

German Schuldschein Loans – A Primer

- **Schuldschein loans ("Schuldscheindarlehen") are bilateral loan agreements in a form unique to the German market. They represent a source of capital market financing similar to bond financing for issuers with long-term funding needs.** For an investor with a long-term investment objective (i.e., buy-and-hold strategy), they are an important alternative to investing in bonds. In contrast to bonds, Schuldschein loans are not classified as securities. They are bilateral, unregistered, and unlisted loan agreements, which are sold directly to institutional investors. Schuldschein loans are not traded on an exchange, but on an over-the-counter basis.
- **Schuldschein loan agreements are characterized by the informal nature of their documentation.** The documents usually include only a few pages. The Schuldschein concept is embedded in a strict legal framework: the German Civil code ("Bürgerliches Gesetzbuch" – § 488 et seq.). This makes the short documentation possible, and, more importantly, protects issuers and investors.
- **The favorable accounting treatment of Schuldschein loans is one of their attractive characteristics. Plain vanilla Schuldschein loans do not have to be mark-to-market, but can be reported at amortized cost.** This holds true both under German accounting rules and IFRS, hence avoiding P&L volatility, which would be the consequence of fair value accounting. The accounting treatment of structured products is more complicated and at least part of the Schuldschein has to be mark-to-market.
- **Since January 2007, Schuldschein loans became eligible for ECB credit operations** with the introduction of the new framework for monetary policy instruments and procedures of the ECB. This has been a favorable development for the Schuldschein loan market as it makes the instrument more interesting for banks as investors.
- **German public authorities are the most important group of issuers in the Schuldschein loan market.** The total public Schuldschein market was sized EUR 302bn at the end of 1Q11, which is 32% lower than in 1999. The reason for this decrease is the stronger reliance of the public sector on bond financing. Since 1999, the volume of bonds issued by German public authorities has more than doubled to a total of EUR 1,445bn at the end of 1Q11. The German federal government has relied more heavily on bond financing since the introduction of the euro and the development of the euro-zone bond market.
- **There are a number of advantages for issuers of Schuldschein loans when compared to bond issuance: quickness and efficiency, flexibility, discretion and confidentiality, and low issuing costs.**
- **The advantages for investors from Schuldschein loans when compared to bonds include the following: Schuldschein loans can be tailored to investors' needs, no mark-to-market for plain vanilla Schuldscheine, and supportive regulation.**

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Related Publications

- Sector Flash – Corporate Schuldschein Loans – Issuance to increase in 2011 vs. 2010? 24 January 2011
- Sector Report – Corporate Schuldschein Loans – 23 June 2010
- Sector Flash – Back to the roots – 22 April 2009
- Sector Flash – Corporate Schuldschein Loans – A booming market – 22 July 2008

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Advantages for Investors

Investment can be tailor-made and does not have to be mark-to-market

The advantages for investors in **Schuldschein** loans compared to bonds are as follows:

- **Tailored to investors' needs:** The terms and conditions of the **Schuldschein** loans (coupon rates, issue price, maturity) can be shaped more flexibly and can thereby be tailored exactly to the investment needs of the investor – especially for structured **Schuldschein** loans. This would not be possible with a highly standardized bond issue.
- **No mark-to-market:** The fact that **Schuldschein** loans can be reported as "held-to-maturity" or "loans and receivables" in the balance sheet (according to IFRS) means that they do not have to be adjusted to their current market level. Thus, book losses on **Schuldschein** loan investments do not have to be reported.
- **Supportive regulation:** The attractiveness of **Schuldschein** loans for banks has increased due to ECB eligibility since January 2007.

Advantages for Issuers

Simpler, faster, cheaper & more discreet source of funding

There are a number of advantages for issuers of **Schuldschein** loans compared to bond issuance. In a nutshell, **Schuldschein** loans are a simpler, faster, cheaper and more discreet type of financing for the borrower than a bond issue governed by the securities law. The main advantages are:

