EXPERT GROUP MEETING ON SOVEREIGN DEBT RESTRUCTURING[1]

United Nations, New York, 18 May 2012

Informal summary[2]

The Financing for Development Office (FfDO) of the United Nations Department of Economic and Social Affairs (UNDESA) and The Centre for International Governance Innovation (CIGI) organized an Expert Group Meeting on Sovereign Debt Restructuring on 18 May 2012. Participants included leading experts representing international institutions, academia, private sector creditor groups and other market participants, the G24 Secretariat, civil society and policy makers, as well as the facilitator and negotiator of the UN Second Committee debt resolution.[3] The meeting was convened to explore concrete, practical steps to improve the framework for the timely and orderly restructuring of sovereign debt.

The Expert Group considered a range of issues, including *ex ante* incentive structures and institutional arrangements that facilitate or impede restructuring, recent developments with respect to voluntary debt exchanges, the outlook with respect to continued reliance on such mechanisms and possible enhancements and alternatives to the status quo. Participants considered both the possible need for statutory mechanisms to facilitate timely restructuring and provide greater clarity on the rules by which sovereign debt restructuring will occur, and options under the voluntary contractual approach. A panel discussed the priority of and prospects for reforms to improve the architecture for debt restructuring. The meeting featured a frank discussion of possible measures to enhance the effectiveness of the debt restructuring process and, as a result, to improve the efficiency of global capital markets by reducing losses faced by creditors, sovereign borrowers and others adversely affected by the uncertainty surrounding potentially disruptive debt scenarios.

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[1]The FfDO has been organizing multi-stakeholder consultations on external debt under its mandate. General Assembly resolution 60/188 recognized the work of the FfDO within the General Assembly's mandate to organize multi-stakeholder consultations, panel discussions and other activities and called on the FfDO to continue its work in this area. In resolution 2009/30 (July 31, 2009), the United Nations Economic and Social Council reiterated its mandate to continue to foster mutual understanding among members of all relevant stakeholder groups (governments, international organizations, private sector and civil society) in identifying issues in external debt that need policy action to make crisis prevention and management policies more effective and to ensure debt sustainability. The aim is to identify incremental steps to improve the functioning of the international financial system that stakeholders can agree on and to follow-up on the commitment to policy actions on debt in the Doha Declaration on Financing for Development (A/CONF.212/7), the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development (A/RES/63/303) and the General Assembly Resolution on External Debt Sustainability and Development (A/RES/66/189). The project is managed by Ms. Benu Schneider, with financial support from the Government of Norway. This was the fifth meeting in the series. The reports of earlier meetings are posted at www.un.org/esa/ffd.

[2] This summary was drafted by Benu Schneider (FfDO) and James Haley (CIGI). It draws out and synthesizes key points raised in the Expert Group meeting; it is not intended as a verbatim record of the important contributions made by all participants.

[3]See Annex 1 for the Expert Group Meeting Agenda and Annex 2 for the list of participants.

Background

The challenge of preventing and managing sovereign debt crises has taken on a new urgency in the wake of the global financial crisis. Many of the countries currently struggling with high public debt burdens are in the developed world, making the problem of excessive sovereign debt a global phenomenon and a threat to international financial stability. Gaps in the financial architecture for debt restructuring were revealed by earlier sovereign debt crises in emerging markets and developing countries. While valuable lessons were learnt from these experiences, concerns remain that efforts to reform the architecture on the basis of these lessons have been insufficient and that the incremental steps taken have been inadequate to provide timely and cost-effective debt crisis prevention and resolution.

The social costs of debt crises are a major area of concern. Social problems in Greece illustrate how sovereign debt crises can threaten financial, economic and political stability. In this respect, recent economic history is replete with examples of how the loss in output from debt crises affects the poor in emerging markets and developing regions. Moreover, the costs —to both the sovereign debtor and its creditors — associated with debt problems mount with delays in addressing debt overhangs, with attendant risks to global financial stability and adverse implications for capital markets.

In this respect, the existing structure for restructuring sovereign debt is not ideal, and while the inclusion of collective action clauses (CACs) in bond contracts and the development of a voluntary code of conduct to guide sovereign debt restructuring negotiations represent an important step forward, they have not eliminated the need for a better framework for the restructuring of sovereign debt.

