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Sovereign Loan Creditor Committee Guide

The London Coalition – Non-Bond Working Group



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1. Overview and Context

1.1 Purpose of the Sovereign Loan Creditor Committee Guide and its relation to the London Coalition Non-Bond Working Group Implementation Guide to Restructuring Private Sector Sovereign Loans

The London Coalition Non-Bond Working Group ('NBWG') published its Implementation Guide to Restructuring Private Sector Sovereign Loans ('Implementation Guide') in April 2026. The Implementation Guide complements the Global Sovereign Debt Roundtable ('GSDR') Sovereign Debt Restructuring Playbook (see Annex I) and is written with high levels of generality for an audience well versed in sovereign financing and sovereign debt restructuring matters. It is primarily written as a guide for sovereign debtors to facilitate early engagement with non-bond creditors referred to as 'Lenders' in this Sovereign Loan Creditor Committee Guide ('LCC Guide') but also includes high level discussion of coordination mechanisms amongst non-bond creditors, including the formation of loan creditor committees ('LCCs').

This LCC Guide complements the Implementation Guide and is primarily aimed at commercial lenders of sovereign loans and other economic holders of exposures to a sovereign ('lending constituency').

This LCC Guide covers the benefits and purpose of an LCC; practical formation and governance issues and additional information related to material non-public information ('MNPI') and fees, costs and expenses.

1.2 Goal of the LCC Guide: to facilitate lender coordination and promote early engagement of lenders

The process for restructuring sovereign loans (within which LCCs – formerly referred to as London Clubs – formed an important component), were in use for many years and were largely successful in delivering positive restructuring outcomes. Traditional London Club restructurings have in the recent past, however, been largely overtaken by bond restructurings. Nevertheless, many sovereigns continue to have significant outstanding commercial loan exposures. Recent experience of debt restructuring shows a decline in LCCs and broader commercial lender coordination difficulties, resulting in later engagement of lenders in the debt restructuring process.

Later engagement extends the restructuring timeline to the detriment of the sovereign debtor and also disadvantages lenders in the following ways:

- no access to early information exchange;
- less ability to shape the restructuring outcome;
- reduced time to assimilate and engage with the implications of the relevant debt sustainability analysis including key parameters under any IMF-supported programme, the debt perimeter for debt treatment and relevant debt targets;
- reduced time to assimilate and engage with comparability of treatment requirements;
- inability to benefit from value recovery and other emerging commercial and legal features including most favoured creditor mechanisms;
- additional challenges in exchanging loans into restructured sovereign bonds, where such an option is contemplated;
- continued inclusion of the sovereign loan in a non-performing loan portfolio with delayed resumption of payments; and
- inability to provide banking services to the sovereign debtor and often also the country's central bank and public sector entities.



This LCC Guide forms part of a matrix of tools the London Coalition NBWG is developing, which, together with policy developments (discussed in Annex I), promote better coordination and early engagement of lenders in a sovereign debt restructuring. It is intended as a voluntary practice guide to facilitate the formation of LCCs, and support early engagement.

The LCC Guide is also intended to complement the IIF's Principles for Stable Capital Flows and Fair Debt Restructuring of the Institute of International Finance ('IIF') and the IIF's Best Practices for Investor Relations.

1.3 LCC Guide as a living document

The current sovereign restructuring process owes much of its success to its flexibility to evolve and to adapt to changing circumstances over time. Accordingly, this LCC Guide is subject to further refinement to reflect significant evolution of practice in this field.

Annex I sets out further overview and context.

2. The purpose of the LCC

The purpose of the LCC is primarily to bring together groups of lenders and the lending constituency and act as the interface – or point of contact – between the sovereign debtor (and its advisors) and the lender constituency. The LCC facilitates (i) the flow of information between the sovereign debtor and the lender constituency (subject to confidentiality requirements, material non-public information ('MNPI') and competition law considerations discussed in Section 8 below) and (ii) dialogue between the sovereign and lending constituency in relation to restructuring proposals being contemplated.