- **Quickness and efficiency:** Due to the limited amount of documentation, issuers can raise funds quickly. No official permit or stock exchange admission is required. The documentation is straightforward since German statutory law (BGB, HGB) strongly defines this loan concept, which offers higher flexibility and convenience to foreign issuers as compared to bonds.
- **Flexibility:** The issuer can be more flexible in tuning his terms and conditions to the prevailing yield level and aligning the timing of the placement with current market conditions. **Schuldschein** loans are tailor-made to the borrower's requirements in terms of amount, maturity, collateral (if any), and coupon type.
- **Discretion/Confidentiality:** Since the primary market is limited to a relatively small group of (institutional) investors, the borrower can raise funds with great discretion (no obligation to publish a prospectus). **Schuldschein** issues are not covered by Reuters, Bloomberg, or by the financial press.
- **Low costs compared to bond issue:**
 - **Low issuing costs:** Since there are fewer formal requirements than for the flotation of a bond, the **Schuldschein** loan debtor has fewer expenses to bear (lower documentation costs, no costs for printing certificates, prospectus, roadshow, etc.). Generally, a public rating by an accredited rating agency is not required, however, in some cases with exceptionally strong or weak credit qualities, beneficial.
 - **Cost-efficient funding:** Issuer can achieve lower cost of funding, especially by designing structures that match the investment needs of investors.

Definition of Schuldschein Loans

Loan agreements

Schuldschein loans, also called promissory notes, are bilateral loan agreements in a form unique to the German market. They represent a source of capital market financing similar to bond financing for issuers with long-term funding needs. For an investor with a long-term investment objective (i.e., buy-and-hold strategy), they are an important alternative to investing in bonds.

Schuldschein loans are not securities

In contrast to bonds, Schuldschein loans are not classified as securities. They are bilateral, unregistered, and unlisted loan agreements, which are sold directly to institutional investors. Schuldschein loans are not traded on an exchange, but on an over-the-counter basis. Hence, the respective documentation is more limited, which offers a cheaper, faster, and easier way to obtain funding compared to the issuance of public bonds.

SCHULDSCHEIN LOANS VS. BONDS (CLASSIC FORMS)

	Schuldschein	Bonds
Instrument	Loan	Security
Contract	Bilateral contract	Bearer
Structure	Standardized, but flexible	Standardized
IAS39 accounting	Loans and receivables (does not apply under certain structures or options) Par value	Security Mark-to-market (usually)
Trading	Without accrued interest	With accrued interest
Negotiation	Via assignment or assumption of contract	Via clearing system
Secondary market	Acceptable liquidity, low for structures	High liquidity
ECB eligibility	Yes, when matching ECB criteria	Contingent on issuer and structure

Source: UniCredit Research

Traditional form is "plain vanilla"

The traditional form of a Schuldschein is "plain vanilla": a principal amount is transferred from the investor to the issuer, the issuer pays interest to the investor, and the principal is returned to the issuer at the end of the contract. Although Schuldschein loans can generally be transferred, investors typically follow a "buy-and-hold" investment strategy.

CHARACTERISTICS OF PLAIN VANILLA SCHULDSCHEIN LOANS

Characteristics	Details
Coupon	Fixed or floating: floater based on 3M or 6M Euribor
Coupon payment	In arrears
Maturity	3M to 30Y, most common 5 to 15 years
Volume	No restriction, ranges from EUR 0.5mn to EUR 500mn
Denomination	EUR 25mn standard for federal and state governments (min. EUR 1mn); usually lower for others (as low as EUR 50.000)
Redemption	At maturity, without options

Source: UniCredit Research

Structured Schuldschein loans are becoming more and more common

Structured Schuldschein loans have become increasingly popular. Such products include multi-callable, credit-, index- or other derivative-linked Schuldschein loans. They are often investor-driven since they can be tailored specifically to the investment needs of investors.

EXAMPLES OF STRUCTURED SCHULDSCHEIN PRODUCTS

Name	Description
Step-up	Increasing size of coupon payment
Step-down	Decreasing size of coupon payment
Puttable	Investor has the right to terminate contract before it comes due
Callable	Issuer has the right to terminate contract before it comes due
Capped floater	Variable interest payment with maximum interest rate
Multi-tranche	Increase of issue volume over time (optional or compulsory)
Range Accruals	Interest payment depends on the number of times interest rates are within a certain range
Snowball	Coupon payment equals coupon of year before plus/minus predetermined amount
TARN	Payment of coupons as long as the sum of the so far paid coupons exceeds a predetermined target, subsequently termination of the contract
CMS	Coupon payment according to constant maturity swap (CMS) yield
Inflation linked	Coupon payment linked to predefined inflation index
Equity linked	Coupon or principal linked to predefined share index
FX linked	Coupon or principal linked to development of predefined foreign currency
Zero coupon	No coupon payments, but receive discount from face value

Source: UniCredit Research

Terms and Conditions

Less stringent documentation requirements

Schuldschein loan agreements are characterized by the informal nature of their documentation. The documents usually include only a few pages. The table below summarizes the information included in a Schuldschein loan agreement.

