
The London Coalition

Implementation Guide to restructuring Private Sector Sovereign Loans to complement the Global Sovereign Debt Roundtable ('GSDR') Sovereign Debt Restructuring Playbook¹

In its 4th Cochairs Report, the GSDR noted that (as compared with debt in the form of bonds) the restructuring of non-bond commercial debt (typically, held by commercial banks), can be lengthy. GSDR participants therefore began to explore ways to facilitate earlier restructuring of non-bond commercial debt, and this resulted in discussions with the London Coalition with a view to identifying how sovereign debtors could organize earlier the non-bond commercial debt restructuring process.

This is a non-binding document published by the London Coalition² to facilitate timely restructuring of commercial bank loans (and other non-bond commercial debt) and is not seeking to constrain how debtor countries and commercial loan lenders and others seek to restructure commercial loans (and other non-bond commercial debt) but rather to provide some general guidance based on input from market participants. Whilst it is understood that each country debt restructuring may differ case to case, it is anticipated that the actions described below will improve efficiency, access to relevant information, co-ordination across creditor groups and reduce hold-out creditor risk.³

SECTION A: SOVEREIGN DEBTOR ACTION

1. **Initial Steps.** The Sovereign Debtor should promptly contact its commercial bank and other private sector lenders⁴, including lenders to state owned enterprise ("**SOEs**") with sovereign guarantees or lenders to SOEs expected to form part of the sovereign debt restructuring (together "**lenders**") to explain that, having regard to the economic situation, it has decided to restructure its debt⁵ and, if applicable, that it intends to seek an IMF- supported program. The Sovereign Debtor should also state that it wishes to commence a process of continuous information sharing and engagement with its lenders. It is expected that this process will run in parallel with holders of any sovereign bonds ("**bondholders**"). Engagement with lenders could usefully build upon any investor relations program the Sovereign Debtor may have in place.⁶ As an initial step with lenders the Sovereign Debtor should invite each such lender to participate in reaching reconciled debt positions on a loan-by-loan basis and invite them to participate in any potential early meeting organised as part of the IMF's good offices. It is expected that the Sovereign Debtor will appoint external legal and financial advisers with proven restructuring experience at an early stage.

¹ <https://www.imf.org/en/-/media/files/about/faq/gsdr/042325-gsdr-restructuring-playbook.pdf>

² The London Coalition on Sustainable Sovereign Debt was launched by the UK Chancellor in February 2025. Information about the London Coalition is available [here](#).

³ This document will be updated to address any relevant matters arising in the context of sovereign debt restructuring and any evolving market practice from time to time.

⁴ It is assumed that loans here would, consistent with common practice, exclude short-term (less than 1 year) loans and short-term trade debt. Where a lender of record has used risk amelioration techniques, references to lenders also extends to those who are taking economic risk on the applicable loan.

⁵ This matches the approach in the [GSDR Playbook](#).

⁶ In this regard, see [IIF Best Practices for Investor Relations](#) (as updated from time to time).

2. **Use of Committee Structure.** The restructuring of commercial bank loans should benefit from the formation of a Loan Creditor Committee ("**LCC**") and the application of the elements described herein which should provide efficiency. Accordingly, other than in unusual circumstances⁷, the Sovereign Debtor should invite its lenders to form a LCC representing nonbond commercial debt and should engage with such a LCC. Where the lenders have clearly differentiated positions under different contracts, although less efficient, it may be appropriate to request the formation of one or more committees of lenders or sub-committees or to address them bilaterally. In all instances information flows should be subject to appropriate confidentiality frameworks and to the extent the LCC raises other process matters, the Sovereign Debtor should be responsive to such requests, for example, if borrower consents are required to enable information sharing or engagement among lenders and other creditors. Arrangements will need to be put in place to prevent the dissemination of material non-public information ("**MNPI**"), recognising some lenders will adopt either public or private side positions akin to a bondholder committee, such arrangements may include entering into nondisclosure agreements with lenders and their advisers, where necessary.
3. **Good Offices of the IMF.** 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 circumstances where a LCC has not been formed rapidly, the Sovereign Debtor could invite lenders themselves to any such meeting using the good offices of the IMF. The Sovereign Debtor may also consider reaching out to global associations of financial institutions, in particular the Institute of International Finance ("**IIF**"), to support outreach, information-sharing, and coordination among commercial loan lenders.
4. **Detailed Debt Reconciliation**⁸. The Sovereign Debtor should, as well as working with the IMF and World Bank on determining its public and publicly-guaranteed debt, invite the LCC to make practical suggestions for reaching reconciled debt positions as between the Sovereign Debtor and affected lenders (including as to principal amounts, contractual (non-default) interest amounts and, if applicable, default interest and any other amounts outstanding in accordance with the underlying loan agreements). This process should be conducted, where applicable, in conjunction with facility agents or similar under syndicated loans.
5. **Partial ECA and other cover.** The Official Creditor Committee ("**OCC**"), the LCC and the Sovereign Debtor should consider the position of lenders in relation to non ECA backed portions in partially backed ECA loans, with a view to identifying those lenders whose claims would be dealt with as commercial claims. There are different practices across different country ECAs. Whilst some ECAs have contractual provisions (through insurance or guarantee type arrangements) under which any unguaranteed or uninsured portions of ECA backed loans are in practice dealt with through the Paris Club or OCC, for example in the case of debt treatments under the Common Framework, other ECAs effectively take the opposite position and require any unguaranteed or uninsured portions of ECA backed loans to be dealt with as commercial debt. Identifying any such lenders early in the process will enable their views to be considered and thereby increase the prospects of participation in a debt restructuring process. Where there are any similarly partially backed

