



TRAINING COURSE

FLORENCE SCHOOL OF BANKING AND FINANCE

SOVEREIGN DEBT RISKS

Instructors

Lee Buchheit | Honorary Professor - University of Edinburgh

Mitu Gulati | Duke University Law School

Jeromin Zettelmeyer | Peterson Institute of International Economics

Theatre

Badia Fiesolana, Via dei Roccettini 9 - San Domenico di Fiesole (Fiesole, Florence)

23 - 24 APRIL 2019

■ PROGRAMME

23 APRIL

09.00 - 09.15 **Welcome and presentation of the School followed by a *tour de table***

09.15 - 09.30 **Introduction**
Mitu Gulati

09.30 - 10.45 **Session 1. Sovereign financial distress**
Jeromin Zettelmeyer

- A very brief history of international finance
- Sovereign debt crises: stylized facts
- Diagnosing sovereign debt crises
- Resolving the crisis: to adjust or to restructure?
 - Procrastination and gambles for redemption
 - The role and limitations of international crisis lenders



Co-funded by the
Erasmus+ Programme
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10.45 - 11.00

Coffee break

11.00 - 12.30

Session 2. The balloon goes up

Lee Buchheit

- Bail-in or bail-out?
- The pros and cons of pre-emptive debt restructurings
- Prioritizing debt categories ('excluded' debt)
- The sovereign debt restructuring's toolkit
- Factors influencing the choice of a debt restructuring method
 - Illiquidity VS insolvency
 - Exposure of local financial institutions
 - Foreign creditor expectations
 - IMF expectations
- Creditor consultation (creditor committees and all of that)
- Paris Club/London Club coordination

12.30 - 14.00

Lunch

14.00 - 15.00

Session 3: Encouraging creditor participation in sovereign debt workouts

Mitu Gulati

- The holdout creditor problem
- Contractual tools to deter holdouts
 - Collective action clauses
 - Exit consent
 - Trustees VS fiscal agents
 - Withholding tax
 - Local law debt
- Financial/legal inducements
 - Value recovery instruments
 - Co-financing features
 - Loss reinstatement features
 - Participation fees
 - 'Menu of options'

- Change governing law
- Negative inducements
 - Threats of non-payment (RUFO-style clauses)
 - Immunize debtor assets (Iraq 2003-09)

15.00 - 16.00

Session 4. A Greek Case Study
Jeromin Zettelmeyer

- Background
- Initial policy (full bailout - May 2010 to March 2012)
- PSI 1 (Summer of 2011)
 - Official sector volte-face (October 26/27, 2011)
- Exclusion of bonds held by official sector actors
- Greece's offer to creditors
- 'Retrofit' collective action mechanism
- Results
- Treatment of holdout bonds
- OSI (Official Sector Involvement) discussions

16.00 - 16.15

Coffee break

16.15 - 17.30

Session 5. Two Upcoming (Possible) Restructurings - What are the Strategies

Lee Buchheit, Mitu Gulati, Jeromin Zettelmeyer

Italy - Local-Law Bonds (with and without CACs), with a few Foreign-Law Ones
 Venezuela - Foreign-Law Bonds, Loans, Arbitral Awards (and more)

After the session

Cocktail at B-Roof (Piazza Dell'Unità Italiana 6, 50123 Firenze)

24 APRIL

09.00 - 10.30

Session 6. Proposals to reform the machinery of sovereign debt workouts
Mitu Gulati

- Criticisms of the current approach to sovereign debt restructuring
- IMF's reprofiling policy
- Enhanced CACs

10.30 - 10.45

Coffee break

10.45 - 12.30

Session 7. Sovereign debt restructuring in Europe
Jeromin Zettelmeyer

- The euro-area debt crisis (2010-2015)
- The official sector actors
- Policies
- Euro-area CACs
- Proposals for a European Sovereign Debt Restructuring Mechanism

12.30 - 14.00

Lunch

14.00 - 16.00

Session 8. Ruritania's Sovereign Debt Restructuring (war game) - first part

16.00 - 16.15

Coffee Break

16.15 - 17.30

Session 9. Ruritania's Sovereign Debt Restructuring (war game) - second part