INFORMATION INCLUDED IN A SCHULDSCHEIN LOAN DOCUMENT

- Details of the parties
- Principal amount of the loan
- Interest rate
- Due dates for interest payments
- Repayment date
- Terms of calling or assigning the loan
- Governing law and jurisdiction (in practice almost always German law)

Source: UniCredit Research

...thanks to strict legal framework

This simple form is possible since the Schuldschein concept is embedded in a strict legal framework: the German Civil code ("Bürgerliches Gesetzbuch" – § 488 et seq.). This makes the short documentation possible and more importantly, protects issuers and investors.

"Bürgerliches Gesetzbuch"

§ 488 et seq.: These articles regulate the credit instrument of loans with respect to loan conditions in general, as well as duties of lenders and borrowers. § 488, being the most important one, deals with the typical duties of a loan agreement, such as duration, maturity and interest payments. §§ 489-490 regulate the cancellations of loans, for example cancellation periods and exceptional cancellation rights.

Documentation for structured instruments more complex

The documentation for structured products is more substantial. It must contain additional information and can become very complex, especially in the case of complicated structures. In addition to plain vanilla loan agreements, it may contain intricate interest rate, repayment and prepayment conditions.

More extensive also for non-German borrowers

Schuldschein loans granted to non-German borrowers often contain more extensive provisions. Attention is paid to the specific preferences and concerns of both issuers and investors. A waiver of set-off ("Aufrechnungsverzicht") for the loan is included according to § 54 Insurance Supervisory Act ("Versicherungsaufsichtsgesetz"), which is important for German insurance investors. Furthermore, the documentation may include negative pledge clauses, certain undertakings of the borrower, increased cost clauses, representations and warranties, events of default, etc.

Foreign Schuldschein loans usually under German law

The governing law for foreign issuers tends to be German law, although it is possible to issue a Schuldschein under foreign law as well.

Transfer of Schuldschein Loans

Transfer by assignment

A Schuldschein can be transferred by way of written assignment. It can be assigned either as a whole or in part. While such a transfer would be valid without notification of the issuer, it is common practice to provide information of a transfer. There is no limit to the number of times a Schuldschein can be assigned.

In theory, novation is also possible

Another way of transferring a Schuldschein is by assumption of contract. The effect of this more complicated transfer is similar to a novation under British law. The original contract is declared void and a new contract is set up between the borrower and the new lender. The original lender is freed of all residual liability. In practice, Schuldscheins are usually transferred by way of assignment.

Right of Early Repayment

Right of early repayment does not apply for public authorities

According to § 489 of the German civil code, issuers of fixed-rate plain vanilla Schuldschein loans have a right of early repayment after 10 years. This rule was originally designed to protect borrowers from being tied to fixed interest rates for an excessively long period of time. However, it only applies to private individuals, corporates and financial institutions, not to public authorities (i.e. German states).

Regulatory Attractiveness for Investors

No mark-to-market for plain vanilla Schuldschein loans

The favorable accounting treatment of Schuldschein loans is one of their attractive characteristics. Plain-vanilla Schuldschein loans do not have to be mark-to-market. This holds true both under German accounting rules and IFRS. Below, we describe the accounting treatment under IFRS, while German accounting has a similar approach.