Against this backdrop, the Expert Group discussion centred on the major institutional deficiencies of the international financial architecture, such as the inadequacy of existing institutions and frameworks to manage debt crises. Concerns were raised that private sector creditor rights have been eroded over the past decade, which, it was argued, underscores the need for some means to contain potentially capricious actions by sovereign borrowers. Moreover, for debtors, it was noted that solutions have often been accompanied by undue lags and, for the most part, have provided too little relief, often leading to future debt restructurings, jeopardizing the resumption of growth and prospects for keeping debt sustainable. This, in turn, may result in unilateral debt reductions with possible loss of access to international capital markets or punitive costs of raising new money. The Expert Group discussion recognized the limits of providing support from public sector funds, which can result in the mispricing of risk, and explored exit strategies for the public sector. In this regard, a key objective should be to advance the efficiency of international capital markets, including through the appropriate bearing of risk. The balance of opinion — not necessarily the consensus — among the Expert Group was that securing this goal and reducing the costs associated with sovereign debt restructurings could require the development of a more rules-based approach — as one participant noted, a formal but not necessarily statutory approach.

Meeting Highlights

1. **The discussion reflected greater readiness to discuss alternatives to the status quo**. While the recent "successes" of voluntary approaches were noted, there was broad discontent with where we are today. In effect, the environment is uncertain, unpredictable, fragmented, ad hoc and non-transparent. This contrasts, it was argued, with domestic bankruptcy frameworks that provide some clarity with respect to the process for resolving debt problems, which thereby facilitates timely workouts. The delay in resolving problems is extremely costly for all involved; it represents a dead weight loss to both creditors and countries. As illustrated by the continuing debt problems in Europe, delays in resolving debt problems can pose a significant threat to international financial stability. Furthermore, litigation is not a solution, it was agreed, as outcomes cannot be enforced and, more importantly, because a comprehensive resolution is much preferable to thousands of individual lawsuits that are costly and cause delays. An overall resolution is in the joint interest of the debtor and (most) creditors.

2. **Five concrete proposals were put forward:** (i)Voluntary efforts at setting up structures for creditor committees, including permanent committees to speed creditor coordination; (ii) contractually defined standstill clauses, in contrast to standstills defined through, say, the International Monetary Fund (IMF) Articles of Agreement or international legal frameworks; (iii) debtor-in-possession financing by the private sector; (iv) an international registry of debt, and (v) a Sovereign Debt Forum that would foster the timely, orderly restructuring of sovereign debt by, inter alia, improving information flows between creditors and debtors, providing a template for negotiations, and facilitating a frank discussion of debt sustainability and the feasibility of required adjustment efforts.

3. **It was recognized that debt restructuring remains a gamble for both the debtors and creditors.** The decision to restructure is never a simple one. There are strong tensions, particularly between the generosity of the offer on the table in a negotiation and the acceptance rate by creditors of that offer. The smaller the "haircut" on private claims (in terms of reduction of net present value of outstanding debt) proposed by the sovereign, the greater the likelihood of its acceptance by creditors and the sooner that access to bond markets is regained. However, the lower the haircut, the greater the adjustment burden on the sovereign; a miscalculation or a subsequent adverse shock could lead to future debt problems and a scenario of serial restructurings. Moreover, while recent experience has been encouraging, coordinating a diverse universe of creditors remains a challenge. As the developments in financial markets show, the problem of coordination is even more complex today, given the heterogeneity of the bondholder community. Free-rider problems for creditors remain endemic.

