

Press release

News from the International Capital Market Association (ICMA)

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For immediate release

ICMA publishes New York governing law model collective action, *pari passu* and creditor engagement clauses to facilitate future sovereign debt restructuring

The International Capital Market Association (ICMA) has today published collective action, *pari passu* and creditor engagement clauses for sovereign debt securities issued under New York governing law. The use of these new terms in government bonds is intended to facilitate future sovereign debt restructurings.

Leland Goss, ICMA's General Counsel said: "Following publication of ICMA's sovereign debt contract reforms and their endorsement by the IMF and G-20 last year, further work has been undertaken to develop model terms that operate the same way in substance, but that are more suited in their written format and style, to the terms and conditions customarily found in sovereign bond contracts governed by New York law. We are delighted to be publishing the result of this work today. We are also publishing a slightly updated version of the corresponding set of clauses intended for use under bond contracts governed by English law, which are substantially the same as the clauses that ICMA published last year. Following further consultation with issuers, investors and other market participants, the "Uniformly Applicable" condition has been refined in both the English and New York governing law collective action clauses published today, so as to provide greater clarity as to the application of this term in the context of Cross-Series Modifications with Single Aggregated Voting, and minor amendments have also been made to the Noteholders' Committee provisions."

Collective action clauses allow a supermajority of bondholders to agree to changes in bond payment terms, for example to extend maturities or reduce principal, that are legally binding on all holders of the bond, including those who vote against the restructuring. ICMA's model collective action clauses provide a practical solution to the problem of blocking minorities through an aggregation mechanism, which allows voting across multiple bond issues.

The interpretation given to the *pari passu* clause in the Argentina litigation has caused considerable uncertainty for future sovereign debt restructurings. ICMA's model *pari passu* provision reduces the risk of the *pari passu* clause being a basis for obstructing future sovereign debt restructurings.

The revised standard CACs and new *pari passu* clause will be included in the ICMA Primary Market Handbook in respect of syndicated issues of sovereign debt securities lead managed by one or more ICMA members with cross-border distribution (that are not otherwise subject to the mandatory euro area model collective action clause introduced in January 2013).

For more information, click [here](#).

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Notes for editors**International Capital Market Association (ICMA)**

ICMA represents institutions active in the international capital market worldwide and has over 470 members located in approximately 60 countries. ICMA's market conventions and standards have been the pillars of the international debt market for almost 50 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.

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