

Argentina Tells Bondholders to Sue U.S. Judge



Buenos Aires, October 31 (RHC-Mercopress) -- Argentinian Cabinet chief Jorge Capitanich called bondholders to “take legal action against (US Judge Thomas) Griesa instead of demanding the acceleration of (Argentine) bonds,” following rumors that Owl Creek Asset Management LP is discussing the formation of a group to demand immediate repayment on bonds.

“Instead of demanding the acceleration, bondholders should take legal actions against (US Judge Thomas) Griesa who is improperly withholding funds,” the chief of ministers said in his daily press briefing at the government house.

Owl Creek said that it is working to demand the acceleration of Argentine debt as soon as January, which may provide investors with a gross return of 100% in a subsequent restructuring.

Capitanich reiterated the government claims that Argentina is honoring its debt commitments.

The acceleration clause in a contract, especially a loan or bond, allowing a creditor to call in the debt if certain, stated events occur. For example, if a borrower defaults on two or more payments, an acceleration clause may allow a lender to force the borrower to repay the entire amount of the loan immediately. Failure to repay could absolve the lender of all obligations in the contract, including the requirement to refund any money the borrower had previously paid, and render it effectively null and void.

The January mention refers to the so called RUFO clause or Rights Under Final Offer, which basically means that if Argentina “voluntarily” makes a better offer to some creditors before December 31st, 2014, other bondholders have a right to the same treatment.

That is, those bondholders who accepted restructuring of the Argentine sovereign debt (30 cents to the dollar) would be entitled to full payment (100 cents plus interests).

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