4. **The role of the IMF as lender of last resort, moral hazard implications and the lack of a credible IMF exit strategy were highlighted.** In the current setting, the IMF acts as a quasilender of last resort to address liquidity problems (not insolvency), often in concert with the multilateral development banks and other official creditors. Although the IMF is not, and is unlikely to become, a true lender of last resort because of limits on its lending capacity, new IMF instruments, such as the Flexible Credit Line and Precautionary Credit Line, increase its flexibility and ability to provide financial assistance in a timely manner similar to a lender of last resort. There is, however, tension in this role, as the distinction between liquidity and solvency, while clear in theory, is often difficult to discern in practice. The point was made that countries can move quickly from a problem of liquidity to insolvency. Moreover, concerns remain that

official support can lead to both debtor and creditor moral hazard, as debtors defer needed adjustments hoping for an improvement in economic conditions and lenders do not correctly price in risk; in turn, banks may postpone recognizing losses on their balance sheets. The official sector has to carry out a careful balancing act between providing public funds to protect the banking system, reducing the size of impaired assets and limiting debt write downs, and the potential subordination of private sector claims that results from the assertion of preferred creditor status, which increases prospective "haircuts" on other creditors should the assistance package fail and the borrower subsequently default.

An important question remains: How can the Fund exit from a situation in which the sustainability of the debt burden is an issue? This is always a difficult decision, and sometimes the lack of an acceptable alternative in terms of an orderly exit gives the IMF little choice but to exercise forbearance and continue disbursements even in cases where, on the balance of probabilities, an inter-temporal solvency condition may be violated. While the IMF is thus ensnared in a potentially unsustainable situation, the current implied costs of debt restructuring provide incentives for debtors to gamble that recovery will allow them to avoid a debt treatment. But during the time that official disbursements continue to a case of potential insolvency, private-sector debt is effectively shifted to more senior public creditors, thereby implying an increase in the size of any haircut that must eventually be imposed on remaining private-sector creditors.

Thus, any system devised should address the following issues:

- The current system does not provide a clear pathway by which debtors and creditors can reach a consensus on the point where a debt treatment becomes unavoidable. As a result, avoidable costs are incurred by all parties: the debtor, private creditors and public creditors.
- The IMF has a critical role in providing emergency financing to countries that face liquidity crises and in assessing the scale of adjustment that is needed and feasible to reach sustainability. But under the current non-system, the IMF's effectiveness is compromised by incentives to support insolvent countries for too long, opacity in the determination of the macro program that defines needed adjustment efforts and debt haircuts, and comingling of the IMF's roles of creditor and arbiter.

Expert Group members were divided on how to advance a framework that would address both of these issues. Some participants wanted this agenda to be driven by the official sector, seeing a clear and compelling case for an internationally accepted mechanism activated through statute or treaty obligations. Other participants argued for a "market-based" approach based on voluntary debt exchanges facilitated by standing informal fora and creditor committees.

5. **Support of the IMF macroeconomic framework:** Many participants argued that stabilization of unsustainable debt levels depends on accurate assessments of feasible primary surpluses going forward. The IMF has a core competency in this regard and access to confidential information that allows it to get a more accurate measure of the likely trajectory of expenditures and revenues. Although the IMF is better placed than other institutions to evaluate the macro framework, some participants expressed concern that the IMF is conflicted in its dual roles of providing advice on a feasible primary surplus and acting as a preferred creditor.

6. **The support for a voluntary approach by the private sector:** There was no consensus on the need for a "statutory" approach to sovereign debt restructuring. Some participants expressed the view that private sector opposition to a well-designed statutory approach was contrary to self-

interest, since such a mechanism could help preserve asset values and reduce the probability of serial defaults/restructurings. At the same time, other participants noted that a statutory approach could further erode creditor rights. That being said, there was a general willingness to entertain a more rules-based approach that would constrain private creditors, protect them from arbitrary actions by sovereigns and facilitate debt treatments more easily and equitably. In this respect, participants expressed a willingness to work on ex ante structures for creditor committees, including permanent committees with clear and transparent rules. The unresolved question on creditor committees is who initiates the process — the creditors, the trustee, if there is one, or the debtor, and who covers their expenses? A more formalized creditor committee, with a set covenant home, infrastructure and a secretariat could define who initiates the creditor engagement process and provide the platform for debtor-creditor engagement.

