

**Cross-Border Debt Restructurings: Innovative Approaches for Lenders, Corporates and Sovereigns**  
**(London: Euromoney Books, 2005)**

**Foreword**

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Since the inception of the Euromarkets in the late 1950s, international debt markets have shown an amazing and accelerated growth that would have shocked a post-World War II banker or CFO if she or he had been told, back then, what financial markets would look like in fifty years.

During the 1970s and early 1980s, commercial banks and official institutions were clearly the most active players in the cross-border lending industry until the Latin American crisis of the 1980s hit hard on the banking community, on Wall Street and on the Euromarkets. The 1990s gave rise to an unprecedented economic boom that created the so-called “globalisation” and the associated “global debt markets.”

The exponential growth of the new global financial and capital markets during the last two decades has generated amazing benefits for both borrowers and lenders across the boundaries. Indeed, cross-border lending has more than ever reached unimaginably remote places in the world.

However, globalisation has also gone farthest in its collateral implications on nations, lenders and corporates. Undeniably, global debt markets have experienced significant demand-supply distortions, soaring price volatility, as well as drastic and unexpected flow constraints or surpluses, particularly due to the more frequent and deeper financial crises affecting different regions or markets. Experiences such as the recent East Asian, Russian and Argentine crises have shown that lenders and borrowers have consistently suffered some collateral damages from systemic crises which suddenly turned upside down the whole risk/return equation of their deals.

The recent wave of currency and banking crises has generated the need for new alternatives. Existing institutions and arrangements are widely seen as inadequate for dealing with large and volatile capital flows in circumstances in which part of the problem is caused by large imperfections in the markets themselves. This is exacerbated by the risk that contagion and spillovers might occur in an increasingly interdependent international financial system.

Also, with the appearance of new breeds of lenders in the international credit arena (such as investment and commercial banks, bondholders, institutional investors, debt traders, distress and hedge funds, official banks, multilateral lenders, bilateral agencies and export credit institutions), creditors increasingly have become more differentiated and progressively more numerous, anonymous, and difficult to coordinate, particularly in the

event of distress. The variety of sophisticated debt instruments and derivatives currently in use in the debt markets has added another layer of complexity to an already intricate global market.

In the current environment, globalisation has also exacerbated corporate financial distress to the extent that debt restructurings have become one of the emerging topics in the financial markets. As corporate financial distress situations have skyrocketed, international actors have more frequently resorted to the same solution to cope with distressed debt problems: “debt restructuring.” Some people may call it “rescue” or “recovery,” others may prefer the expression “arrangement” or “reorganisation.” No matter which term is used, the underlying concept remains the same. If a firm cannot afford to honour its debt obligations due to a distress situation, it is clear that it will need to “workout” a solution with its creditors as to how, when, and under what terms it will pay its financial obligations.

However, the concept of providing reasonable debt relief to troubled debtors and the premise that debtors and creditors should work together in good faith to try to find a consensual solution to overcome financial distress on the basis of a fair sharing of the burden among different stakeholders and with a view to protecting the going-concern values of the debtor enterprise are undoubtedly an invention of recent times.

Markets, it is now clear, are more easily able than political institutions to reconcile the divergent interests of lenders and borrowers.

In the current environment, there are two archetypical formats for conducting debt restructurings. One being a rather formal and judicially-controlled one and the other being more informal with no or limited influence of an insolvency court. The informal process for restructuring the financial obligations of a troubled company, usually known as a “workout,” was first developed on a systematic basis more than twenty years ago in England, under the auspices of the Bank of England and it came to be known as the “London Approach.” Since then, informal, out-of-court debt restructurings have gradually spread and are used in a considerable number of jurisdictions all over the world, particularly in cases where a financial and economic crisis is present. By formulating legal solutions adaptable to new conditions and circumstances, these “workouts” serve to provide new dimensions to the international legal financial regime.

With all this in mind, a comprehensive, authoritative and multidisciplinary practitioner’s manual on debt restructurings on a global basis could not be more opportune. Consequently, I am sure that the entire Euromoney audience will undoubtedly celebrate the novelty of this book and be overjoyed with and, perhaps, enriched by this distinct, unique piece of work on one of hottest subjects now in the international financial arena.

December, 2004

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