NEWSLETTER
BCGCM MONTHLY

BCGCMMONTHLY September 27, 2009

Banking Advisors

FINANCE NEW HORIZON

Middle East lenders invoke Market Disruption clause

By Ian Chung

Globally, the last six months have been an extraordinary period of time in the financial sector, as lenders' relationships with many of their customers have become increasingly strained. The cost of credit (across almost all sectors) has increased as markets focused on stronger banking capital ratios, and more conservative credit assessments.

In the asset finance and corporate lending sectors, this has led to many lenders activating (where their documentation permits) the 'Market Disruption Event' (MDE) clause.

Middle East borrowers have not been completely immune, particularly as many international banks that operate in the region, or which target the offshore markets (and which typically lend in US Dollars or Euros), have had difficulty securing matched funds in the inter-bank markets.

Typically, an MDE clause operates in loan documentation where the borrower pays the lender interest made up of three parts: A cost of funds equivalent which, in floating rate loans, is often linked to some prescribed inter-bank rate for a selected interest period (i.e. 3 month LIBOR); the margin; and any additional costs.

Invoking a MDE:

The most common form of MDE clauses can be invoked by a lender when there is a disruption event and allow them to change the cost of

Middle East lenders invoke Market Disruption clause - *Continued*

funds component to a mutually agreed rate. The usual reasons that permit a lender to invoke market disruption are:

Firstly, by reason of circumstances affecting the inter-bank market generally, adequate and reasonable means do not exist for ascertaining the selected interest rate.

Secondly, the rate at which deposits in the desired currency are being offered to the lender in the inter-bank market would not adequately reflect the cost to the lender of making the loan.

Or, finally, by reason of circumstances affecting the inter-bank market generally, deposits in the desired currency are not available to it in sufficient amounts in the ordinary course of business.

Any lender invoking such an event will need to consider the consequence of doing so to its reputation and perceived standing amongst its peers.

Lenders have been cautious when invoking these provisions particularly given the potential commercial, operational, and legal consequences. Calling an MDE also makes it more difficult to manage the relationship with the customers, particularly when the request for more money was viewed against the lowering of interest rates by the central banks.

Alternate mechanisms

Invoking the MDE clause is only the first step, and alternate mechanisms for setting the costs need to be found and agreed. Initially, many lenders were of the view that this disruption was temporary and that eventually the credit markets would ease as liquidity returned.

Middle East lenders invoke Market Disruption clause - Continued

Many MDE clauses provide that the lenders and the borrowers should negotiate in good faith to resolve problems and consequently, many lenders have agreed alternate rates of financing that were short term in nature (such as 1-month LIBOR) in the hope that when that period expired the MDE would cease and lending would revert to normal.

Unfortunately, the markets have not yet reverted to their previous state and the problems of the MDEs continue. There are also complications on the horizon, particularly if it is the case that markets have structurally changed to the point that the current conditions are no longer unusual.

Customer confidence

From the perspective of many lenders, who are trying to return to relationship banking, some mechanisms need to be put in place which give confidence to their customers (whilst also giving them certainty of cost), and which also protects the lenders from having to disclose to the borrower their own cost of funds.

While the borrower may have to acknowledge that the lender is entitled to activate the clause, the borrower needs to know that what they are paying is fair and transparent and that lenders have tried to find publicly available information that is appropriate for using as reference rates for their funding costs.

Borrowers also need to see that here have been discussions over possible alternate sources such as using credit default swaps indexes and blended rates quoted by specialist inter-bank brokers.

Given the current uncertainty on the determination of interest rates, there is value in ensuring that any new loan documentation provides as much clarity as possible for borrowers in relation to MDEs so that it is clear on whom the burden of the increased costs falls on and the level of transparency that can be expected.

Are You Ready?

For The New Horizon

BANKING ADVISORS
BCGCM

Private Equity Firms Can Lead

BCGCM Bahrain

01 April, 2009

BCGCM Announced early this month that it shall put its efforts to promote and assist **Private Equity firms** in the **middle east** to be the new leaders of the market after the **crisis**.

'BCGCM clients today enjoy this service for less than 40,000 USD annually, while it spontaneously increases their effectiveness, return on investment, and savings on paychecks. BCGCM is ready to help any firm with any specific analysis needs.'

BCGCM Bahrain

Banking Advisors

the managing partner of BCGCM Bahrain explains that In today's global environment, it is more important than ever to be as efficient as possible. Private Equity firms in the middle east are witnessing a global market shift, while the opportunity to be the new leaders of investment banking is growing, but to be worthy of such position these firms need to become more productive by allowing accurate analysis of investment leads, with faster turnaround of reply to decision makers and better portfolio management. The targeted productivity of the PE firm can be achieved by adopting best practices in financial analysis and process flow of deals. Only then Private Equity firms in the middle east would be more competitive being able to focus on their main business " investing".