2.1 What is outside the scope of the LCC

Although the LCC's role is, among other things, to negotiate and make restructuring proposals, it cannot make binding decisions or revisions of contractual terms on behalf of lenders (see Section 5.4.3 below). Rather, each lender:

- conducts its own credit analysis; and
- decides independently whether to support any restructuring proposal.

The LCC would present any restructuring proposals to the affected lenders for their approval.

3. The benefits of LCCs

3.1 The benefits of LCCs for the debt restructuring process

The interests of all stakeholders, including commercial banks and other private sector lenders are better served through a co-ordinated approach with the sovereign debtor than through other alternative approaches, such as with each lender individually.

An LCC lets the sovereign debtor (and its advisors), and other stakeholders, communicate efficiently with the lending constituency and streamline negotiations of restructuring proposals being contemplated. This improved coordination should shorten restructuring timelines and support a more orderly and transparent process towards equitable restructuring outcomes.

3.2 The benefits of an LCC for the lending constituency

LCC membership is designed to give lenders the best practical ability to obtain relevant information early in a restructuring, gain insight into the likely key objectives of the sovereign debtor and other creditors



(official and private), and shape restructuring options best suited to the exposure of the members of the lending constituency.

LCC benefits include:

- more efficient dialogue with the sovereign debtor and its advisers;
- better and earlier access to relevant information pertinent to the restructuring;
- improved coordination among lenders;
- more efficient engagement with other creditor groups;
- reduced risk of both fragmented negotiations and hold-out creditors; and
- ability to influence final restructuring terms.

4. LCC Formation

4.1 When is the LCC formed?

In practice, lenders typically form an LCC once a sovereign debtor is facing or likely to face debt distress that will require restructuring of its private sector loan obligations or at the sovereign debtor's request. Common triggers could include:

- the sovereign debtor entering or beginning discussions on an IMF-supported programme;
- the occurrence or anticipated occurrence of an "Event of Default" (including any cross-default or cross-acceleration event) as defined in any relevant debt instrument;
- a missed or imminent missed payment;
- a standstill request under one or more debt facilities;
- a public announcement by a sovereign debtor of its intentions to restructure external debt by way of a moratorium or otherwise; or
- a public announcement by a sovereign debtor of its intention to seek Paris Club or Common Framework debt treatment¹.

4.2 How is the LCC formed?

4.2.1 Request from the Sovereign Debtor

A sovereign debtor may invite lenders with a substantial portion of what is owed to form an LCC directly. Alternatively, a sovereign debtor may also encourage the formation of an LCC, for example, by inviting lenders to a meeting (including one convened or through the use of the good offices of the International Monetary Fund ('IMF')).

If lenders have clearly differentiated positions under different contracts, this may lead to the formation of sub-committees, or more than one committee of lenders. However, this approach may give rise to inefficiencies.

4.2.2 Upon the initiative of a lender or group of lenders or the sovereign advisor

Alternatively, where the sovereign debtor has announced a proposed debt treatment or a moratorium or defaulted on external indebtedness, lenders may initiate contact with the authorities of the sovereign

¹ The G20 Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative, the mechanism to provide low-income countries with orderly and coordinated debt restructurings, with broad official creditors' participation: https://clubdeparis.org/files/live/sites/clubdeparis/files/contributed/Images%20diverses/Common%20Framework/annex_common_framework_for_debt_treatments_beyond_the_dssi.pdf



debtor. Further where the sovereign debtor has appointed advisers, lenders may initiate contact with them to help in the formation of an LCC.

Given the advantages to all parties of committee formation, there are also instances in which it may be appropriate for an LCC to form without an express request from the sovereign debtor. In practice this typically happens when a sovereign debtor is known to be in financial distress and larger known lenders to the sovereign debtor initiate a dialogue on committee formation with a view to gathering information as to the proposed debt treatment timeline and process, and information required to evaluate potential restructuring terms for commercial lenders including information on debt sustainability and comparability of treatment. Encouraging this process will allow the sovereign debtor to realise the associated benefits of LCC formation.

