2

MINIMIZING HOLDOUT CREDITORS

Sticks

Lee C. Buchheit and Elena L. Daly

Praise the Lord and pass the ammunition.

(Howell Forgy, US Navy lieutenant, Pearl Harbor, 7 December 1941[1])

1. Introduction

This chapter discusses the techniques that have developed over the last thirty years to discourage holdout creditor behaviour in a sovereign debt workout—the proverbial 'sticks'. For the engineer of sovereign debt workouts, the question is not usually one of carrots *or* sticks; rather, it is sometimes a matter of blending enough carrot juice into the recipe so that the required creditor voting threshold to approve a more coercive measure can be reached. **2.01**

2. The Context

Corporate bankruptcies are not normally troubled by holdout creditors. Most bankruptcy codes that permit a reorganization of a corporate debtor's affairs (as opposed to an outright liquidation of the company) will have some method for imposing the will of the majority of similarly situated creditors on any naysaying minority. In the absence of any form of cram-down mechanism in a bankruptcy code, however, all sovereign debt workouts face the prospect of non-participating (holdout) creditors. **2.02**

A. The holdout creditor problem

Holdout creditors in a sovereign debt restructuring pose the following difficulties. **2.03**

i. Money

The debt sustainability analysis that precedes most sovereign debt workouts will assume that all, or nearly all, of the debt instruments targeted for restructuring will participate in the transaction. Any significant holdout population may therefore render obsolete the financial predicates underlying the entire operation. This leaves only two options: begin the whole process again (a tedious, embarrassing, and probably expensive option); or press ahead despite the holdouts and face the likelihood of messy, post-closing litigation. **2.04**

[1] *Oxford Dictionary of Quotations*, 3rd edn (Oxford: Oxford University Press, 1979), 216.

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ii. Emotions

2.05 Holdouts stir strong emotions. Holdouts who bought their claims in the secondary market at a small fraction of their face value—'vulture creditors', to use the pejorative label—stir particularly strong emotions. The sovereign debtor, with its citizens groaning under a multi-year austerity programme, will tend to see vultures as attempting to pry the gold teeth out of the corpse. For their part, fellow creditors who elect to provide debt relief to the sovereign borrower may view the holdouts as seeking to benefit from their generosity. The holdout, after all, is demanding a preferential recovery made possible only by the willingness of the sovereign's other creditors to reduce or extend their own claims. Imagine denying yourself a long-awaited family vacation in order to make a sizable donation to a charity for starving orphans. Now imagine opening your morning newspaper to read that the operators of that charity have absconded with all of the money and treated themselves to what sounds like a remarkably enjoyable weekend in Las Vegas. That is how many participating creditors feel about the holdouts in a sovereign debt restructuring and it explains creditor demands for contractual protections against preferential payouts of other lenders.[2]

iii. Intercreditor equity

2.06 Then there is the matter of basic fairness. The phrase 'voluntary sovereign debt restructuring' is oxymoronic. No creditor willingly abandons the value of its claim; it will do so only, as the French say, for want of better and for fear of worse. Paying holdouts in full while visiting losses on other similarly situated lenders therefore raises a stark issue of intercreditor equity.

iv. Publicity

2.07 *Not* paying holdouts, however, invites its own set of problems. An unpaid creditor can be a festering sore. For so long as the payment default persists, it will remind new investors in the debtor country of the unfortunate fate of their predecessors. The stench of the corpse of a prior creditor rarely stimulates the investment appetite of a new lender.

v. Litigation

2.08 Modern sovereign debt instruments are enforceable in domestic courts, often outside of the debtor's own jurisdiction. Quite apart from the expense and nuisance of lawsuits and arbitrations, litigation—and the enforcement process that follows litigation—can interfere with the borrower's new fundraising efforts. Argentina has been litigating with holdout creditors for well over a decade,[3] during which period the country has been unable to return to normal market borrowing practices.

B. The spectre of holdouts

2.09 Far more damage, however, has been done by the *prospect* of holdout creditors in a sovereign debt workout than has ever been inflicted by the holdouts themselves. A jittery sovereign debtor (and perhaps its official sector sponsors) may conjure up images of ghastly headlines in the *Financial Times*, multi-decade lawsuits, allegedly indelible stains on the country's reputation, and higher future borrowing costs. The spectre of holdouts can therefore fuel a well-recognized tendency of sovereign debtors toward pathological procrastination in

[2] *See* Chapter 1, paragraphs 1.25–1.27.

