

Reflections on Sovereign debt – Collective action

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Three points to reflect on

- 1. The objectives of a sovereign debt restructuring framework**
2. Collective action clauses – euro area perspective
3. Issues of enforcement

2. Collective Action Clauses

- Merits in CACs with single limb aggregation feature also based on euro area experience
- Euro area CACs contain a two limb aggregation approach
- ISIN by ISIN survey:
 - Majority of bonds in have no CACs
 - Majority of bonds with CACs have the EA CACs
 - Majority of debt issued under local law

3. Importance of enforcement

- The second controversy of the Argentina judgement
- Arguably clear there should be a clear policy intention to limit hold-outs (vulture funds)



- An idea to grant immunity to ESM programme country assets