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LMA launches revised standard distressed debt trading documentation

The Loan Market Association (LMA) has issued revised documents for use when trading distressed loans.

The two core drivers for the review were firstly, the documents were originally launched over six years ago, since which time, the European distressed debt market has grown and developed markedly, and secondly, the increased volume of trading between US and European counterparties, which has led to more focus on the differences between the LMA trading documentation and that with which US market participants are more familiar.

The revised documents incorporate a number of substantive changes, all of which have been set out in a detailed memorandum which has been issued to accompany the documents. In view of the nature and extent of the changes, the revised documents will be available to LMA members on the LMA web site as "pending documents" for around four weeks, which will enable practitioners to become familiar with them prior to a formal introduction as LMA Recommended Documents. An updated Users Guide will also be available specifically comparing and contrasting the substantive terms of the revised LMA documentation and LSTA documentation, as well as a Glossary of Terms which will define commonly used terms in both the European and US markets, with the aim of eliminating confusion between the two.

The project was managed by a Working Party comprising LMA members active in the distressed loan market, but included detailed consultation with the wider membership, as well as with the LSTA in the US.

Clare Dawson, Executive Director said:

Given the substantial growth of the distressed debt market over the past two years and the increasing number of participants, this has been a very important project for the LMA which will, hopefully, lead to increasing clarity and certainty. It was important to factor in the cross-border aspects and we are grateful to the LSTA for their involvement in this project.

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