East India Co*
- (4) *Ann 1726 / Consols 1751*
- (5) Eurobonds

**EURONOTE & CP**

- (1) Underwritten
- (2) Issue Days / Hours
- (3) Maturities Fixed 7/365
- (4) Settle 7 / same Day
- (5) £500,000 / £100,000

*Aberdeen Harbour 1136 King David I Scotland*

**ADVANTAGES**

- (1) Transferability
- (2) Anonymity
- (3) Flexibility Management
- (4) Liquidity
- (5) Disposability

**DISADVANTAGES**

- (1) Cost
- (2) Complexity
- (3) Constraint but Choice
- (4) Regulation & Taxation
- (5) Market Volatility

**OPERATIONAL LOAN & BOND PROVISIONS**

- (1) Disclosure requirements
- (2) Documentation
- (3) Advance of funds
- (4) Currency Conversion
- (5) Interest
- (6) Repayment
- (7) Voluntary prepayment
- (8) Margin protections

- No Exemption
- More Complex
- Single Advance
- Impracticable
- Fixed of Floating
- Limited flexibility
- Excluded (Selective)
- No Increase Costs

- (9) Payments & Equality

- Coupons & No Pro Rata

*Single Instalment*

- (10) Warranties
- (11) Covenants
- (12) Events of Default
- (13) Modifications
- (14) Transfer
- (15) Prescription
- (16) Events of Default

- Subscription Agree
- Limited
- Less Strict / Grace
- Consent unless Meetings
- Fully negotiable
- Contractual cancellation
- Generous

- (17) Acceleration
- (16) Notices & Governing Law Standard

- Generous

**BOND YEILDS (Return on Bond or Coupon Payments over Life Bond)**

- (1) **Coupon Rate** *Annual Coupon / Face Value*
- (2) **Current Yield** *Annual Coupon / Bond Price*
- (3) **Yield to Maturity (YTM)** *Future Cash Flows Price = Discounted Cash Flow*
- (4) **Bond Equivalent Yield (BEY)** *Half YTM (6 months) Yield to Maturity*
- (5) **Effective Annual Yield (EAY)** *Total Profit or Return*

**EUROBOND VARIATIONS**

- (1) Zero Coupon Bonds
- (2) Foreign Currency Bonds
- (3) Reverse Dual Currency
- (4) First Coupon on Partly Paid
- (5) Currency Change Bond
- (6) Annuity Bonds

**FRN VARIATIONS**

- (1) Floor FRNs
- (2) Drop Lock FRNs
- (3) Double Drop Lock FRNs
- (4) Cap FRNs
- (5) Caller (Minimax) FRNs
- (6) Inverse FRNs

- (7) Step Down FRNs
- (8) Step Up FRNs
- (9) Margin as a percentage FRN
- (10) Floating then Zero FRNs
- (11) Fixed then Floating FRNs
- (12) Variable Rate Notes (VRNs)
- (13) Zero Coupon (or Deep Discount)
- (14) Rolling Rate Notes (RRNs)
- (15) Bunny (or Multiplier)
- (16) Lender's Option-Borrower's Option (LOBO)
- (17) Borrowers' Option-Lender's Option (BOLO)
- (18) Graduated Rate / Indexed

**TERMS OF BONDS**

- (1) Face of Bond
- (2) Fiscal Agency
- (3) Form & Transfer
- (4) Covenants
- (5) Pari Passu Clause
- (6) Negative Pledge
- (7) Information
- (8) Interest

- Promise Pay Bearer
- Express Incorporation
- Bearer / Pass Delivery
- Rare unless Trustee
- Unsecured & Pari Passu
- Limit Same Securities
- Annual Accounts & Listing

- (a) Fixed Rate
- (b) Floating
- (c) Zero Coupon
- (d) Swaps

- Annually in Arrears*
- Reference Agent fix rate*
- Deep Discount (30%)*
- Possible Interest Swap*

- (9) Redemption

- (a) Bullet
- (b) Instalments
- (c) Purchase Funds

- Fixed periodic instalments*
- Purchase agent*

- (10) Perpetuals
- (11) Vol Redemption
- (12) Early Redemption
- (13) Purchase by Issuer
- (14) Payments
- (15) Prescription
- (16) Events of Default

- Only Redeemable on Default
- Sliding Premium
- Withholding Tax
- No restrictions
- Coupons
- Statutory or Contractual
- Non-payment, non-compliance, cross-default, insolvency, bankruptcy, dissolution, other creditor's processes & possibly substantial disposals
- No-action unless by Trustee

