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ACT and LMA welcome HMRC consultation on UK treaty relief claims process

The basic process by which non-UK lenders claim relief from UK withholding tax for lenders has remained largely unchanged for almost forty years, and has become a significant frictional cost for those lending into the UK, as well as an impediment to liquidity for UK borrowers. The LMA and the Association of Corporate Treasurers therefore worked together at the end of last year to submit a joint proposal to the Treasury and HM Revenue and Customs that the current procedure be replaced with a simple 'passporting' system. The two associations therefore welcomed the fact that HMRC have launched a consultation with the LMA, the ACT and other stakeholders on how the procedure can be reformed.

Simon Allocca, Head of Origination, EMEA, Loan Syndication and Trading at BNP Paribas and Chair of the LMA Tax Committee, said, "It is particularly welcome that at a time of constrained liquidity in the loan market, HMRC is willing to consult with market participants to see if disincentives to lending by non-UK entities can be removed."

Stuart Siddall, ACT Chief Executive said "Anything that makes it more straightforward for non-UK lenders to lend to UK companies at the moment must be a good thing. We hope that HMRC will find the LMA/ACT ideas for streamlining treaty clearance procedures helpful. Certainly both borrowers and lenders are agreed that changes would be worthwhile."

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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.

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 there was sustained growth in secondary loan activity in the Euromarkets over the following ten years. Unsurprisingly, this trend reversed in 2008, when volumes for the year went down to EUR 80 billion from EUR 173 billion in 2007.

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.

Association of Corporate Treasurers

The Association of Corporate Treasurers (ACT) is the international body for finance professionals working in treasury, risk and corporate finance. Through the ACT we come together as practitioners, technical experts and educators in a range of disciplines that underpin the financial security and prosperity of an organisation.

The ACT defines and promotes best practice in treasury and makes representations to government, regulators and standard setters.

We are also the world's leading examining body for treasury, providing benchmark qualifications and continuing development through training, conferences and publications – including The Treasurer magazine.

For further information visit www.treasurers.org