# PROTECTING YOUR POSITION IN A FALLING MARKET

## 10 THINGS TO DO TODAY TO MANAGE RISK

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| Check your counterparty's solvency | Do not assume that the other party to any agreement is solvent. Check online sources (such as Companies House and credit reference agencies) regularly and make searches at court. Ask for any information you are entitled to under your contract. |
| Check your contracts | Ensure that formal contracts are in place and signed, rather than relying on oral understandings or non-binding heads of terms. Clear written agreements will make it easier for you to enforce your rights. |
| Find out your rights | Check when agreements allow you to terminate or remove a party for insolvency, credit rating downgrade or non-payment. Monitor the position and act accordingly. |
| Think about timing | Once a party goes into administration or insolvency, the law applicable to that process may restrict your contractual rights. Ensure that you understand such restrictions and do not delay acting until it is too late. |
| Identify your payment risk | If title in items you are supplying passes before payment is due, think about how to reduce this risk through L/Cs, parent company guarantees and (where permitted) changes in payment terms. |
| Check your invoicing | Make sure you are invoicing in accordance with your agreements, providing all necessary supporting documentation, and enforcing payment dates. |
| Check your approvals | If incurring expenditure on behalf of others, ensure that relevant approvals are in place, for example: approved work programmes and budgets, authorities for expenditure and approval of major contracts. |
| Check the currency of your contracts | Make sure you are properly hedged against currency movements. |
| Arrange a site visit | If your assets are not in your physical control, arrange to check that they are being held in accordance with your agreements. |
| Think about a default protocol | Do your teams know what to do if there is a dispute or insolvency? Actions taken (and not taken) in the first few days can be critical to recovery. If you have a protocol, make sure teams understand it; if you do not have one, think about how you could put one in place. |