7. **Statutory approaches vs. voluntary approaches:** The concerns that animated efforts to construct a sovereign debt restructuring mechanism (SDRM) a decade ago — namely collective action problems among private creditors — turned out to be less disruptive than anticipated, as creditors developed a variety of means to secure voluntary restructurings. It was noted that in this regard, the potentially harmful effects of creditor litigation were exaggerated. As expressed by one participant: "litigation is the tail; not the dog." Yet, it was also noted that successful litigation would undoubtedly beget more litigation, possibly justifying earlier concerns. Moreover, as one participant emphasized, the approaches to voluntary restructurings adopted over the past decade —the introduction of CACs on individual debt issues and voluntary codes of conduct — may reflect the reaping of "low-hanging fruit," the effectiveness of which remains to be tested. At the same time, as expressed by one participant, perhaps proponents of the SDRM won the debate (in terms of the need for a clear process for creditor coordination by which restructurings should be pursued); the question now is whether and how to formalize that process. In this respect, one participant suggested that lessons can be learned from the "rules-based" Paris Club approach to restructuring, particularly the use of informal precedents, pre-structured negotiations and cut-off dates to create incentives to maintain new financing (see discussion below).

8. **Recent developments in the contractual approach:** The discussion focused on recent developments in Europe regarding the issue of aggregation in CACs. The concept of aggregation refers to a vote across the full spectrum of outstanding claims that binds all the holders of those securities. The benefit of the provision in debt contracts is that it reduces the vulnerability of a restructuring proposal to holdouts by investors who control small, closely held individual bond issues. The main idea is to aggregate bonds for comprehensive equitable treatment, thereby eliminating potential creditor coordination problems that might prevent a successful restructuring. Eurozone policy makers have decided that CACs should be included in all new euro area government securities with a maturity longer than one year from January 2013. Across Europe, such CACs should be identical and standardized and should include a disenfranchisement clause (that would exclude bonds that are owned or controlled, directly or indirectly, by the issuer and its public sector instrumentalities for quorum and voting purposes) in order to ensure proper voting process, but also an aggregation clause enabling a qualified majority vote of bond holders across multiple bond issues. Such aggregation arrangements were used in the Greek debt exchange. Further exploration of the options implied by aggregation is needed. In the European context, issues were raised to clarify the position on preferred creditor status of the official sector bodies and if there was merit to retroactive legislation across the eurozone to implement CACs on all existing debt.

9. **Regulation, accounting and tax rules:** Expert Group participants agreed that there is important work to be done in understanding how regulatory, tax and accounting regimes interact to create incentives or disincentives, as the case may be, for the timely, orderly restructuring of sovereign debt. Ten key issues were identified for further consideration (see Annex 3).

10. **Information on debt stocks and flows:** There was broad agreement that reliable and consistent information on international liabilities is needed to facilitate timely debt restructurings. Participants supported efforts to establish an international registry of debt, reported by creditors and reconciled with debtors.

11. **Assessing debt sustainability:** Several participants expressed discontent with the current practice of assessing debt sustainability and argued in favour of greater transparency and a greater voice for private sector creditors in the determination of debt sustainability, including discussion of potential assets subject to privatization, as well as the size of prospective haircuts. Other participants noted that debt sustainability entails considerations of "willingness" to repay, in addition to the borrower's "ability" or capacity to repay. The IMF plays a unique role in assisting its members to strike a judicious balance between financing and adjustment, but as noted earlier, it runs the risk of being less effective in this role due to the absence of a framework for timely and orderly debt restructuring, and its role could be enhanced by improvements to the debt restructuring framework.

12. **Standstills:** Standstills, or suspensions of payments, can provide a "breathing space" in which the borrower can identify and implement a sound policy framework that promotes sustainable adjustment, preserves asset values and supports growth to the mutual benefit of debtors and creditors. In practice, given the absence of credible means to enforce judgments and the application of sovereign immunity, sovereigns can impose de facto standstills through the exercise of force majeure. The fundamental issue is whether a more formal process for the declaration of a standstill, in conjunction with lending into arrears by the IMF, is required. Such a process would provide a stay on all litigation by individual creditors, preventing a panicked rush to the exits that triggers a rollover crisis and a race to the courthouse. Two options were discussed:

    - **Voluntary approach**: The first proposal was to include standstills in bond contracts to set out the contractual terms for non-payment of interest and suspension of payments. Contractual terms in sovereign bonds typically have a grace period of three to13 days, which is intended to facilitate the resolution of any technical difficulties in making payments, and certainly not to facilitate a restructuring.