[3] *See* Robin Wigglesworth and Jude Webber, 'An Unforgiven Debt', *Financial Times*, 28 November 2012.

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implementing a needed sovereign debt restructuring.[4] These delays inevitably make things worse for both the sovereign and its creditors. In the frantic scramble to avoid an unavoidable debt management transaction, the sovereign may enter into new borrowings on ruinous terms, run its reserves down to a dangerous level, and stumble into a situation in which the only option left is the worst one—a chaotic payment default.

3. Techniques to Discourage Holdouts

The following techniques have been tried over the last thirty years in an effort to discourage holdouts in a sovereign debt restructuring. **2.10**

A. Frighten them

By far the most popular—one is almost tempted to say 'ubiquitous'—technique for discouraging holdouts is to threaten them with a prolonged payment default unless they join the restructuring. The strategy is simple enough: crush the holders' expectation of being paid on the instruments they now own as essential psychological preparation for an offer to exchange those instruments for new credits with a lower face amount, a reduced coupon, and/or a longer maturity date. Even if this threat is not made explicit in the offering documents for the restructuring, it will always be implicit. No debt restructuring will prosper if the borrower begins by assuring its lenders of full and timely payment should they decline to participate. **2.11**

Louis XIV embossed his cannon with the Latin legend, *Ultima ratio regis*—'The king's last argument'. In a sovereign debt context, payment default is the king's last argument. Expressing that argument in the offering documents for a debt restructuring, however, has become something of an art form. In its 2005 exchange offer, for example, the Republic of Argentina adopted an 'abandon hope, all ye who do *not* enter here' tone. Under 'Risk Factors' in the offering document came the following minatory text: **2.12**

> **Risks of Not Participating in the Offer**
>
> Eligible Securities that are not tendered may remain in default indefinitely.
>
> Eligible Securities not exchanged pursuant to the Offer will remain outstanding. Argentina has announced that it has no intention of resuming payments on any Eligible Securities that remain outstanding following the expiration of the Offer. Consequently, if you elect not to tender your Eligible Securities pursuant to the Offer there can be no assurance that you will receive any future payments in respect of your Eligible Securities.[5]

St Kitts and Nevis is even blunter in its debt restructuring of 2012: **2.13**

> **Risks of Not Participating in the Offer**
>
> *Treatment of Eligible Claims not tendered*
>
> The Eligible Claims that are not tendered may remain outstanding indefinitely. The Federation does not intend to resume payments on instruments that are not exchanged pursuant to the

[4] *See* Ugo Panizza, *Do We Need a Mechanism for Solving Sovereign Debt Crises? A Rule-Based Discussion*, Geneva Graduate Institute of International and Development Studies Working Paper No. 03/2013, Preliminary Draft (February 2013), available online at <http://repec.graduateinstitute.ch/pdfs/Working_papers/HEIDWP03-2013.pdf>. For a light-hearted treatment of the problem, *see* Lee C. Buchheit, 'An Open Letter to the Minister of Finance of Ruritania', *The Banker*, September 2011, 8.

[5] Republic of Argentina, *Prospectus Supplement*, 10 January 2005, S-29.

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Exchange Offer. Consequently, if a Holder elects not to tender its Eligible Claims, it is unlikely that it will receive any future payments in respect of such instruments.[6]

2.14 Belize, in 2006, opted for a milder approach, but the underlying message was the same:

Risks of Not Participating in the Offer

Treatment of Eligible Claims not tendered

Belize does not foresee that it will have the resources to pay any non-tendered Eligible Claims according to their existing terms. Moreover, Belize shall not pay any amount in respect of a non-tendered Eligible Claim if, at the time such payment is due, a payment default then exists under any New Bond.[7]

2.15 The obvious risk of announcing in advance that any holdout creditors will be consigned to the outer darkness is that the sovereign may have to make good on that promise once the debt restructuring closes. Bereft of any hope that payments will resume voluntarily, the creditors are left with only their legal remedies, and while that option may not be pleasant for the creditors, it is equally distasteful for the debtor. The less adamant versions of the warning to prospective holdouts, such as the language used by Belize, are designed to give the sovereign some manoeuvring room should the holdout population turn out to be sufficiently small that it becomes cost-effective for the borrower to pay rather than to litigate.