4.3 LCC membership eligibility

Participants tend to be larger commercial lenders to the sovereign debtor, but any lender with relevant exposure may put itself forward for the LCC. A lender with more modest exposure, but with particular relevant sovereign debt restructuring experience or with working knowledge of a particular geographical group or type of lender that is significant in the cohort of lenders to the sovereign debtor, may also be valuable. This may also be particularly relevant where lenders are subject to country – specific regulatory, legal, operational or other relevant requirements, as practical experience from within the lender group can identify and address each requirement at an early stage.

Where a sovereign debtor has engaged financial and legal advisors to advise it in relation to a potential debt treatment, such advisors may also encourage the sovereign's commercial lenders to form an LCC.

4.4 Geographic representation and size of LCC

An LCC is most effective, where it is broadly representative of the different types of commercial lending institutions and the principal countries in which lenders with exposure to a particular sovereign debtor are based. In practice, however, for a highly geographically diverse group of lenders, the objective of broad representation needs to be balanced against the need to have a manageable and workable number of lenders on the LCC.

4.5 Changes in LCC Membership – resignation and new members

LCC membership is typically flexible. Members may resign voluntarily and new members may join with the consent of the committee. Where an institution has ceased to hold exposure to the sovereign debtor, it is generally expected to step down from the committee. This can happen, for example, after a Credit Event for credit default swap purposes, where loans are transferred to hedge providers through the settlement process. Where a member does not step down after ceasing to hold exposure, the LCC mandate (Section 5.3 below) should set out the mechanism - typically a committee vote - for requiring that member to resign.

5. LCC Organisation, Mandate and Governance

5.1 Appointment of Chair and Co-Chairs of the LCC

In almost all instances, a Chair is appointed or Co-Chairs are appointed from LCC members. In practice Chairs and Co-Chairs are often the largest, or one of the largest, lenders with known expertise in the lending market for the country in question. The sovereign debtor could ask an institution to take on the Chair role and this would be considered by the LCC. If the LCC accepts the suggestion from the sovereign debtor and the nominated institution is willing to take on the role then, subject to the approval of the LCC members, that institution will become the Chair.



5.2 Appointment of Legal and Financial Advisers

The LCC may appoint its own legal and financial advisers, in consultation with the LCC members. (See Section 7 in connection with Fees, Costs and Expenses.)

5.3 LCC Mandate

The LCC typically agrees a committee mandate, usually prepared by its legal advisers, covering (among other matters):

- measures to prevent the dissemination of price sensitive information or MNPI;
- committee procedures and decision-making;
- scope of work of any advisers the LCC mandates;
- fees, costs and expenses (including the timing and proposed manner of payment);
- exculpatory protection for committee members;
- coordination with the other lenders who are not LCC members; and
- coordination arrangements with the sovereign debtor and its advisers, the IMF, the World Bank, the Paris Club Secretariat, the Official Creditor Committee ('OCC') and other creditors and stakeholders relevant to the potential debt treatment.

5.4 LCC Meetings and Decision-making

5.4.1 Procedures relating to meetings and calls

The Chair/Co-Chair generally lead the coordination of meetings. The LCC generally conducts its engagement through meetings, which may be in person meetings, conference calls or video meetings and the formality of meeting procedures varies case by case. In some cases, LCC members will simply agree to consult with each other on a reasonably regular basis (effectively as required by the circumstances). In other instances, a more structured approach is used (e.g. weekly calls or meetings unless it is agreed that these are not necessary). Another approach is not to address the issue expressly, so that in practice, the decision to convene meetings or calls is made by the Chair or Co-Chairs or at the request of the LCC members themselves.

5.4.2 Role of agents

In the event an agent (administrative agent or facility agent or similar) is representing a number of banks in a syndicate on a LCC committee, it is responsible to ensure effective communication between the lending syndicate and LCC and coordinate votes of the syndicate members in accordance with their respective inter-creditor arrangements.

5.4.3 Decision-making

The LCC does not operate as a decision-making body with authority over its members but primarily as a coordinating body and an advocacy body reflecting a consensual lender position as it relates to the sovereign debtor and other stakeholders in the proposed debt treatment of the loans of the LCC members. The LCC has no authority to bind its members. Typically, decisions are made by consensus among the LCC members without a formal voting mechanism. Consensus is reached when there is broad support and no strong opposition to a specific decision.