      In that regard, principles for a standstill could be developed and included in the Institute of International Finance CAC guidelines. But this approach is not without its own complications. Although consent for new financing could be obtained through trustee relationships or collective action management, trustees don't like discretion, and thus clearer rules are needed. Moreover, timing issues would also have to be overcome, since notice of 21 days is required to call a meeting of creditor committees.

      Some of the advantages of a standstill are that it prioritizes financial stability, prevents cross-border default and acceleration, and brings creditors together. However, it remains an open question whether a fixed time limit on a standstill would help or hurt a sovereign attempt to restructure. There are also accounting, impairment, credit rating and credit-default-swap trigger issues that would have to be addressed. Accordingly, more work is needed to understand the likely reaction to such change by creditors and anticipate if it would, in any way, impose unwelcome policy restrictions on sovereigns.

- **Statutory approach**: Instead of voluntarily including provisions for standstills in debt contracts, a statutory approach could provide for a comprehensive standstill process under international law or through the IMF's Articles of Agreement. Effecting statutory standstills through the IMF's Articles and amendments to them would be the easiest approach. The IMF's capacity under Article VIII, 2(b) to temporarily approve restrictions on current payments (that is to say, interest payments) could result in partial stays on creditor actions on arrears. For other arrears relating to capital payments (for example, non-payment of bullet payments of principal), an amendment of the IMF Articles of Agreement would be required to achieve symmetry between the treatment of arrears arising from capital and those from current payments. But some participants noted that this approach may further lead to a conflict of interest in the IMF's role of arbiter and creditor.

13. **Debtor-in-possession financing by the private sector:** Traditionally, the IMF has been the financer of sovereigns in financial distress. As discussed above, however, there are difficulties associated with the IMF playing this role. Of most concern to private sector creditors is the de facto subordination of private claims associated with increased IMF support, particularly in the "grey zone" cases resting between illiquidity and insolvency. Recent attempts by other financial sector bodies to assert preferred creditor status in the context of ongoing European sovereign debt problems amplify these concerns. As one participant observed, "everything cannot be senior." Historically preferred creditor status was not an issue, it was noted, when IMF financing was a small fraction of outstanding claims; incentives can be distorted when this condition no longer holds. In addition, the concerns with moral hazard and potential insufficiency of available public funds are being increasingly recognized, especially when the country in distress is a big economy and perhaps systemically important.

The Expert Group was presented with a proposal to combine IMF resources with private sector financing. The benefits of this approach, it was argued, include leveraging IMF funding by involving the private sector as financer. Under the proposal, the IMF would act as a coordinator, not principal lender, thereby reducing potential moral hazard and conflicts of interest.

In order to replicate a corporate insolvency framework, which combines debtor-in-possession financing with a cram down mechanism to bind creditors to an agreed restructuring, the proposal includes a procedural mechanism that would function like a synthetic "cram down process," with separate votes taken on the size of the debt reduction and the distribution of this "haircut" among different classes of outstanding claims. Some Expert Group participants expressed interest in the proposal, notwithstanding potential impediments to this approach.

14. **Sovereign Debt Forum:** Similarly, a proposal for a Sovereign Debt Forum, which would help assuage the information and analytical issues associated with the question of debt sustainability, was also advanced. In this respect, it was noted that the prevailing ad hoc system has not decreased risk to creditors; on the contrary, there is evidence of increased risk to creditors, debtors and to the global economy. Accordingly, it was argued that it was time to put something in place to facilitate the restructuring of sovereign debt in a predictable, transparent and balanced manner.

As the power of neutrality is important, the Sovereign Debt Forum should be a neutral organization with broad participation. It could have permanent, neutral staff seconded from debtors, private creditors and multilateral institutions, and it should aim to design a collective, consistent process to enhance sovereign debt as an asset class. This process would provide a standard template that would remove the guesswork from initiating an open dialogue on a particular restructuring, but it would be non-statutory and flexibly applied on a case-by-case basis.

