

Sovereign Debt Restructurings -- Recent Developments and Future Prospects

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1. The heightened problem of holdout creditors

- Traditionally
- Effect of Argentine litigation
- Greece (2012) -- The limits of conventional CACs

2. The responses

- “Aggregated” collective action clauses
- Amended pari passu language
- Increased use of trust indentures or trust deeds in lieu of fiscal agency agreements

3. The future

- The market will be disabused of the assumption that the official sector will be a lender of last resort in sovereign debt workouts
- IMF “reprofiling” policy
- Aggregated CACs will take a decade or more to phase in
- Sovereign debt restructurers must therefore find other ways to disarm holdouts

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