5.5 No Liability for Chair, Co-Chairs and LCC Members

Common exculpatory provisions typically provided in favour of the Chair, Co-Chair (if applicable) and LCC members seek to exclude fiduciary or representative duties to the extent permitted by applicable law. The definitive restructuring documentation often includes these provisions.



6. LCC and External engagements

The LCC will engage with the sovereign debtor and its advisers, the IMF and if relevant, the World Bank, the Paris Club Secretariat, the OCC (including through any co-chairs) and, where appropriate, other creditor groups and stakeholders. The purpose, timing and nature of these interactions will depend on the stage of the restructuring.

6.1 Interactions with the Sovereign Debtor

The LCC is likely to engage most frequently with the sovereign debtor and its advisers. Engagement should begin as early as practicable and continue throughout the restructuring process.

The objectives of these interactions are, among other things, to:

- reconcile creditor claims;
- obtain key information particularly of the type referred to in Section 8 of the Implementation Guide;
- formulate and negotiate restructuring terms; and
- understand the compatibility of such restructuring terms with the DSA and relevant debt targets as well as with comparability of treatment requirements.

Engagement will typically take place through the LCC's legal and financial advisers, supported by meetings, information requests and the exchange of restructuring proposals described elsewhere in this LCC Guide.

6.2 Interactions with the Official Sector

The LCC should engage with the Official Sector, including the IMF, the World Bank (where relevant), the Paris Club Secretariat and the OCC (including through any co-chairs), throughout the restructuring process.

Engagement should begin as early as practicable once an IMF-supported programme or sovereign debt restructuring is contemplated and should continue throughout the restructuring. In practice, in recent cases involving the Common Framework (or Paris Club restructuring), official bilateral creditors will often reach agreement with the sovereign debtor before private creditors. However, the LCC should seek to engage with the sovereign debtor, Paris Club Secretariat and the OCC earlier, as early dialogue can facilitate information sharing, identify key restructuring constraints and enable parallel progress where appropriate.

Early engagement enables the LCC to understand the macroeconomic framework and related parameters, the DSA, the perimeter for debt treatment and debt targets agreed in the IMF-supported programme as well as the restructuring assumptions that are likely to shape negotiations with both official and private creditors. It also helps the LCC understand the expected approach to comparability of treatment and the sequencing of the restructuring process.

Engagement will typically take place through meetings and technical discussions involving the LCC, the sovereign debtor and respective advisers and, where appropriate, the IMF, the World Bank and official bilateral creditors. Discussions should focus on understanding the DSA, programme assumptions, restructuring timetable, financing assurances, comparability of treatment and other matters relevant to the restructuring, recognising that the IMF and Official Sector do not negotiate commercial terms on behalf of the sovereign debtor or private creditors. Such engagement should be coordinated through the LCC and remain consistent with applicable confidentiality and legal requirements.



6.3 Interactions with other creditor groups

Where appropriate, the LCC may engage with other creditor groups to exchange information, understand the treatment of different creditor classes and identify issues that may affect the restructuring process. Such further engagement should also be coordinated through the LCC and remain consistent with applicable confidentiality and legal requirements.

7. Fees, Costs and Expenses

7.1 Accrual of fees, costs and expenses

Negotiations between the LCC, the sovereign debtor and respective advisers will result in the accrual of fees by any legal, financial and other advisers appointed by the LCC as well as accrual of other fees, costs and expenses in connection with the establishment of the LCC and participation in the LCC. Where LCC membership requires significant work, LCC members may also seek payment of work fees for committee service. LCC members may also incur travel, accommodation and other out of pocket expenses.

7.2 Claiming of fees, costs and expenses

Most loan agreements contain specific costs and expenses covenants and indemnities from the sovereign debtor that typically apply in a sovereign debt restructuring and the sovereign debtor continues to be responsible for the payment of such costs and expenses. Early on, the LCC should engage with the sovereign debtor and its advisers as to the LCC's expectation that the sovereign debtor will cover the LCC's fees, costs and expenses described in Section 7.1 and in the underlying loan agreements either as a separate arrangement, or pursuant to each lender's ability to claim such amounts under its underlying loan agreement(s).