This should result in the creation of a sovereign debt facilitation, which would equally represent the concerns of debtors, public creditors, private creditors and multilateral institutions. The forum would be structured to permit a free exchange of ideas with strict confidentiality. Its work would be supported by the compilation of a permanent debt registry that would reduce information gaps. The forum would also provide a platform for a frank exchange between creditors and debtors on the macro program and the extent of adjustment feasible and necessary to achieve sustainability and a resumption of growth in the debtor country.

There was considerable interest from all participants on the Sovereign Debt Forum and broad encouragement to discuss this proposal further.

ANNEX 1

Agenda

Expert Group Meeting on Sovereign Debt Restructuring

Financing for Development Office (FfDO
United Nations Department of Economic and Social Affairs (UNDESA)
The Centre for International Governance Innovation (CIGI)
United Nations, New York, NY, May 18, 2012
Meeting Room 6, North Lawn Building

8:45–9:15	**Registration**	
9:15–9:30	**Welcome and Introduction**	
	Jomo K. Sundaram Alex Trepelkov	Assistant Secretary General, Department for Economic and Social Affairs, United Nations Director, Financing for Development Office, Department for Economic and Social Affairs, United Nations
9:30–9:45	**Scene Setting**	
	Benu Schneider James Haley	Chief Development Finance and External Debt Unit, FfDO-UNDESA Director, Global Economy Program, CIGI
9:45–11:15	**Ex Ante Financial Architecture for Debt Restructuring**	
	• Andrew Powell: The role of the official sector	Principal Advisor in the Research Department, Inter-American Development Bank
	• Hans Humes: Creditor committees and voluntary codes	President and Chief Investment Officer, Grey Lock Capital Management LLC, New York
	• Whitney Debevoise: The impact of regulation and accounting on incentives for restructuring	Senior Partner at Arnold & Porter LLP
11:15–11:30	**Coffee Break**	

11:30–1:00	**The Bargaining Environment I: Voluntary Approaches to Sovereign Debt Restructuring**	
	• Anna Gelpern: The evolution and limits of voluntary approaches	Professor of Law, American University, Washington College of Law Visiting Fellow, Peterson Institute for International Economics
	• Robert Gray: Expanding contractual technology (aggregation clauses, CACs)	Chairman, Regulatory Policy Committee,International Capital Market Association (ICMA)
	• James Kerr: Impasse in litigation	Counsel, Litigation Department, Davis Polk, New York
	• Deborah Nache-Zandstra: Contractuallydefined "breathing spaces"	Partner, Sovereign Debt Restructuring Group,Clifford Chance, London
1:00–2:00	**Lunch**	
2:00–3:30	**The Bargaining Environment II: Institutional Approaches to Sovereign Debt Restructuring**	
	• Rhoda Weeks-Brown: Sovereign debt restructuring — an IMF perspective	Deputy General Counsel, Legal Department, International Monetary Fund
	• David Skeel: Preferred creditor status and debtor-in-possession financing	Professor of Corporate Law, University of Pennsylvania Law School
	• Rob Kahn: Private sector perspectives on statutory approaches	Strategist, Moore Capital Management LLC
3:30–3:45	**Coffee Break**	
3:45–5:15	**Panel discussion on a Strategy to Improve the Architecture for Debt Restructuring**	
	• Anne Krueger	Professor of International Economics, School of Advanced International Studies, John Hopkins University
	• Richard Gitlin	Richard Gitlin and Company
	• Michael Waibel	Lauterpacht Centre for International Law, Cambridge University

ANNEX 2

List of Participants

Expert Group Meeting on Sovereign Debt Restructuring

United Nations, North Lawn Building, Meeting Room 6, May 18, 2012

• Katerina Alexandraki	Lazard Asset Management Emerging Markets Economist/Strategist
• Agata Antkiewicz	The Centre for International Governance Innovation (CIGI) Senior Researcher, Global Economy Program
• Domingo Cavallo	DFC Associates, LLC, Chairman and CEO Jackson Institute for Global Affairs, Yale University Senior Fellow and Lecturer
• Anisuzzaman Chowdhury	Department of Economic and Social Affairs, United Nations Senior Economic Affairs Officer
• Jean-Marc Coicaud	Rutgers University Professor of Law and Global Affairs and Director of the Division of Global Affairs
• Carmen Corrales	Cleary Gottlieb Steen & Hamilton LLP Partner
• Whitney Debevoise	Arnold & Porter LLP Senior Partner
• Merete Dyrud	Permanent Mission of Norway to the United Nations Counselor
• Eric Fine	Van Eck Global Portfolio Manager
• Anna Gelpern	American University, Washington College of Law Professor of Law and Visiting Fellow Peterson Institutefor International Economics
• Richard Gitlin	Richard Gitlin and Company LLC President
• Robert Gray	International Capital Market Association (ICMA) Chairman, Regulatory Policy Committee

