The Association for Financial Markets in Europe (AFME) has launched Model Block Trade Agreements for block transactions across Europe, Middle East and Africa (EMEA), which occur when banks act as agents, with or without a backstop, and procure purchasers to buy listed shares at a discount from selling shareholders.

Many block trades are subject to onerous timing and legal constraints, which can make settling reasonable contractual terms challenging. The model will help to streamline agreements, improve time and cost efficiencies in block transactions which, according to Dealogic, are seeing their highest year-to-date values on record during 2013.

AFME has developed the model agreements over the last 18 months in response to demands from participants in the equity market to effect these trades quickly and in consultation with its member banks and over 20 international law firms involved in EMEA equity transactions.

Two versions of AFME’s Model Block Trade Agreement are being made available: one is a pure agency agreement with no backstop underwriting commitment and the second version has a backstop underwriting commitment built in, providing a seller with a firm hard underwritten minimum price at which they will monetise the shares being sold.

Bill Ferrari, managing director of AFME’s Equity Capital Markets Division, commented:

“Using the model agreements for block trades will save both intermediaries and sellers a lot of time and cost.

“The two models are not designed to be fixed forms with mandatory terms or to restrict the right of parties to negotiate the terms or forms of block trade agreements. The model does, however, offer user-friendly wording for most standard terms which allows negotiation to focus on key commercial terms such as commission levels and structure.

“The challenge now is to get the message out there in the marketplace and, over time, we are confident that market participants will see significant benefit in using the model agreements.”

-ENDS-

1 Between 1 January 2013 and 13 September 2013, $69 billion of block trades took place compared to $62.7 billion of deals in the whole of 2012 (Source: Dealogic)
Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu

2. Leading international law firms Ashurst and Clearly Gottlieb are key contributors to the development of the Model Block Trade Agreements.

3. For more information on the Model Block Trade Agreements please click here: http://www.afme.eu/Model-Block-Trade-Agreement-Cover-Note/. The Model Agreements can be found here: http://www.afme.eu/Model-Block-Trade-Agreement-With-Backstop/ and http://www.afme.eu/Model-Block-Trade-Agreement-Without-Backstop/

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