

On Principles for Stable Capital Flows to Emerging Markets and Fair Debt Restructuring Process

Press Release

December 2, 2004.

The Global Committee of Argentina Bondholders (“GCAB”) welcomes the progress on the Principles for Stable Capital Flows to Emerging Markets and Fair Debt Restructuring Process (“Principles”) announced at the recent Group of 20 meeting in Berlin on November 20-21, 2004.

GCAB supports most of the tenets laid out in this document. In particular, GCAB endorses the principles of Transparency, and close Debtor-Creditor Dialogue and Co-operation to Avoid Restructuring. GCAB is also very conscious that the principles of commitment to Good Faith Actions and the respect for Sanctity of Contracts will help to prevent the deterioration of a restructuring process, unlike the situation GCAB is currently experiencing.

However, GCAB believes that the Principles still require some clarification on issues relating to debtor and creditor behavior in the event of a debt restructuring. In particular, the Principles could provide more guidance in two important areas: (i) aggressive use of exit consents and (ii) effective debtor engagement.

1. Exit Consents: While there are circumstances where the measured use of exit consents can facilitate the restructuring process, the expanded use of exit consents in some recent restructurings raises serious concerns. It is particularly important to creditor groups that the Principles make clear that exit consents not be used in a coercive manner.
2. Debtor Engagement / Reimbursement of Creditor Expenses: Recent sovereign restructurings have highlighted the lack of incentives to ensure that debtors in default effectively engage with their creditors and establish a “level playing field” for meaningful negotiations. The document does not provide enough support for legitimate reimbursement of creditor committee expenses post-default. While specific reference is made in the document to debtors hiring legal and financial advisors, no clear statement is made in reference to creditor committees.

It is the opinion of GCAB’s Steering Committee that the Principles call for concessions on several critical issues, either directly or by omission, the acceptance of which could compromise the concept of a level playing field on which market based, consensual solutions to future sovereign debt restructurings should be based. The Principles, however, do represent a strong point from which to build a more complete consensus. Members of the investment community, including the Steering Committee and other representatives from GCAB, are eager to help provide clarity on these outstanding issues, and then to endorse the Principles and promote their widespread adoption.