Figure 5. Summary of changes in loan document protections over time

Loan document protections	2003	2007	2019
Existence of covenants	Prevalent – both maintenance and incurrence	Both maintenance and incurrence covenants, but subject to substantial relaxation and reset during 2008 – 2010	Few maintenance covenants; most deals just with incurrence covenants
Strength of covenants	Strong – acted as effective early warning system	Still effective – relaxation in equity cure rules and many covenant resets after the credit crunch	Loose/lite – lots of flexibility, especially around calculation of EBITDA. Difficult to actually calculate leverage of business
Security package	Strong – substantial share and asset security, and guarantees from material group companies	Strong – little meaningful change from 2003	Weakening – more reliance on share security and single point of enforcement. Less asset security and fewer guarantees
Transfer restrictions	Strong – no blacklists/whitelists. Sometimes no borrower consent; if it existed, fell away on default	Strong – little meaningful change from 2003; if any change, lenders' position stronger on transfer	Weak – prevalence of blacklists and whitelists. Stronger borrower consent rights; often don't fall away until payment default

Strong | Weakening | Weak