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Deal Report

Hengeler Mueller advises WestLB on Risk Shield

Hengeler Mueller is counsel to WestLB on the structuring and implementation of the risk shield established by it to protect the bank against volatility risks arising from its structured credit portfolio.

WestLB AG transferred a portfolio of securities in an aggregate nominal amount of about EUR 23 billion to a special purpose vehicle. The purchase was financed by the vehicle through the issuance of senior and junior notes. The State of North Rhine-Westphalia guarantees the repayment of principal and any amounts allocated to reduce the principal of the junior notes up to an aggregate maximum of EUR 5 billion. Drawings under the guarantee up to EUR 2 billion will be shared among the owners of WestLB according to their shareholding quota. The bank subscribed both to the senior and the junior notes.

This innovative transaction implements a structure which is set up to shield banks from market volatility arising under their structured credit portfolios during the current financial market crisis. The structure has been implemented for the first time and is designed to minimize the risk of additional adverse effects from the portfolio on the WestLB's P&L accounts. Those effects are key to the massive problems beleaguering the balance sheets of credit institutions which hold structured credit portfolios on their books. This transaction may guide other institutions in their search for appropriate solutions.

Hengeler Mueller acts as legal adviser to WestLB on all relevant matters including structuring and documentation of the transaction as well as discussions with the bank's owners. The team is led by Dirk Bliesener and Stefan Krauss. State aid advice is provided by Hans-Jörg Niemeyer and tax advice by Ernst Thomas Kraft. They are assisted by associates Mathias Eisen, Anna Henson, Martin Jaeger, Matthias Link, Dirk Lorenz, Anish Mashruwala, James Mundy and Jens Wenzel.

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