

Press release

News from the International Capital Market Association (ICMA)

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For immediate release

ICMA publishes revised collective action clauses (CACs) and a new standard *pari passu* clause to facilitate future sovereign debt restructuring

The International Capital Market Association (ICMA) has today published revised and updated collective action clauses and a new standard *pari passu* clause for sovereign debt securities. The use of these new terms in government bonds is intended to facilitate future sovereign debt restructurings.

Leland Goss, ICMA's General Counsel said: "The potential adverse fallout globally from the default and restructuring of Argentina's debt demonstrates the importance of having clear, unambiguous contract terms for sovereign bonds. In-depth consultations with our members and other interested public and private sector representatives have led to the development of enhanced legal technology that will make more orderly and efficient sovereign debt restructurings achievable in the future".

Collective action clauses allow a majority of bondholders to agree to changes in bond 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 new standard collective action clauses provide a practical solution to the problem of blocking minorities through the inclusion of aggregation mechanisms, which allow 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 new *pari passu* provision details clearly the scope of its application, thereby reducing the risk of the *pari passu* clause being a basis for disrupting future sovereign debt restructurings and raising concerns with inter-creditor equity.

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).

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Notes for editors

International Capital Market Association (ICMA)

ICMA represents institutions active in the international capital market worldwide and has around 450 members located in 52 countries. ICMA's market conventions and standards have been the pillars of the international debt market for over 40 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.

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