B. Deter them

2.16 All sovereign debt exchanges call for a relative, not an absolute, judgement on the part of the creditors. What is on offer (a debt instrument conveying a measure of debt relief to the borrower) may not be pretty, but its real attractiveness can be judged only in comparison with what the creditor already is holding. Sovereigns sometimes attempt to influence this relative judgement by spiffing up the new instruments they are proffering in exchange,[8] but the same objective can also be achieved by making the old instruments uglier. Threatening a prolonged (for which, read 'eternal') payment default on those old instruments (the technique described in the last section) is one way in which to do this, but there are others.

i. Exit consents

2.17 Even in debt instruments that require the unanimous consent of the holders to effect a change to the payment terms of the instrument (the dates and amounts of payment), the other provisions of the instrument can usually be amended with only a majority, or sometimes two-thirds, vote of the holders. Starting with Ecuador's debt restructuring in 2000, sovereigns have taken advantage of this feature of their debt contracts to employ a technique known as an 'exit consent'. The tactical objective of an exit consent is to amend the instruments that will be left in the hands of holdout creditors after the restructuring closes in a manner that will make those instruments less valuable or more difficult to enforce. Confronted with the prospect of continuing to hold such a defaced instrument (the theory goes), the prospective holdout will reconsider the wisdom of holding out.

2.18 It works like this: the sovereign debtor embeds in its exchange offer a provision by which each participating creditor agrees to one or more amendments to the bonds that it is tendering

[6] Federation of Saint Christopher (St Kitts) and Nevis, *Offer to Exchange*, Offering Memorandum, 27 February 2012, 44.

[7] Belize, *Offer to Exchange*, Offering Memorandum, 18 December 2006, 14.

[8] *See* Chapter 1, titled 'Minimizing Holdout Creditors: Carrots'.

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in the exchange. These amendments cannot affect *payment* terms if the instrument in question calls for unanimous creditor consent to changes to payment provisions, but they could, for example, change the governing law of the old bonds, strip out or amend the waiver of sovereign immunity, remove the acceleration remedy, delete events of default, and so forth—matters that require approval by only a majority of holders. The intended effect of these amendments is to render these old bonds less valuable in the hands of holdouts, thus altering the balance of the relative judgement described at paragraph 2.16.

The theory of exit consents is that tendering bondholders will not care about defacing their existing bonds; after all, by tendering in the exchange, they have already evidenced their intention to shed those old bonds (the 'exit' part of an exit consent). But between the time that they submit their tenders and the point at which their old bonds are accepted in the exchange and cancelled, the participating bondholders remain the legal owners of the old bonds and are entitled to give their consent to proposed amendments (the 'consent' part). **2.19**

Why amend a debt instrument that one is about to jettison? The simple answer is that participating lenders have a direct and legitimate interest in encouraging all of their fellow creditors to join the party.[9] Holdout creditors represent a litigation and attachment threat to the debtor's assets, the very assets from which participating creditors hope to be repaid in the future. Moreover, as the Argentine holdout litigation has now graphically demonstrated, holdouts may seek to gain leverage over the borrower by attempting to interfere with the borrower's payments to the lenders participating in the debt restructuring.[10] Suppressing and de-fanging holdouts should therefore be a matter of considerable importance to those lenders that have decided to accept the sovereign's exchange offer. **2.20**

Ecuador was the first country to use exit consents in a sovereign bond exchange in 2000.[11] Since then, the technique has become a conventional part of the sovereign debtor's arsenal in debt restructurings that involve exchange offers. Interestingly, before the Argentine litigation demonstrated that holdouts represent a clear and present danger to their fellow creditors, some contract drafters actually felt it appropriate to narrow the scope for future exit consents by adding items such as changes to governing law or sovereign immunity to the list of amendments requiring the unanimous consent of holders. **2.21**

One exit consent used by Uruguay in its 2003 restructuring addressed directly the problem of holdout creditors attempting to interfere with a sovereign borrower's payments on the new bonds that it issues in a debt exchange. US law gives foreign state property in the United States a complete immunity from pre-judgment attachment unless the foreign state has expressly waived that immunity. In addition, absent an express or implied waiver, a creditor can attach such property after receiving a judgment only if it is the very property upon which the judgment creditor's claim is based. Uruguay had given such express waivers in each of the bonds covered by its 2003 debt restructuring. Uruguay therefore sought and received in its exchange offer an exit consent that revoked its prior express waiver of immunity to the extent—but *only* to the extent—that it applied to the payments under Uruguay's new bonds. **2.22**

[9] *See* Lee C. Buchheit and G. Mitu Gulati, 'Exit Consents in Sovereign Bond Exchanges' (2000) 48 UCLA L Rev 59, 82–3.