Four categories possible under IFRS

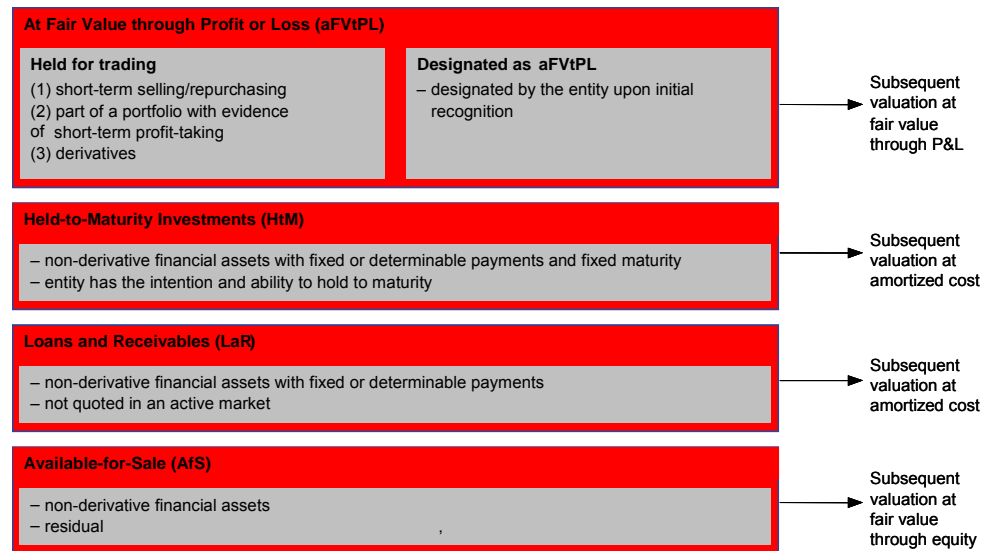
According to IFRS, there are four different categories in which Schuldschein loans can be recorded on the asset side of the investor's balance sheet: 1) "At fair value through Profit or Loss", 2) "Held-to-Maturity", 3) "Loans and Receivables", and 4) "Available-for-Sale".

Schuldschein valued at amortized cost

Given that plain vanilla Schuldschein loans are in essence bilateral loan agreements, they are treated accordingly. Thus, they can be recorded in the category "Loans and Receivables". If the investor intends to hold the Schuldschein until it becomes due, there is also the possibility to record it in "Held-to-Maturity". The attractiveness of both categories is that the investor does not have to mark-to-market its position and does not have to record losses (and gains) in the P&L (with the exception of impairment). The positions can be reported at

amortized cost avoiding P&L volatility, which would be the consequence of fair value accounting.

ACCOUNTING TREATMENT OF SCHULDSCHEIN LOANS UNDER IFRS



Source: UniCredit Research

Structures can be recorded as embedded derivatives

The accounting treatment of structured products is more complicated and at least a part of the Schuldschein has to be mark-to-market. If payments are not fixed or determinable, such as convertibles, involve options, or are linked to share indexes/FX developments, a Schuldschein loan cannot be treated as a loan and can no longer escape fair value accounting.

There are two main options to record structured Schuldschein loans:

Either the whole product...

■ Option 1: The most pragmatic option is to disclose the investment in the category "At fair value through Profit or Loss". This is fairly straightforward and changes in the market price will be disclosed on the balance sheet and recognized in the P&L.

...or the structure has to be marked-to-market

■ Option 2: A second approach is to apply the "embedded derivative concept" by separating the structured Schuldschein into (a) a host contract (a fixed or floating or zero coupon Schuldschein loan) and (b) an embedded derivative. This implies that (a) can be recorded at amortized cost as a plain-vanilla Schuldschein and (b) "At fair value through Profit or Loss".

Structured Schuldschein loans in practice mark-to-market

While option 2 is attractive as at least the plain-vanilla part of the Schuldschein does not have to be marked-to-market, it can be highly complicated to split up the structure from the plain vanilla part. Option 1 (mark-to-market the entire structure Schuldschein) is more straightforward.

IFRS 9 – new accounting rules for financial instruments to replace IAS 39

IFRS 9 to replace IAS 39

The publication of IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 Financial Instruments with a new standard, IFRS 9. Proposals addressing the second part, the impairment methodology for financial assets, were published for public comment at the beginning of November 2009, while proposals on the third part, hedge accounting, continue to be developed and are tentatively expected for the end of 2010. The effective date for mandatory adoption of IFRS 9 is 1 January 2013, but early adoption is permitted. However, the EU has postponed the introduction of IFRS 9 in its current form.

IAS 39 categories cease to exist under new standard

The IAS 39 categories will no longer exist under the new standard. Financial instruments can be measured either at amortized cost or at fair value. Measurement at amortized cost is only permitted if: the objective of the company's business model is to hold assets in order to collect contractual cash flow, and the contractual terms of financial instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest is remuneration for the time value of money and for the credit risk.

No change for plain vanilla Schuldschein loans

However, if the objective of a company's business model is to hold and buy assets and collect cash flows, plain-vanilla products with fixed coupon payments and a fixed maturity as well as common floating rate notes can be measured at amortized cost using the effective interest method. Thus, for Schuldschein loans with fixed coupon payments and a fixed maturity, nothing will change if the respective business model is applied.

