Towards A Sovereign Debt Restructuring Framework

Ad Hoc Committee on Sovereign Debt Restructuring Processes
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United Nations, New York
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Catalysts

- History of Restructurings
- Argentine Cases
- UN Vote
External sovereign defaults since 1800
Selected countries (number of defaults)
July 31st 2014

- Ecuador (10)
- Venezuela (10)
- Uruguay (9)
- Costa Rica (9)
- Brazil (9)
- Chile (9)
- Argentina (8)
- Peru (8)
- Mexico (8)
- Turkey (8)
- Greece (7)
- Dominican Rep. (7)
- Nicaragua (7)
- Paraguay (7)
- Guatemala (7)
- Austria (7)
- Colombia (7)
- Spain (6)
- Nigeria* (5)
- Russia (5)
- Bolivia (5)
- Ghana* (5)
- Tunisia (5)
- El Salvador (5)
- Germany (4)
- Portugal (4)

Source: Carmen Reinhart and Kenneth Rogoff

*Data from 1960
Key Questions

• Private vs. Statutory Framework vs. Hybrid Solutions?
• How does this relate to IMF role and politics?
• How would a Framework affect sovereignty?
• Why would US/UK support a Framework?
• Would the Framework be Perceived as Fair?
PROPOSED FRAMEWORK

- Identify Problems We Can Solve and Those We Cannot
- Deficiencies of Status Quo
- Proposed Framework’s Features
IDENTIFY PROBLEMS WE CAN SOLVE AND THOSE WE CANNOT

- Coordination of restructurings
- Speed of restructurings
- Efficiency of restructurings
- Process and predictability of restructurings
- Moral Hazard
- Politics
DEFICIENCIES OF STATUS QUO

- Hold Outs
- New Funding
- No Forum
- No Systemic Defense
PROPOSED FRAMEWORK’S FEATURES

• Consensual
• Open to all relevant parties including IMF
• Rules and Procedures for Restructuring
• Substantive law applied only with consent
• Impartial, independent expert SDR facilitators/decision-makers.
• Facilitates addressing contagion, sustainability and debt service.
• Creditors’ Committees possible
• Procedure, not Enforcement
• Support of Private Market
CONCLUDING COMMENTS

- International Bankruptcy Court: Challenges
- Front End
- Consensus Building