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THE ARGENTINE GOVERNMENT SENT A BILL TO CONGRESS TO ADDRESS THE SUSTAINABILITY OF ITS INTERNATIONAL DEBT COMMITMENTS

On January 21 the Argentine Government submitted a bill to Congress that aims to address the country's current level of debt and its present and future ability to meet debt service obligations. It aims to restore the sustainability of Argentine public debt within macroeconomic stability. The proposed law seeks to obtain political support and formally initiates foreign law debt negotiations.

The bill declares the restoration of the sustainability of the external public debt a priority for the Argentine Republic, under the terms of article 65 of the Law of Financial Administration and Control Systems of the National Public Sector No. 24,156.

According to said article, the Executive Branch may carry out public credit operations to restructure the public debt and the guarantees granted, through consolidation, conversion or renegotiation, as long as an improvement in the amounts, terms and/or interests of the original operations is obtained.

Thus, the Executive Branch is authorized to carry out the operations of debt administration and/or swaps and/or restructuring of the interest maturity and capital repayment services of the Argentine Government Bonds issued under foreign law.

The proposed law states that government debt policies inconsistent with the repayment capacity in foreign currencies and which prioritized the instruments under foreign legislation make it essential to restore the sustainability of the external public debt to fully recover the exercise of financial and economic self-determination of the Argentine Republic. To this end, the Ministry of Economy which is the Application Authority of the law, is authorized to include in the pertinent regulations and documents clauses that establish the extension of jurisdiction in favor of foreign courts, and that provide the waiver to oppose the defense of sovereign immunity, exclusively, with respect to claims in the jurisdiction that is extended and in relation to the contracts that are signed and the public credit operations that are made.

The waiver to oppose the defense of sovereign immunity shall not imply any waiver with respect to the immunity of the Argentine Republic in relation to the enforcement of securities regarding the assets detailed below:

- a) Any good, reserve or account of the Central Bank;
- b) Any property belonging to the public domain located in the Argentine territory;
- c) Any good located inside or outside the Argentine territory that provides an essential public service;
- d) Any good (in the form of cash, bank deposits, securities, third party obligations or any other means of payment) of the Argentine Republic, its government agencies and other government entities;

- e) Any asset achieved by the privileges and immunities of the Vienna Convention on Diplomatic Relations of 1961 and the Vienna Convention on Consular Relations of 1963, including, but not limited to, assets, establishments and accounts of the Argentine missions;
- f) Any good used by a diplomatic, governmental or consular mission of the Argentine Republic;
- g) Taxes and/or royalties due to the Argentine Republic and its rights to collect them;
- h) Any good of military nature or under the control of a military authority or defense agency of the Argentine Republic;
- i) Any good that is part of the cultural heritage of the Argentine Republic, and
- j) The assets protected by any applicable sovereign immunity law.

Additionally, the Ministry of Economy is authorized to perform all those acts necessary to comply with the provisions of this law, including, without limitation, to:

- a) Issue new government bonds in order to modify the profile of interest maturities and capital repayments to restore the sustainability of the external public debt;
- b) Determine the times, deadlines, methods and procedures for issuing new government bonds;
- c) Designate institutions and/or financial advisers to act as coordinators in the structuring;
- d) Designate institutions and/or financial advisers to act as placement agents and/or in the execution of public credit operations and/or to act in the debt administration and/or issuance of new bonds and/or the conclusion of other public credit loans;
- e) Approve and sign contracts with entities and/or financial advisers to provide the services listed in the preceding paragraphs, to the extent that the payment of commissions in made according to market conditions, which in no case may exceed 0.1% for any concept of the amount effectively swapped and/or restructured, according to the particular technical specifications determined by the Application Authority.
- f) Prepare and register government bonds issued under subparagraph a) before regulatory entities and/or control bodies and/or competent authorities of international capital markets;
- g) Approve and sign contracts with fiduciary agents, paying agents, information agents, escrow agents, registration agents and credit rating agencies and/or those agents that are necessary for debt administration operations as well as issuance and placement of new bonds operations, providing for the payment of the corresponding fees and expenses in market conditions according to the particular technical specifications determined by the Application Authority.
- h) Make the payment of other necessary expenses of registration, printing of documents, translation and other associated expenses according to the particular technical specifications determined by the Application Authority.

In sum, the Government has expressed its willingness to pay foreign debt commitments, but clarified that it needs some relief from creditors to be able to do so; economic growth can only be achieved by restructuring the debt so that it remains sustainable.

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