ECB-Eligibility

ECB eligible

Since 2007, Schuldschein loans are eligible for ECB credit operations with the introduction of the new framework for monetary policy instruments and procedures of the ECB. This has been a favorable development for the Schuldschein loan market as it makes the instrument more interesting for banks as investors.

Strict criteria

There are relatively strict criteria for Schuldschein loans to be ECB eligible. Not surprisingly, complex structured Schuldschein loans cannot be used in ECB operations. An eligible Schuldschein loan has to be denominated in EUR; have creditworthiness of at least BBB- (at S&P or Fitch) or Baa3 (at Moody's); be issued or guaranteed by a euro area non-financial corporation, euro area public sector entity or supranational institution; and have a certain minimum size. For details, please refer to the table below.

Eligible even before physical delivery

The point in time at which Schuldschein loans are eligible for ECB credit operations has been clarified by the Association of German Pfandbrief Banks (vdp). Accordingly, Schuldschein loans are eligible even if the counterparty does not physically hold the Schuldschein loan yet (which usually takes three to six weeks after the transaction has been executed). It is important that the legal claim exists. The clarification is based on a letter from the Bundesbank to the vdp. This implies that Pfandbrief issuers are able to use Schuldschein loans with ECB operations in the time span between buying the Schuldschein and physically receiving it (at which point Pfandbrief issuers put it in the cover pool).

Increased interest of European banks

ECB eligibility of Schuldschein loans is positive for the market. Traditionally, the most important group of investors in Schuldschein loans have been insurance companies due to favorable accounting treatment of Schuldschein loans (no mark-to-market of plain vanilla Schuldschein loans). The possibility of using Schuldschein loans to obtain ECB liquidity increases the incentive for European banks to invest in this instrument.

ECB ELIGIBILITY CRITERIA FOR NON-MARKETABLE ASSETS, WHICH INCLUDE SCHULDSCHEIN LOANS

Type of asset	Credit claims
Type of debtor/guarantor	Non-financial corporations, public sector entities, international or supranational institutions.
Place of establishment of the debtor/guarantor	Euro area
Currency of denomination	The credit claim must be denominated in EUR.
Credit standards	The quality of credit claims is assessed through the underlying creditworthiness of the debtor/guarantor. The minimum requirement is defined in terms of BBB- by S&P or Fitch, or Baa3 by Moody's. Alternative credit assessments (e.g., internal rating based) are possible (then the equivalent to the above mentioned minimum requirement is used).
Minimum size	In an interim period (1 January 2007 to 31 December 2011), each national central bank may apply a minimum size of its choice for domestic credit claims. Meanwhile, a minimum threshold of EUR 500,000 is applicable for cross-border use. From 1 January 2012, a common minimum threshold of EUR 500,000 will be applicable.
Governing law	Law of a euro area member state.

Source: ECB, UniCredit Research

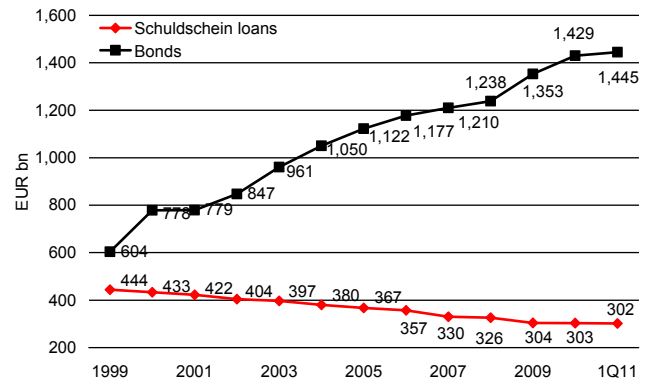
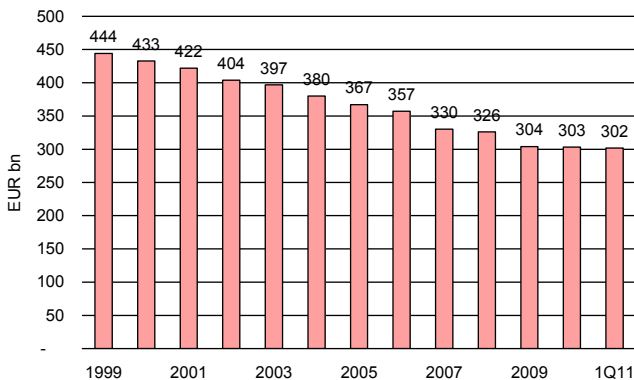
Issuers

