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PRACTICE AREAS

Distressed Debt and
Claims Trading

A New LMA Approach to Trading European Loans

By Louisa Watt and Roxanne Yanofsky

January 25, 2010

Effective 25 January 2010, a revised set of Loan Market Association ("LMA") trading documentation will apply to all Par and Distressed Trades which are conducted on LMA standard terms. The revised documents apply to all LMA trades with Trade Dates of 25 January 2010 and going forwards.

The changes bring the Par documentation more in line with the Distressed terms and conditions, although a seller in a Distressed trade will still have greater exposure under the representations and warranties than in a Par trade transaction. In light of Lehman Brothers and the unstable financial environment, the documents now also reflect the market's desire to have the ability to terminate a trade in the event of the insolvency of a counterparty before settlement date. This memorandum, written by Roxanne Yanofsky and Louisa Watt of London office of Richards Kibbe & Orbe LLP, looks at the key changes to the documentation and provides some helpful suggestions for terms to be agreed at the outset of any trade.

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