



**For release on 23 October 2006**

### **LMA Publishes Financial Covenant Provisions**

The Loan Market Association recently published a series of financial covenant provisions for use with the LMA leveraged primary document, first launched in January 2004.

The provisions relate to leverage, interest cover, cashflow cover, capital expenditure and excess cashflow and are the result of work undertaken by a specific Working Party comprising leading lending institutions and law firms. They are intended as a starting point for negotiations between borrowers and lenders and include a number of options. A Users Guide has also been published to accompany the provisions.

Clare Dawson (LMA Executive Director) said

*"When the leveraged document was first published, it was decided not to include financial covenants in view of the perceived difficulty in finding a commonly agreed format. However, with the rapid ongoing development of the leveraged loan market, it became clear that the project was feasible, and we are happy to make the provisions available to the membership."*

**END**

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## **NOTES TO EDITORS**

### **Loan Market Association**

The Loan Market Association was founded in December 1996 by seven leading international banks in London. Its aim was to encourage liquidity and efficiency in both the primary and secondary loan markets by promoting market depth and transparency, as well as by developing standard forms of documentation and codes of market practice. Banks, law firms and other market practitioners/participants are welcome to apply to join the LMA, and the membership currently stands at 289.

The Association was established in anticipation of changing market conditions and of a perceived willingness on the part of the banking community to bring greater clarity, efficiency and liquidity to the relatively under-developed secondary market.

The initiative was clearly well timed, as since 1997, there has been sustained growth in secondary loan activity in the Euromarkets, with volumes for 2005 estimated at EUR 67 billion, a 59% increase over the equivalent figure for 2004.

The LMA has gained recognition in the market and has expanded its activities to include all aspects of the primary and secondary syndicated loan markets. It sees its overall mission as acting as the authoritative voice of the syndicated loan market in Europe vis à vis banks, borrowers, regulators and other affected parties.

For more information, please visit [www.lma.eu.com](http://www.lma.eu.com).