Public Sector Issuers

Public Schuldschein market shrinks as more bonds are being issued

German public authorities are the most important group of issuers in the Schuldschein loan market. The total public Schuldschein market was sized EUR 302bn at the end of 1Q11, which is 32% lower than in 1999. The reason for this decrease is the stronger reliance of the public sector on bond financing. Since 1999, the volume of bonds issued by German public authorities has more than doubled to a total of EUR 1,445bn at the end of 1Q11. The German federal government particularly has relied more heavily on bond financing since the introduction of the euro and the development of the euro-zone bond market.

PUBLIC SECTOR ENTITIES ISSUE LESS SCHULDSCHEIN LOANS... ...WHILE BOND FINANCING IS ON THE RISE

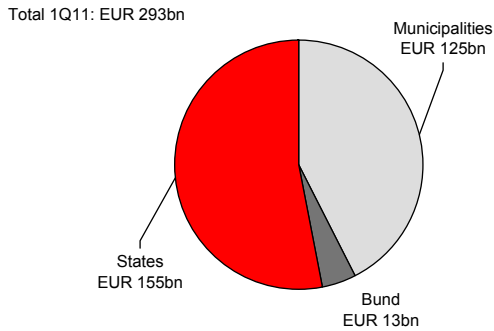


Source: Bundesbank, UniCredit Research

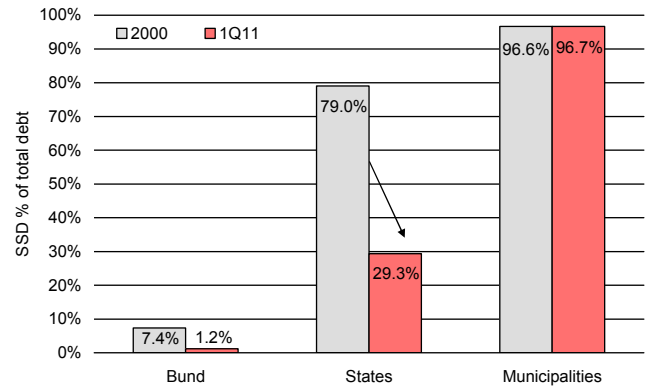
German states largest sub-group of issuers

The largest sub-group of issuers within the public Schuldschein loan market are the German states. They account for about 53% of the total public market, or EUR 155bn. Municipalities account for 43% of the market, or EUR 125bn (including contractually agreed loans). The share of municipalities has been increasing over time, while that of the two other government layers is decreasing. The smallest group is the German federal government, which has only EUR 13bn of Schuldschein loans outstanding, or 4% of the total market.

GERMAN STATES ARE LARGEST GROUP OF ISSUERS (1Q11)



ROLE OF SCHULDSCHEIN LOANS IN TOTAL DEBT



* includes contractually agreed loans.

Source: Bundesbank, UniCredit Research

Role of federal government low and decreasing

The low share of the federal government in the public Schuldschein market is a reflection of the minor role the instrument plays in the Bund's refinancing strategy. At the end of 1Q11, only 1.2% of its total debt stock was raised through Schuldschein loans (down from 7.4% in 2000). German states rely more heavily on Schuldschein loans than the Bund (29.3%), although their reliance on the instrument has decreased as well (down from 79% in 2000). The states have increasingly turned to bond issuance to raise funds.

Access of municipalities to capital markets is limited

Municipalities have the heaviest reliance on Schuldschein loans and contractually agreed loans to raise funds. Schuldschein loans comprise 96.7% of their debt. Due to the small individual financing volumes, access to the capital market remains limited.

Non-Public Sector Issuers

Wide range of non-public issuers

There is a wide range of non-public issuers. However, there is hardly any data on the size of these market segments. Non-public issuers include:

- **Corporates:** In the corporate sector, Schuldschein loans are issued by well-known corporations of good credit standing. This segment has an estimated market size of EUR 25bn with new issues of approx. EUR 5bn per year. 2008 and 2009 were exceptional years with new issuance of EUR 20bn and EUR 15bn, respectively. For details on the Corporate Schuldschein market, please refer to our Sector Report published on 23 June 2010.
- **Banks:** Savings, commercial, and mortgage banks also issue Schuldschein, but also German development banks (e.g., NRW.Bank, L-Bank). Kreditanstalt für Wiederaufbau has a renewed issuance of Schuldschein loans.

