



Association of British Insurers



21 June 2010

AVOIDING THE PITFALLS: IMPROVING ACCESS TO NON-BANK LENDING THE CONTRIBUTION OF STANDARDISED DOCUMENTATION

Investors have today (21 June) launched a set of model covenants to improve transparency and clarity in the investment grade bond markets. It is hoped that clearer language and more standardised documentation will increase the attractiveness of the markets to investors, helping improve access to non-bank lending for firms.

The new model covenants will be for investment grade issues in the Sterling and Euro-denominated bond markets. The initiative comes from The Bond Covenant Group (TBCG), comprised of the Association of British Insurers (ABI), the BVI Bundesverband Investment und Asset Management e.V (BVI), the Investment Management Association (IMA) and the National Association of Pension Funds (NAPF).

The model covenants are not offered as a mandatory set of investor requirements but as building blocks which can, where necessary, be tailored to individual issuer circumstances. They are not retrospective. TBCG intend that they should be a living document and that their usefulness over time will lead to a general adoption in investment grade markets.

Rod Paris, Chairman of the ABI's Bond Committee, said:

"More readily comprehensible and easily-assimilated documentation will increase investor appetite for investment grade debt issues. Firms will have access to a wider pool of investors which will be of particular value to new and infrequent issuers, particularly at a time when access to bank lending will be more restricted."

Rudolf Siebel, Managing Director at BVI, adds:

"The TBCG initiative is another important step in our long standing quest for improvement in the transparency and operational standards applicable in investment grade corporate bonds which our members started back in 2004. We are confident that the new model covenants will add their mark to the markets in due course."

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