- (17) Enforcement
- (18) Governing Law

- Same

**PROF G A WALKER**

STRUCTURAL SUMMARY

**INTERNATIONAL SYNDICATED LOAN (EUROLOAN)**

**INTERNATIONAL BOND OFFERING (EUROBOND)**

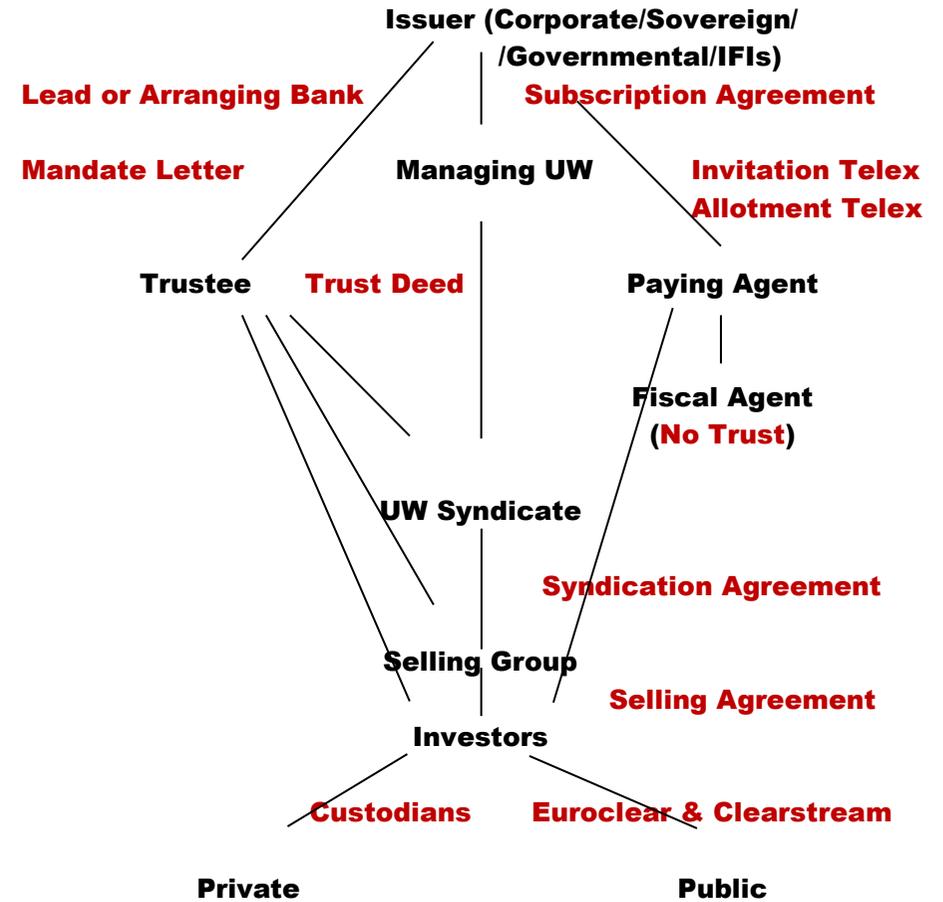
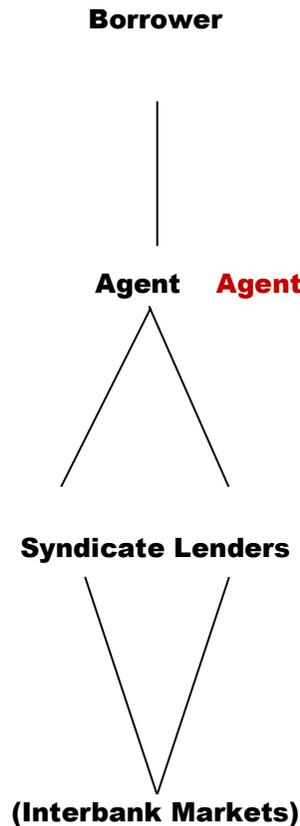
**Lead or Arranging Bank**

**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**



**Bond Finance**

**EUROBOND ISSUE  
TIME LINE**

**PROF G A WALKER**

*Beginning of 'Grey Market' until Closing*

**MARKETING**

**D DAY - 7**

**D DAY**

**D-DAY +14**

**D-DAY+21**

*Lead or Arranging  
Bank Approach*

**PRE-LAUNCH**

**LAUNCH AND  
SYNDICATION**

**SIGNING**

**CLOSING**

*1 week after signing SA*

**Initial Client Request  
or Approach**

**Mandate Letter  
and Due Diligence**

**Invitation and  
Allotment Telex  
or Fax**

**Subscription  
Agreement**  
Legal Commitment

**Manager's Agreement**

**(1) Private Placement**

Managers subscribe whole issue and place directly.

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

**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**
- (3) **Unsecured**
- (4) **Negotiable**
- (5) **Deposited**

**[Common Depository] Global Bonds TGB**

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

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

**[40 Day Lockdown]**

Delivery global and final bonds

**Closing Certificate**

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