To meet this need the DFA, Deal Flow Analysis service was launched on the 8th of September 2009 through BCGCM Advisory in Bahrain, the DFA is a service that can swiftly unlock any Investment firm constrains in preforming their Du diligence, Valuation, Market trend analysis , Risk analysis, etc. to the stage of investment decision.

Mr. Khalid A. Salem says " Our clients insist on maintaining the lead over competition" adding that DFA uncovers the secretes of the top investment firms internationally "Why are they on the highest ranks?" the answers is the ability of leading firms to screen significant number of quality deals, making the correct decision swiftly, benchmarking deals in the market, understanding customer needs, comparing deals within their investment pipeline , and managing their portfolio.

DFA is a service that can swiftly unlock any Investment firm constrains in preforming their Du diligence, Valuation, Market trend analysis , Risk analysis, etc. to the stage of investment decision.

BCGCM clients today enjoy this service for less than 40,000 USD annually, while it spontaneously increases their effectiveness, return on investment, and savings on paychecks. BCGCM is ready to help any firm with any specific analysis needs.

Interested parties can approach BCGCM for a demo, or a sample copy sent by email. Inquiries can be sent to info@bcgcm.com or by calling +973 1753 2932 for a teleconference.

CONTACT US

Contact Mr. Kieran Murphy for more information or inquiries about this service.

BCGCM Bahrain Advisory
T: +973 1753 2932
email: info@bcgcm.com
http://www.bcgcm.com

BCGCM acts as a **catalyst** for **economic** growth; and provides clients with **value growth**, diversification, and **strategic investments** and relationships.

What is unique about BCGCM?

Value add through strategic relationships

In response to the needs of our clients, we have expanded our value added services by forming relationships with a number of internationally renowned financial services firms. Our goal in assisting our clients, is to help them meet their financial objectives by assisting them in selecting the right combination of independent financial products and services to satisfy their planning needs. In order to determine if our services can assist you with your financial planning needs, we invite you to schedule a complimentary consultation. We believe this will be a wise "investment" of your time whether you choose to continue a consulting relationship with us or not. Contact us to request further information.

In today’s global environment, it is more important than ever to be as efficient as possible.

BCGCM is a Bahrain-based international investment advisory company with a focus on accessing capital for market based projects and businesses. It was established in 2003 with the objective of building an international portfolio of clients with diverse business assets across a broad range of industries in North America, Europe, Asia-Pacific, and the Middle East and North Africa region (MENA). BCGCM is a now large and diversified group which combines its extensive investor relationships with its business focus. With an extensive network of regional business contacts and relationships, coupled with a synergy of knowledge and expertise from an International staff with the highest standards of professionalism and integrity, BCGCM is ideally situated to play a leading role in investment.

Guided by a global vision with a local perspective, BCGCM acts as a catalyst for economic growth; and provides clients with value growth, diversification, and strategic investments and relationships. BCGCM take a long-term view and aims to to invigorate companies by strengthening their long term prospects through ensuring they are linked with long term strategic investors.

BCGCM SERVICES PHILOSOPHY
APPROACH US NOW

By Trenz Pruca

BCGCM's wide range of Advisory services provides businesses with the tools to grow and enhance their business value. In today's global environment, it is more important than ever to be as efficient as possible.

BCGCM is a dynamic management consultancy firm, specializing in providing expertise in administration, quality management ,and finance for small to medium sized businesses.

Our philosophy is simple. We aim to supply all of the tools and resources needed to maximize your company's potential.

Our methodology is refreshingly straightforward. Together we agree on a plan of action utilizing our services which allows you to concentrate on the essential task of running your business.

The Corporate Finance Group of BCGCM was established to provide middle market and large corporate clients with superior private capital-raising expertise. Capital is raised through our extensive experience and relationships in the senior debt, private placement and asset-backed marketplaces. Dedicated professionals, with strong capital market expertise and strategic alliances with select organizations, provide customers with superior transaction execution and resources.

Banking Advisors

BCGCM
PO Box: 10730
Al Suhail Tower 3rd floor
Office 43 Diplomatic
Area , Manama.
T: +973 17532932
F: +973 17532715
Email : info@bcgcm.com

W W W . B C G C M . C O M

CONTACT US

BCGCMMONTHLY
PO Box: 10730
Al Suhail Tower 3rd floor Office 43
Diplomatic Area , Manama.
T: +973 17532932
F: +973 17532715
Email : info@bcgcm.com

BCGCM identifies, structures and executes diverse and innovative public and private market transactions for corporations, financial institutions and governments. Transactions include mergers, acquisitions, divestitures, the issuance of equity or debt capital, or a combination of these. We specialize in small– and middle- market private transactions across most sectors, concentrating in challenging or emerging markets worldwide.