[10] *See NML Capital Ltd v. Republic of Argentina*, 699 F. Supp. 246 (2d Cir. 2012).

[11] *See* Lee C. Buchheit, 'How Ecuador Beat the Brady Bond Trap' (2000) 19 Int'l Fin L Rev 17.

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The effect of this amendment was to re-immunize those payment streams (to the extent that they take place in the United States) from attachment by holdout creditors.[12]

ii. Immunize debtor assets

2.23 The exit consent that re-immunized Uruguayan assets from attachment by holdout creditors in 2003 prefigured a much more sweeping action by the United Nations Security Council (UNSC) following the ousting of Saddam Hussein in that same year. By the time he was asked to leave office, Saddam had accumulated a debt stock, most of it in default, equal to about US$140 billion. Iraq's economic recovery following the removal of the Saddam regime depended critically upon a satisfactory resolution of that gargantuan debt stock. UNSC Resolution 1483 (22 May 2003) was the instrument by which the international community sought to facilitate this debt restructuring.[13]

2.24 Among other things, Resolution 1483 strongly encouraged both Iraq and its Saddam-era creditors (official and private) to set about a comprehensive restructuring of those debts. Recognizing that holdouts in such a restructuring could significantly undermine its effectiveness, however, the Security Council immunized all petroleum assets of Iraq against 'any form of attachment, garnishment, or execution', and clothed the proceeds of Iraqi oil sales (as well as the bank account into which the proceeds of all such oil sales were to be directed) with privileges and immunities identical to those enjoyed by the United Nations itself.[14] The obvious and intended effect of immunizing Iraqi assets in this way was to deflate any expectation on the part of prospective holdout creditors that a better recovery might follow litigation and enforcement of a judgment. The UNSC-mandated immunities for Iraq remained in place through the middle of 2011[15]—long enough for Iraq to complete a successful restructuring of its Saddam-era debt stock that imposed an 89.75 per cent net present value loss on the affected creditors. Resolution 1483 was later described by the US Congressional Research Service as 'a stay on the enforcement' of debt claims.[16]

2.25 It has been proposed elsewhere[17] that the 2012 Treaty Establishing the European Stability Mechanism might be amended to immunize, within the eurozone, the assets of a debtor country receiving financial support from the European Stability Mechanism (ESM—the European bailout fund) against attachment by a creditor who was invited to participate in

[12] *See* Lee C. Buchheit and Jeremiah S. Pam, 'Uruguay's Innovations' (2004) 19 J Int'l Banking L & Reg 28.

[13] Available online at <http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1483%282003%29>.

[14] UNSC Resolution 1483 (n. 13), para. 22.

[15] *See* UNSC Resolution 1956, available online at <http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1956%282010%29>.

[16] Congressional Research Service, *Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief*, 6 December 2006, at CRS-11. Note, too, at CRS-13:

> The Iraq case thus illustrates that the United States and the international community are willing to shield a debtor from its creditors bankruptcy regime. This can be accomplished multilaterally through U.N. Security Council Resolutions or bilaterally, on a case-by-case basis, through executive orders. Since these measures were not taken in other recent financial crisis-afflicted countries, such as Argentina or Brazil, it appears that policymakers are only willing to use such measures selectively, and for countries that exhibit a perceived threat to U.S. and international security. This understanding is made more explicit by implementing the stay through the United Nations, a political institution seen principally as focused on international security, rather than the International Monetary Fund, which is primarily a financial institution.

[17] *See* Lee C. Buchheit, Mitu Gulati, and Ignacio Tirado, 'The Problem of Holdout Creditors in Eurozone Sovereign Debt Restructurings' [2013] 4 JIBFL 191.

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an ESM-approved debt restructuring, but declined to do so. The objective of such a measure would be similar to UNSC Resolution 1483 for Iraq: to encourage creditor participation in debt restructurings by dimming the outlook for a successful alternative litigation strategy.