Non-German Issuers

Diversification tool

There are also non-German issuers of Schuldschein loans. They are comprised of supranational institutions (e.g., European Investment Bank, Nordic Investment Bank), EU member states (e.g. Italy, Spain, Poland, Austria) and sub-sovereigns (e.g. Spanish regions), numerous agencies (e.g., ICO, KommuneKredit, MuniFin, Bank Nederlandse Gemeenten, Nederlandse Waterschapsbank), and foreign banks with good credit ratings. The instrument allows issuers to diversify their funding mix and broaden their investor base by addressing the investment needs of German institutional investors.

Issuers from a wide range of countries

In the past, there have been foreign issuers of Schuldschein loans from a large number of countries. These include Austria, Belgium, Ireland, Italy, Poland and Spain. Foreign issuance of Schuldschein loans has decreased considerably during the financial crisis.

No early repayment for foreign local issuers

As is the case for German issuers, the right of early repayment after ten years for fixed-rate Schuldschein loans does not apply to foreign local and regional issuers. It only applies to foreign corporates or financial institutions issuing a Schuldschein under German law.

Investors

Institutional investors with long-term investment objective

Investors in Schuldschein loans are mainly institutional investors with a long-term investment objective. The most prominent group of investors in the German Schuldschein market are insurance companies. Their interest arises from their "buy-and-hold" investment strategy, allowing them to benefit from the favorable accounting treatment (no mark-to-market for plain-vanilla Schuldschein loans). Furthermore, structured Schuldschein loans are attractive given that they can be tailored exactly to the investment needs of insurance companies. Insurance companies reported EUR 114.6bn of Schuldschein loans to public authorities and EUR 175.1bn to banks (Schuldschein and registered bonds) on their books at the end of 1Q11. This represents 9.7% and 14.9% of their total capital investment respectively (Source: BaFin).

Substantial foreign investment in Schuldschein loans

Further important groups of investors in the Schuldschein loan market are investment funds, mortgage, and commercial banks. There is also substantial foreign investment in the German Schuldschein loan market. Owing to the IFRS application, increased foreign interest in German Schuldschein loans is supported.

Primary Market for Schuldschein Loans

Domestic banks are the main arrangers and intermediaries

The large German private commercial banks and Landesbanks typically act both as arrangers and intermediaries for Schuldschein loans. Historically, this market was the domain of German Landesbanks, which used this instrument to syndicate their larger corporate loans to their associated savings banks. In the meantime, however, the distribution of Schuldschein loans has been broadened to encompass institutional investors, which made it attractive to other commercial banks.

Structure and pricing mechanism

The structure of the Schuldschein loan reflects the preference of the issuer insofar as the issuer can indicate to the operating bank the preferred amount, maturity and indicative funding levels. The determinants for pricing a Schuldschein loan are similar to those for the public or private bond market. These are credit quality and rating (if available), structure, maturity, covenants and secondary market levels of comparable public bond issues and syndicated loans (if available).

Reverse inquiry market

The arranging process in the Schuldschein loan market works in two basic ways:

- The arranging bank facilitates the opportunity for the investor to enter into a direct bilateral loan agreement with the issuer.
- The arranging bank enters into a bilateral loan agreement with the issuer and sells the Schuldschein loan later to one/several other investors.

In both cases, the bank will negotiate and arrange the transaction, i.e., execute and arrange for exchange of all documents pertaining to the transaction.

Issuer always informed of transfer

As Schuldschein loans are not bearer securities but transferable loan certificates, the issuer will be informed about any transfers of the Schuldschein loan after the initial issue. Timely information is of the essence in order to ensure timely payment of interest to the beneficiary owner of the Schuldschein loan at the time of coupon payment - or indeed redemption at maturity.

Secondary Market

Secondary market exists, but has low liquidity

There is a secondary market for Schuldschein loans due to the possibility to freely re-assign the paper.

It has the following characteristics:

- Trading takes place over-the-counter.
- The secondary market for Schuldschein loans is less liquid than for bonds. One big impediment is the need to physically deliver the document.
- Prices are quoted on request - mainly by German banks.

Non-German Schuldschein loans are traded less frequently than German Schuldschein loans.

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Company	Date	Rating	Currency	Target price
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