8. MNPI

Often the issue of confidentiality will have been addressed in the underlying debt contracts of LCC members, and those provisions will need to be considered in conjunction with any new provisions arising from LCC formation. In the conduct of its work interfacing with the sovereign debtor, LCC members are virtually certain to encounter MNPI, which in this context broadly means unpublished price-sensitive information which, if it were known to the public, would be likely to influence the price of publicly traded debt securities issued by the sovereign debtor.

8.1 Mechanisms to deal with MNPI

One efficient mechanism used in practice involves the advisers to the sovereign debtor and the advisers to the LCC together agreeing a process for: (i) identifying MNPI; and (ii) how most appropriately to share any such MNPI. The two sets of advisers of the sovereign debtor and the LCC also agree to discuss the nature of any information before sharing it, guarding against inadvertent disclosure of MNPI. To avoid MNPI being passed on at key junctures to LCC members, the advisers to the LCC could receive MNPI. In circumstances where confidential information or MNPI is to be received by LCC members, it is likely that separate confidentiality undertakings or non-disclosure agreements ('NDAs') would need to be signed by LCC members. These may need to reflect internal institutional requirements associated with the precise wording of NDAs.

LCC members may be asked to provide consent to receiving MNPI, in which case they will be restricted from trading the sovereign debtor's bonds until the MNPI becomes public. Accordingly, lenders normally insist that the sovereign debtor agrees to make the MNPI public after a short pre-agreed period, at which point they may resume trading.



8.1.1 Information shared with the LCC by LCC members as to their underlying loans is generally aggregated and anonymised, rather than disclosing individual creditor exposure. Similarly, specific financial terms of any one loan instrument (e.g. pricing terms) are also not generally shared within the LCC. Use can also be made of any financial and legal advisers appointed by the LCC on a confidential basis to assess any proposals made by the sovereign debtor and its own advisers in due course.

8.1.2 Where an LCC member has received confidential information prior to LCC formation, for example under short term trade facilities which are not part of the contemplated restructuring, any such LCC member may be unable to share that information within the LCC. Similarly, an LCC member may not be able to share precise confidential information relating to an individual loan that it received solely in its capacity as a lender under that loan. In all cases, information exchanged must comply with applicable laws, including competition laws and should reflect appropriate transparency considerations.

8.1.3 In some instances, lenders will determine that irrespective of the limited information to be shared with other LCC members, in view of applicable bank secrecy laws and confidentiality provisions in underlying loan agreements, that they may wish the sovereign debtor to acknowledge their participation in the LCC in a suitable manner, notwithstanding the rights of lenders to the enforcement of, or preservation of any rights, under any underlying loan agreements. The expectation is that, as reflected in the Implementation Guide, the sovereign debtor will support the establishment of an LCC and respond accordingly.



Annex I – Other related issues

1. Further Overview and Context

1.1 No Sovereign Insolvency or Bankruptcy regime

Unlike commercial restructurings that are guided by national bankruptcy regimes, there is no insolvency or bankruptcy regime applicable to sovereign debtors pursuant to which an orderly reorganisation of the financial claims of a sovereign debtor can be achieved.² Rather, sovereign debt restructurings follow norms and processes of the Paris Club or the Common Framework (for low-income countries). The sovereign debt restructuring architecture works most efficiently when creditor groups can set up representative bodies to engage on behalf of the larger creditor groups they represent early in the debt restructuring process. On the official sector side this occurs through the Paris Club process or the Official Creditor Committee in the context of the Common Framework.

Meanwhile, bondholders have become effective at forming representative bondholder committees to engage early on behalf of the larger bond creditor base in recent restructurings. As a result, these bond creditors are able to obtain information and influence the restructuring outcome. Non-bond creditors, in particular lenders, have fallen out of the habit of forming committees since the “London Club” era. Where no committee exists, it is much harder for the sovereign debtor and its advisors to share information with each lender individually. Where there is no representative committee of lenders, such lenders also lose any opportunity to influence the restructuring outcome early in the process. Earlier engagement of non-bond creditors will benefit both lenders and the sovereign debtor and improve the debt restructuring process as a whole. This LCC Guide seeks to ensure that banks and other members of the lending constituency understand the benefits of forming an LCC, how a committee is formed and how to join; its mandate and governance and various additional issues that arise in a committee structure.