C. Bind them

Concerns about the disruptive effect of holdout creditors contributed to the movement to find a method for binding dissenting minorities in sovereign debt workouts. Three ideas were put forward at roughly the same time (2001–03): a formal sovereign debt restructuring mechanism (SDRM), modelled on Chapter 11 of the US Bankruptcy Code; wider use of collective action clauses (CACs) in sovereign bonds; and, for certain types of debt restructuring, use of the US federal class action mechanism to bind all holders to a debt settlement acceptable to a supermajority of creditors. To date, only one idea—CACs—has prospered. **2.26**

i. Sovereign debt restructuring mechanism (SDRM)

The absence of a formal bankruptcy mechanism for sovereigns has long attracted academic comment.[18] In late 2001, one month before Argentina's default on approximately US$100 billion of bond indebtedness, the deputy managing director of the International Monetary Fund (IMF), Anne Krueger, made a specific proposal to fill that gap.[19] The SDRM, as Krueger proposed it, was intended to replicate the main features of a Chapter 11 corporate bankruptcy reorganization: an automatic stay on creditor enforcement actions; supermajority creditor control of the process; and a quasijudicial oversight body.[20] **2.27**

After considerable work on the design of the SDRM, the idea was eventually dropped in the face of political opposition from certain large shareholders of the IMF—particularly the United States.[21] The eurozone debt crisis, coupled with some recent judicial successes by holdouts in the Argentine restructuring, has prompted a renewed interest in an SDRM-like solution. **2.28**

ii. Collective action clauses (CACs)

The SDRM found itself in an unexpected foot race in 2002; its competitor, strongly backed by the US Treasury, was a proposal to expand the use of CACs in sovereign bonds as a means of facilitating a restructuring of those instruments should that become necessary. The CAC is a contractual provision in multi-creditor debt instruments that permits a specified supermajority of holders to agree to a modification of the instrument—even a modification affecting payment terms—with the consequence that this decision will bind any dissenting minority holders. **2.29**

From its inception (in England in 1879), the CAC approach has had only one purpose: to eliminate the problem of holdout creditors in a bond restructuring. The author of that first CAC described its objective as follows: **2.30**

> The object of conferring this power on the majority is to protect it against unreasonable conduct on the part of the minority, and to prevent a deadlock happening when unanimity cannot

[18] Kenneth Rogoff and Jeromin Zettelmeyer, *Bankruptcy Procedures for Sovereigns: A History of Ideas, 1976–2001*, IMF Working Paper No. 02/133 (August 2002), available online at <http://www.imf.org/external/pubs/ft/wp/2002/wp02133.pdf>.

[19] Anne Krueger, 'International Financial Architecture for 2002: New Approach to Sovereign Debt Restructuring', Speech at the National Economists' Club Annual Members' Dinner, 26 November 2001, available online at <http://www.imf.org/external/np/speeches/2001/112601.htm>.

[20] *See* Sean Hagan, 'Designing a Legal Framework to Restructure Sovereign Debt' (2005) 36 Georgetown J Int'l Law 299, 341–4.

[21] Hagan (n. 20), 390–4.

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> be obtained. Unless the majority is thus enabled, in special circumstances, to determine what is to be done on behalf of the whole body, the minority is placed in a position to dictate to the majority, and the whole of the majority, however large, may be placed in peril by the stupidity, fraud or greed of an insignificant minority, or by the delay which would result if it were necessary to obtain the consent of every debenture or stock holder.[22]

2.31 Although commonplace in both corporate and sovereign bonds governed by English law since the late nineteenth century, CACs had made only limited inroads into US law-governed bonds in the early twentieth century.[23] There was, however, no public policy objection to the use of CACs in sovereign bonds issued in the United States and a G-10 working group recommended in 2002 that these provisions become a standard feature in the sovereign bonds of emerging market issuers.[24]

2.32 Collective action clauses began to appear in New York law-governed sovereign bonds starting in early 2003. Ten years later, they have become a nearly invariable feature of sovereign bond documentation. At the time of writing, however, only one country has used a CAC in its New York law-governed bonds to restructure those instruments: Belize did so in its debt restructuring of 2007,[25] and again in its restructuring of 2013.[26]

iii. Class action mechanisms

2.33 A third idea for addressing the problem of holdout creditors in a sovereign debt restructuring was floated in 2002.[27] It suggested that the class action mechanism contained in the US Federal Rules of Civil Procedure (FRCP) might provide a procedural framework for ensuring that a sovereign debt restructuring (at least one covering bonds governed by the law of a US jurisdiction) acceptable to the broad majority of holders could become binding on all similarly situated creditors. The device would involve a mandatory class action under FRCP 23(b)(1)(B).

