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Zurich, 8 April 2003

## Press release

# G-10 Report on Contractual Clauses in Sovereign Bond Contracts

The Swiss Federal Department of Finance and the Swiss National Bank announce:

The Group of Ten (G-10), the leading providers of capital to the International Monetary Fund, has published a report on Contractual Clauses in sovereign bond contracts. The report, to which Switzerland contributed, includes a number of model clauses.

In recent years, international capital markets have become the most important source of finance for emerging market economies. This has increasingly prompted calls for procedures and institutions to allow for a swift and orderly restructuring of debt in the event a country is unable to fulfill its contractual debt service obligations. Last year, the Group of Ten considered ways of addressing this problem by modifying the contracts in question.

The report submitted by a G-10 Working Group (in which Switzerland participated) has now been published. It contains a number of model clauses which are to be included in all future sovereign bond contracts. These "collective action clauses" allow a qualified majority of creditors to change the payment terms of the bond contract. In the event of default, this simplifies restructuring negotiations between the debtor country and its bond creditors. Such clauses have long been standard practice on the London market. In New York, the largest market for sovereign issues, the first government bond including collective action clauses similar to those recommended by the G-10 was issued a few weeks ago. It was well received by the market.

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Report: [www.bis.org/publ/gten08.htm](http://www.bis.org/publ/gten08.htm)

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