

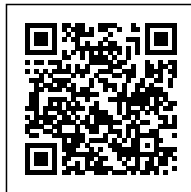
NO LONGER DISTRESSING - DELOITTE

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Bank restructurings are almost over, and the distressed debt market is about to take off in a big way

Until the end of 2012, due to the consolidation of the Spanish banking sector, most financial entities were focused

on restructuring debt. And they had not yet begun the process of selling their nonperforming loan (NPL) portfolios, says

Gloria Hernández Aler, Banking and Finance Partner at Deloitte. "Due to new accounting regulations, however, and the need to meet more stringent capital ratios, selling their NPLs has become a matter of urgency."

Banks had historically attributed more value to their NPLs than was realistic, and there was a huge price gap, she says. But

this has decreased dramatically and it is becoming a buyer's market for distressed debt.

Aler is mainly seeing a lot of interest from hedge funds mainly coming from the UK. "We are

currently dealing with London-domiciled funds, and also some in Luxembourg and Germany." Until very recently, Spanish banks were not prepared to deal with these sorts of transactions, she adds. But clients are now setting up companies specifically to deal in distressed debt transactions. "Any investor that buys up a loan portfolio needs someone to deal with the administrative services following the transfer of NPLs," she explains, "and new companies are being set up here to serve these investors' needs."

Serious projects are being launched, she says, and many Spanish professionals working in London or the US are returning to Spain to head up these companies. "The fact that they are returning shows the expectation of a serious level of activity in this market."

For law firms, this means the potential for assisting in the negotiation of loan transfer agreements, court claims and enforcement proceedings, and, in particular, on due diligence. And there's no doubt that activity levels will rise, says Aler. For 2013, she says, distressed debt transactions are going to be one of the hot topics for Spanish law firms in the banking and finance sector.