1.2 The International Monetary Fund

The IMF plays a primary role in sovereign debt restructurings in working with the debtor to craft its economic program, to determine the debtor’s debt service capacity and, in most cases, is an important source of financing. The IMF’s lending policies, monitoring of the debtor’s performance and technical advice are all important to create the confidence necessary to secure support from other creditors.

Moreover, the IMF’s debt sustainability assessment frameworks inform IMF programme design with respect to debt, including any thresholds, targets and/or other borrowing limitations. These, in turn, guide a sovereign debtor’s debt restructuring parameters and other criteria.

1.3 Official Sector Debt – Paris Club, the Common Framework and Comparability of Treatment

In relation to official sector debt, the Paris Club plays a key role and its practices continue to evolve in response to developments, including recently in conjunction with the initiatives adopted following the Covid-19 pandemic and the Common Framework which followed. For low income countries (‘LICs’), the Common Framework structure is now the main operative approach to restructuring of official sector claims and it builds on previously existing Paris Club norms, save that there is G20 coordination on debt matters because the official sector is represented not solely through the Paris Club but also through G20 official bilateral creditors that are not Paris Club members (e.g. China, India, Saudi Arabia and Turkey).

Restructurings outside of the Common Framework since its establishment include those for Sri Lanka and Suriname which followed Paris Club norms. The former made use of an Official Creditor Committees in which Paris Club member countries with relevant exposure were invited to join together with other official

² It being noted that some SOEs may be eligible to benefit from local or sovereign insolvency laws or procedures (including US and English processes, such as an English scheme of arrangement or a US recognition of a sovereign insolvency proceeding under chapter 15 of the US Bankruptcy Code).



bilateral creditors, in the latter restructuring the Paris Club and other official bilateral creditors acted independently.

Under such Common Framework and Paris Club restructurings:

1. a debtor country requests debt treatment;
2. that country must have an agreed IMF-supported programme (e.g. an Extended Credit Facility);
3. a joint IMF-World Bank Group DSA (Low-Income Country Debt Sustainability Framework) or an IMF DSA (for so called market access countries) needs to be conducted ('DSA');
4. the DSA identifies the needed debt relief;
5. an OCC is formed;
6. debt relief is negotiated with official bilateral creditors; and
7. the debtor country must seek comparable treatment from other creditors, including private sector creditors (which requires the debtor country to obtain from all other official bilateral and private creditors, a debt treatment at least as favourable as that agreed under the Common Framework or through the Paris Club).

In this context, it is worth reiterating that debt relief does not need to be negotiated with official bilateral creditors before it is negotiated with private creditors, although this has been the norm since the Common Framework was launched in late 2020 provided that it complies with the comparability of treatment requirements. The GSDR (described in Section 1.4 below) has worked on improving restructuring processes including with a view to accelerating the restructuring of non-bond private sector debt.

1.4 The Global Sovereign Debt Roundtable

In response to concerns associated with the speed and sequencing of sovereign debt restructurings occurring under the Common Framework, the IMF, the World Bank and the G20 Presidency established the GSDR, which brings together key stakeholders to address debt sustainability and restructuring challenges with a view to improve the efficiency and predictability of sovereign restructurings outside of any specific country case.

GSDR meetings are co-chaired by the IMF, the World Bank and the current holder of the G20 Presidency. Debtor nations, official bilateral creditors (Paris Club members and other official bilateral creditors), private creditors and the International Financial Institutions are all participants. The GSDR seeks to address challenges associated with sovereign debt restructurings under the Common Framework. It has also published its Sovereign Debt Restructuring Playbook (see Section 1.1 on page 3) as part of its work which the Implementation Guide and this Sovereign Loan Creditor Committee Guide complement. One objective is to facilitate timely restructuring of commercial bank loans (and other private sector non-bond debt) and to address the fact that the non-bond private sector debt process has been lengthy and occurred more slowly than the corresponding process for sovereign bonds and often only after sovereign bonds have been restructured.