2.34 Under that Rule, a mandatory class action is suitable where:

> . . . adjudications with respect to individual members of the class . . . would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests . . . [28]

In a sovereign debt context, the theory is that the sovereign has only a limited amount of resources that it can devote to future debt service. Allowing the more aggressive or litigious creditors to deplete that limited fund of assets would result only in the vast majority of similarly situated creditors having to settle for the dregs. The FRCP mandatory class action mechanism is the only existing procedural device in the United States by which the majority of creditors can ensure a rateable allocation of the sovereign's debt servicing capacity in the future.

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[22] Francis Beaufort Palmer, *Company Precedents*, 6th edn (1895), 651.

[23] The reasons for the limited use of CACs in the United States during this period are of only historical interest. *See* Lee C. Buchheit and G. Mitu Gulati, 'Sovereign Bonds and the Collective Will' (2002) 51 Emory LJ 1317, 1326.

[24] *See* Group of Ten (G-10), *Report of the G-10 Working Group on Contractual Clauses* (26 September 2002), available online at <http://www.bis.org/publ/gten08.htm>.

[25] *See* Lee C. Buchheit and Elizabeth Karpinski, 'Belize's Innovations' (2007) 22 JIBFL 278.

[26] *See* Government of Belize, 'Belize Debt Exchange Offer Successful', Press release, 8 March 2013, available online at <https://www.centralbank.org.bz/docs/rsh-1.7-information-for-creditors/press-release---belize-debt-exchange-offer-successful-march-08-2013.pdf?sfvrsn=2>.

[27] *See* Buchheit and Gulati (n. 23), 1352–7.

[28] Quoted in Buchheit and Gulati (n. 23), 1353.

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4. Conclusion

In the end, the question comes down to this: are the problems posed by holdout creditors in a sovereign debt restructuring sufficiently serious to warrant remedies such as a full-blown SDRM-type mechanism, or even a more limited measure, such as expanding the category of state assets that will be immunized from attachment by litigious holdouts? Some recent analyses suggest that holdouts are not the lethal threat to sovereign debt restructurings that the newspaper headlines might lead one to believe.[29] In truth, given the aggregate size of the sovereign debts that have been restructured over the last thirty years, the number of successful holdout legal actions has been surprisingly small. **2.35**

That said, holdout behaviour is infectious. The limited nature of the holdout problem to date may be explained by the fact that most holdouts have not been able to realize preferential recoveries in comparison with their colleagues who joined sovereign debt restructurings. But this could change very quickly if holdouts were to begin to prosper. Greece, for example, elected to pay the limited number of holdouts from its 2012 debt restructuring (approximately 3 per cent of the total eligible debt stock) in full. A well-publicized litigation success of a creditor that spurned a sovereign's debt restructuring will also spark copycat behaviour in the next debt workout for the next country. **2.36**

History tells us that creditor majorities will eventually find ways in which to protect themselves against exploitative minorities, just as minorities eventually safeguard themselves against oppressive or abusive behaviour by creditor majorities. In the late nineteenth century, the solution devised to the holdout creditor problem in corporate bonds was the collective action clause—precisely the same solution that has been resurrected in the early twenty-first century for sovereign bonds. A fundamental principle of all corporate insolvency regimes is the rateable treatment of similarly situated creditors. That is the principle that would have guided—and may still guide—an SDRM-type solution for sovereign workouts. Creditor majorities are suspicious of uncooperative minorities; the sentiment is usually requited by the minorities. But both are suspicious of debtors who may perceive, in the internecine feuds of its creditor group, an opportunity to secure unjustifiable concessions. **2.37**

[29] *See* Moody's Investors Service, 'The Role of Holdout Creditors and CACs in Sovereign Debt Restructurings', 19 March 2013, available to subscribers online at <http://www.moodys.com/research/Sovereign-Defaults-Series-The-Role-of-Holdout-Creditors-and-CACs--PBC_150162> ('Concerns about free rider problems have proven exaggerated as well').

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