• Starla Griffin	Slaney Advisors Limited Managing Director
• Mikis Hadjimichael	The Institute of International Finance, Inc. Deputy Director, Capital Markets and Emerging Markets Policy Department
• James Haley	The Centre for International Governance Innovation (CIGI) Director, Global Economy Program
• Barry Herman	Graduate Program in International Affairs of The New School Visiting Senior Fellow
• Brett House	Columbia Business School Chazen Visiting Scholar
• Hans Humes	Grey Lock Capital Management LLC President and Chief Investment Officer
• Claire Husson-Citanna	Emerging Markets Debt Research Analyst Portfolio Manager
• Robert Kahn	Moore Capital Management LLC Senior Strategist
• James Kerr	Davis Polk Counsel, Litigation Department
• Anne Krueger	John Hopkins University Professor of International Economics,School of Advanced International Studies
• Troland S. Link	Davis Polk & Wardwell LLP Senior Counsel
• Deborah Nache-Zandstra	Clifford Chance Partner, Sovereign Debt Restructuring Group
• Mariangela Parra-Lancourt	Financing for Development Office, UN-DESA Economic Affairs Officer
• Pablo Pereira	The Intergovernmental Group of Twenty-Four on International Affairs and Development (G24) Advisor on technical and substantive issues

• Friederike Pohlenz	Swiss Ministry of Finance Deputy Head of the International Financial Institutions Section
• Andrew Powell	Inter-American Development Bank Principal Advisor in the Research Department
• Werner Puschra	Friedrich Ebert Stiftung (FES) New York office Executive Director
• Benu Schneider	Financing for Development Office, UN-DESA Chief, Development Finance and External Debt Unit
• David Skeel	University of Pennsylvania Law School Professor of Corporate Law
• Shari Spiegel	Development Policy and Analysis Division, UN-DESA Senior Economic Affairs Officer
• Jomo Kwame Sundaram	Department of Economic and Social Affairs, United Nations Assistant Secretary-General for Economic Development
• Alexander Trepelkov	Department of Economic and Social Affairs, United Nations Director of the Financing for Development Office
• Michael Waibel	Lauterpacht Centre for International Law, Cambridge University University Lecturer in Law and Fellow
• Rodha Weeks-Brown	International Monetary Fund Deputy General Counsel, Legal Department
• Aviva Werner	Trade Association for the Emerging Markets Senior Legal Counsel
• Vladimir Werning	J.P. Morgan Chase, New York Executive Director
• Bruce Wolfson	The Rohatyn Group Partner and General Counsel

ANNEX 3

Accounting, Tax and Regulatory Issues Requiring Further Study

The following ten issues were identified for further study:

- disclosure guidelines: consideration should be given to the potential implications of differences in disclosure guidelines that could have significant effects given the heterogeneity of the bondholder community;
- treatment of non-accrual loans, particularly in creating an incentive for timely restructurings;
- tax and regulatory treatment of loss reserves (and recovery of reserves);
- ex post tax treatment of a debt reduction offer;
- tax treatment of interest capitalization;
- provisioning requirements of credit enhancements received in a restructuring;
- impact of Basel banking regulations, which envision sovereign debt as low risk and therefore not subject to restructuring and highly liquid;
- potential interactions with securities law, particularly the registration of new bonds coming out of restructuring;
- accounting treatment of Brady and pre-Brady bonds; and
- treatment of public debt in investment treaties, free trade agreements and so on, additional work is required to understand the potential conflicts between the official sector support for possible restructuring operations with statutory obligations to service claims.