

Press release

News from the International Capital Market Association (ICMA)

Talacker 29, P.O. Box, CH-8022, Zurich
www.icmagroup.org

Please see foot of release for contact details

ICMA/2010/15

Wednesday, 24 November 2010

For immediate release

ICMA launches consultation paper to its members promoting greater transparency and improved disclosure and standards for sovereign bond issues

(Zurich, Switzerland) The International Capital Market Association (ICMA) has issued a Sovereign Bond Consultation Paper to its members, intended to promote improvements in the standards of transparency relating to the issuance of sovereign bonds sold to investors internationally, and to propose standards of best market practice relating to their contractual terms and conditions. The paper is a basis for discussion for all sovereign issuance and the proposals it contains are also designed to incorporate processes and procedures in the event of an orderly reorganisation – for example they are designed to be complementary with any future crisis resolution mechanism agreed at European Union level.

As the sovereign debt crisis continues, investors are paying increasing attention to the fact that sovereign bonds are not risk-free, and the credit quality of each sovereign issuer is different. Consequently they want to know more about the contractual terms and conditions of individual sovereign issues; however, these are not always readily available. It became apparent during the crisis that some investors were unaware of the specific contractual terms of the bonds they had purchased, in some cases including whether they were issued under the national law of the issuer or under foreign law.

The ICMA Consultation Paper makes two key recommendations:

- All sovereign issuers should consistently be fully transparent about the contractual terms and conditions which apply to their bonds by publishing them in full in English in electronic form on a public website until final repayment. Some benchmark sovereign issuers do this already. But all sovereign issuers should consistently do so.

- The contractual terms and conditions of sovereign bond issues should as far as possible comply with standards of best market practice. Model “concepts” for these standards are set out in the Consultation Paper, and input is welcomed. The model concepts cover: gross-up for withholding tax; pari passu status; negative pledge; events of default and acceleration; purchase of bonds and consequences of ownership; collective action clauses, which can facilitate an orderly process for the amendment of their terms and conditions; and governing law.

Hans-Joerg Rudloff, Chairman of ICMA, commented: “It is clearly in the interest of investors in sovereign debt to have access to full information on the terms of the bonds in which they are investing. It is also desirable that sovereign issuers follow standards of best practice on terms and conditions and disclose clearly where they choose to deviate from these. It is also critical that the terms and conditions are consistent with mechanisms for an orderly reorganisation. Improved transparency and contractual terms will be of benefit for all market participants, including issuers, facilitating the further growth and development of standardised, cost effective and efficient capital markets.”

ICMA invites its members’ views on the proposals in the Consultation Paper by 17 December 2010. A copy of the paper and details for members to provide comments are available from the [ICMA website](#)

-ENDS-

Notes for editors

International Capital Market Association (ICMA)

ICMA represents financial institutions active in the international capital market worldwide. ICMA’s members are located in 47 countries, including all the world’s main financial centres. 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. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants including regulatory authorities and governments. See: www.icmagroup.org

ICMA Communications

Allan Malvar
+44 20 7213 0322
+44 7738 696 451

allan.malvar@icmagroup.org

Margaret Wilkinson
+44 20 7213 0323
+44 7931 100 499

margaret.wilkinson@icmagroup.org