1.5 Debt Reconciliation

Accurate information on outstanding debt is essential for restructuring discussions and for the IMF's applicable DSA. The approach to agreeing applicable debt claims in the sovereign debt field is bespoke and so some general background comments concerning debt reconciliation in the sovereign field are warranted. Debt reconciliation is typically conducted bilaterally between each creditor and the sovereign debtor.

In practice:

- lenders agree their debt claims directly with the sovereign debtor;
- often the sovereign debtor's financial advisers will be involved in debt reconciliation matters;



- where there are syndicated loan claims, the facility agent(s) acting on behalf of the relevant lender groups will also typically be involved; and
- in complex cases where there are concerns over the heritage or integrity of claims, the sovereign debtor may appoint a reconciliation agent, often a large accountancy firm.

As stated in Section 8.1.1 above, information shared within the LCC is generally aggregated and anonymised, rather than disclosing individual creditor exposures and specific financial terms of any one loan instrument (e.g. pricing terms) are also not generally shared within the LCC.

1.6 Debtor Convened Meetings including the use of the IMF's Good Offices

In this overall context, where an LCC has not been formed rapidly, the sovereign debtor could invite lenders to a meeting (including one convened through using the good offices of the IMF).

The sovereign debtor may also consider reaching out to global associations of financial institutions, in particular the IIF, to support outreach, information sharing and coordination among creditors more broadly.

Where an LCC has been formed, the sovereign debtor could invite the Chair and LCC members to any meeting convened (including using the good offices of the IMF) to facilitate the conduct of the sovereign debtor's restructuring arrangements. In such meetings potential gains from this process include:

- early clarity on process and anticipated restructuring timelines;
- early clarity on timing of official sector financing assurances;
- early clarity, to the extent permitted under relevant information sharing policies, on key parameters under the IMF-supported programme including type of debt to be restructured;
- early and improved information sharing across creditor groups; and
- reduced delays.

2. Other LCC Related Matters

2.1 Sharing Roles and Responsibilities with the LCC

As between themselves, individual LCC members will often in practice take on roles for interfacing with a particular constituency (e.g. type of lender or lenders based in a particular region). That should promote efficiency where different languages are involved or where particular types of financing (such as Islamic Financing arrangements) are relevant.

2.2 Does a Committee always have to be formed?

As noted in the Implementation Guide, there are unusual instances in which there may be little to be gained from forming an LCC, for example where there are only a very small number of lenders (e.g. three). In these cases, bilateral or club-style discussions may be more efficient. However, in the overwhelming majority of cases, there are mutual benefits for all participants in LCC formation.

2.3 Engagement with Domestic debt holders

As a general matter, the development of domestic debt markets has been encouraged in official sector circles for many years and, as these markets mature, there may be circumstances where a sovereign debt restructuring is necessary, that a domestic debt restructuring of private sector claims may be contemplated. In such circumstances, it may be appropriate for there to be engagement between the LCC and any committee of such domestic debt holders. Comparability of treatment evaluations (which tend to focus on external debt) may differ in the context of any domestic debt restructuring.



For the sovereign debtor, many additional elements will need to be considered in connection with domestic debt restructurings, including:

- evaluation of: the risk of negative feedback channels especially with respect to the domestic banking, insurance and pension sectors; the extent to which the domestic banking sector may transmit shocks into the rest of the domestic economy; and existing capitalisation levels in the domestic banking, insurance and pension sectors;
- the holdings by external creditors;
- the desirability of: safeguarding these sectors and evaluation of any associated costs, including of a potential financial sector stabilisation fund; and identifying any gaps in crisis management and bank resolution frameworks; and
- reviewing applicable mark to market and holding to maturity accounting rules and their potential impact on the accounting and regulatory impact of any domestic debt restructuring.

Any decision to seek to proceed with a domestic debt restructuring will therefore in practice be surrounded by complex evaluations and trade-offs for the sovereign debtor.

Commercial lenders will request some information as to the perimeter of the debt to be treated.

For more information, please contact
team@ssdh.net



ssdh.net/london-coalition