	What major problems and opportunities do you expect in 2001?	*Do you foresee any significant changes in the market for Euro denominated loans?*	*What pricing trends do you anticipate?*
 ***Ian Fitzgerald***	This year's underlying trends look set to continue in 2001 – these being the threat to liquidity through banking consolidation and the changes to regulatory conditions. The newly consolidated, recapitalised Japanese banks' return to the market will be liquidity's mitigating factor for top level corporates. Additionally, the greater need for banks to diversify heavy telecom portfolios should lead to increased liquidity in other sectors. A continuing dilemma for all will be the wisdom and usage of 'one stop shops'.	The advent of the Euro has substantially increased the liquidity pool of banks and has enabled many of the major 'jumbo' financings to work. This has been extremely positive for all international borrowers. As the 'Euro' market grows more funding will become available for companies as lenders and borrowers are no longer inhibited by forex volatility.	The findings and recommendations of the Basle Committee will dominate the pricing debate next year. It is likely therefore that regulation will force banks to increase credit differentiation and polarisation will occur in pricing. Much will depend on the M&A cycle, and trends originating from the US market in particular. Fluctuations in UK pricing are expected to be less volatile although a closer alignment of Euro/UK pricing is anticipated.
 ***Declan McGrath***	The recent high for the syndication market looks set to continue in 2001. This does not mean that all roads will be smooth – the huge capital requirements of the telecom sector is a cause for concern, although recent press speculation may be a little overdone. Of greater concern is the fact that a large proportion of deals completed this year have 364-day elements that were intended to be taken out by private placements, bonds and high yield bonds. The question is how many have been completed, and how, if the capital markets arena is only open in part for the right credit, these deals get refinanced? The view has to be the bank market, and the conclusion must be that premiums will be paid and the debt may not be short-term. The consolidation in Continental Europe and the UK is set to continue and as a result must provide opportunities in most sectors for the major players. The market in Europe will expand and, while it will take quite some time to catch up with the US market, it is certainly heading in the right direction.	The advent of the euro has greatly assisted the opening up of the European market. Go back to 1999 and in particular look at the transaction that was completed for Olivetti in their takeover of Italia Telecom. Would this deal have been completed if it had to be structured around four or five major other currencies? The number of major transactions 'jumbos' which have been completed since that time suggests that it has been very important for the European Market as a single market to have a single currency, and it has proved very successful and efficient.	Pricing generally is likely to remain stable in the UK. In Continental Europe, pricing is likely to continue to rise closer to UK levels. Pressure on continental banks to demonstrate better returns on capital will force a continued rise in continental pricing. There are always going to be exceptions, due to a variety of reasons, client relationships, competitors bidding, etc, but while there may have been some deals this year which have been completed 'close to the wire', banks may be a little less aggressive at putting bids to win at all costs on the table.
 ***Nick Voisey***	The continued corporate consolidation across Europe, most of which is funded initially in the syndicated loan market, will represent ongoing opportunities. One of the principal challenges will be managing sector concentration issues. Over the past year, a substantial part of total Euro-market volume was represented by telecom business. Whilst individual banks' exposures are not as high as some of the more alarmist press reports indicate thanks to sell-downs and rapid retirement of the facilities, it is undeniable that banks' telecom limits are stretched, with more demand to come to pay for third-generation licence bids and the associated build-outs.	Expect to see more corporate acquisition deals, particularly MBOs and LBOs, coming to the market from across Europe, arising mainly from changes in trend and legislation in Continental Europe. In France, Spain, Italy and Holland, for instance, privately owned businesses are ripe for take over as the need for capital injections are not met by the younger generation who, in many cases, prefer to 'cash in' on their family business. Also, German fiscal changes will be more conducive to take-overs.	Pricing is certainly not expected to decrease as more and more banks concentrate on ROE/RAROC/EVA ratios. Ancilliary business will naturally still provide the opportunity for some corporates to raise cheap finance from their relationship banks, but the overall return of a relationship will be more thoroughly monitored by banks. Moreover, the planned implementation of the new BIS capital requirements is now unlikely to be in force next year, which will inevitably delay the positive impact that the higher rated corporates were anticipating from the beneficial weighting outlined in the consultative document.

