Trade bodies join forces to promote EU Private Placement market

The development of a European Private Placement market is underway as leading trade bodies join forces to establish a guide to best market practice.

The International Capital Market Association (ICMA) is taking the lead in coordinating the work of the Pan-European Private Placement Working Group (PEPP WG) that currently includes the Association for Financial Markets in Europe (AFME), the Association of British Insurers (ABI), the European Private Placement Association (EU PPA), the French Euro Private Placement (Euro PP) Working Group and the Loan Market Association (LMA).

The Working Group also brings together representatives from major institutional investors (of which Delta Lloyd, Federis Gestion d’Actifs, KBC Group, LGIM, M&G Investments, Natixis Asset Management) and observers from the official sector (including the Banque de France and HM Treasury). It also benefits from the participation of major law firms, including Allen & Overy, Herbert Smith, Kramer Levin, Linklaters, Simmons & Simmons and White & Case.

Within the PEPP WG, these leading trade bodies, key investors, and market participants will work together to develop a pan-European Private Placement market initially by establishing a guide to best practice and facilitating the emergence of common market practices, principles and standardised documentation. They will also aim to identify barriers to entry for new issuers and investors into this market.

This work will build on the recently released Charter for Euro Private Placements developed by the Euro PP Working Group, a French financial industry initiative bringing together representatives of corporate issuers, investors, underwriters and endorsed by all relevant French financial industry associations. The Euro PP Working Group has been operating over the past 18 months in close coordination with the Banque de France and the French Treasury.

For many years, mid-sized European companies have accessed the US Private Placement (USPP) market, making up a significant proportion of its nearly $50 billion of annual issuance. The popularity of private placements has accelerated since the onset of the financial crisis, with markets in countries such as France and Germany providing borrowers with a local solution. However, until now, there has been no pan-European private placement market.
The demand for private placements is set to increase as the EU’s approximately 200,000 mid-sized companies look to diversify their sources of funding, at a time when the banks continue to retreat from the long term lending markets.

Martin Scheck, ICMA’s Chief Executive said: "Private Placements are a key funding diversification tool for issuers and represent an alternative market financing source that could help address the reduction of available bank lending due to deleveraging. The PEPP Working Group aims to tackle the obstacles to the development of a robust Private Placement market in Europe which will benefit medium sized companies by providing long term debt finance which may not be available to them from the bank loan or bond markets."

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Notes for editors

Private placements
Private placements are medium to long term senior debt obligations (in bond or loan format) issued privately by companies to a small group of investors. The private placement market typically provides fixed-rate financing.

The French and German domestic private placement markets issued approximately €15 billion of debt in 2013 in addition to a further $15.3bn raised in the US market by European companies. S&P research indicates there is €2.7 trillion of debt that will need to be refinanced by mid-sized companies between now and 2018.

International Capital Market Association (ICMA)
ICMA represents institutions active in the international capital market worldwide and has around 450 members located in 52 countries. ICMA’s market conventions and standards have been the pillars of the international debt market for over 40 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.

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