Will availability of funding for medium and smaller corporates be improved? Do you forsee any trends in the type of borrowers in future markets?	***What trends in currencies, deal types and structures do you expect?***	***What trends do you expect in investor appetite?***	
The foreign banks' retreat from regional lending together with their lack of local presence, is leading to a reduction in capacity for this sector. However, new entrants to the market are showing a willingness to lend and make inroads into syndicated loans by earmarking the SME sector. Reliance on house banks will become more important as relationships and ancillary business continue to drive this sector. The outcome of Basle and its subsequent impact will be particularly pertinent to this sector.	Currency trends greatly depend on company business profiles. As they expand geographically we expect to see more and more Euro issuance. The dominance of US investment banks means Europe will increasingly follow US trends. Increased US profit warnings and tightening in the US market could be echoed in the UK, particularly in the LBO/MBO market. There has been a move away from wholly uncovenanted transactions towards some level of measurement - even for the most highly rated borrowers. This is not necessarily due to a lack of confidence in the corporate, more a reflection of good housekeeping.	Following a telecoms driven period of considerable acquisition activity, a slowdown in this sector is anticipated - not least as pricing moves out where sector capacity is met. Volumes of general purpose corporate financing deals are likely to rise. This could be explained by those who delayed refinancing returning to the market as the maturity of existing facilities becomes short term. Bond and equity market fluctuation may drive the demand for loans upwards. Overall bank liquidity remains strong for well-structured transactions.	*biog*
Availability of funding for medium to smaller corporates will continue to improve. With consolidations likely to be the order of the day, small corporates will be trying and should be trying to extend themselves beyond the bilateral fences which they have been used to and creating club and syndicated deals in order to prepare themselves for any opportunities which come their way. One of the greatest disadvantages which syndication teams are faced with is where a client on the acquisition trail has only two or three relationship banks and needs 15 for a particular acquisition. It is always difficult to predict trends in terms of borrowers, but generally across most sectors you will see the requirement for funding in the smaller and medium corporate market continue to rise.	The euro in our view will continue to dominate the jumbo type transactions in Europe. Deals will continue to be well structured from a credit perspective and it is unlikely that you will see too much of a softening in financial covenants. The balance in terms of reasonableness will continue. Investor appetite will dictate this. Credit requirements will continue to be robust.	A new year with new balance sheets, new targets, probably based too high as a result of the last two good years, will dictate a hunger for assets at least as strong as this year. The other major development that is likely to taje place is going to be in the leveraged finance market. Where volume is expected to grow quite significantly and as a result it will be necessary for special tranches to be structured to suit institutional investors who have the appetite. The returns will need to be high and where possible to start reaching the levels acheived in the US market, otherwise the supply will significantly outstrip demand.	*Declan McGrath is Managing Director, Head of Syndications UK & Europe at the Royal Bank of Scotland*
Bank consolidation worldwide is creating larger banks, capable of committing larger lending amounts. This will generate more competition for business with large corporates and, probably, less interest in smaller, regional companies. However, the need to generate higher returns will maintain the interest in medium-sized corporates. Smaller borrowers will have to work harder to source bank financing but will be helped by new investors entering the market, particularly those who are unable to step up for the increasingly large commitments required by the larger corporates.	Much will depend on the confidence in the capital markets. Poviding the current negative sentiment is only a year-end hiccup, expect a continuation of the trend of jumbo loan deals being repaid via capital market issues and asset disposals with residual amounts being refinanced in the syndicated loan market. However, if the negative mood becomes established, the syndicated loan market will be asked to revert to its historic role of providing medium/long term finance and sector concentration issues will become more pertinent. Acquisition finance transactions will become more leveraged, as mezzanine funds are set up by non bank investors to provide this level of finance.	2001 will see fewer, larger banks as a consequence of continuing bank mergers. However Asian banks are returning to the lending market after all but disappearing during the 1998 Asian crisis and smaller German Landesbanks are becoming more international. Ex building societies have joined the corporate lending market and an increasing number of specialist funds are showing interest in syndicated facilities. These new or renewed entrants share a requirement for higher returns and will probably have an interest in medium-sized corporates or in structured facilities, with specialist funds increasing liquidity for subordinated indebtedness.	*Nicholas Voisey is Head of Syndications, Europe at National Australia Bank.*