⁷ For example, where there are only a very small number (e.g. three) lenders.

⁸ Reconciling debt claims under loan agreements can take considerable time and slow down the debt restructuring process. Please see the [GSDR Fifth Cochairs Progress Report](#). It is therefore generally advisable to front load the detailed debt reconciliation process and, if necessary, continue to run it in parallel with other issues.

development finance institution ("**DFI**") or multilateral development bank ("**MDB**") loans, this process should be extended to any non DFI backed portions or non MDB backed portions of those loans.

6. **Points of Contact.** As part of the process of the Sovereign Debtor agreeing to attend meetings and to engage the LCC should be given agreed points of contact (and contact details) for the IMF mission chief, the Co-Chairs of any OCC formed by official bilateral creditors, responsible Paris Club Secretariat officials and the Chair(s) of any other applicable creditor groups. Regular interaction and co-ordination between the LCC and other stakeholders, such as the IMF mission chief, the Co-Chairs of any OCC formed by official bilateral creditors, responsible Paris Club Secretariat officials and the Chair(s) of any other applicable creditor groups should facilitate the necessary restructuring process. The Sovereign Debtor should facilitate these interactions when relevant, by addressing a request to the relevant stakeholders, subject to their respective policy frameworks.
7. **Co-ordination with any Bondholder Committee.** The expectation is that the LCC would also co-ordinate with any bondholder committee.
8. **Financial and Other Information.** Engagement between the Sovereign Debtor and the LCC should include discussions on all matters of relevance to each party, including without limitation, the following (it being understood that in sharing information, the Sovereign Debtor would need to respect applicable confidentiality and related provisions, would be subject to IMF and World Bank legal and policy frameworks and may also be subject to legal or capacity constraints):
 - i. the country's public debt broken down into private creditors; official bilateral creditors; and multilateral institutions (relevant information would be further broken down into applicable sub-categories, e.g. OCC/non OCC, bonds/non bonds, synthetic sovereign exposures through derivatives, secured/unsecured, domestic/external debt, central government/SOEs; and information on the borrower, purpose of the debt, currency, outstanding amounts, repayment profile, description of any supporting collateral arrangements);
 - ii. the Sovereign Debtor's preferred mechanism for restructuring its debt with other creditor groups (e.g. Common Framework for official bilateral creditors and any concepts that will guide the Sovereign Debtor's approach to the restructuring process, for instance, fair burden sharing);
 - iii. key elements of the IMF's Sovereign Risk and Debt Sustainability Analysis for Market Access Countries or, if applicable, the joint IMF/World Bank Debt Sustainability Framework for Low-Income Countries (the "**DSA**") (including the restructuring envelope emanating from the DSA), as early as possible;
 - iv. additional significant elements used in the DSA resulting from Sovereign Debtor determinations and debtor-creditors negotiations (including debt consolidation date, debt perimeter (including details on proposed treatment of SOE loans), gross financing needs, identified financing gaps, debt targets, and assumed levels of ongoing financing from creditors enjoying preferred creditor status;
 - v. comparability of treatment expectations;
 - vi. proposed financial terms for debt treatment of lenders' claims, including information on compatibility with the DSA and comparability of treatment;
 - vii. outline financial terms proposed to any other group of creditors; and
 - viii. agreements in principle, any memorandum of understanding or other outline agreements reached with any other group of creditors.

The earlier such information is shared the greater is the prospect of a successful resolution through a restructuring process. Given their importance in shaping the economic outcome, this is particularly the case for the IMF's Sovereign Risk and Debt Sustainability Analysis for Market Access Countries or, if applicable, the joint IMF/World Bank Debt Sustainability Framework for low-income countries and their key elements.

9. **Publication of Relevant Information.** The Sovereign Debtor should use technology (such as the website of the Ministry of Finance or Central Bank) appropriately to disclose information publicly from time to time, in addition to information made public by the IMF, recognising the differing needs of public- and private-side creditors and LCC members and non-members. The debt restructuring process is likely to be best served with a bias towards publication of relevant information.
10. **Updating Information.** The financial and other information provided by the Sovereign Debtor should be updated as the situation evolves within reasonably prompt timeframes and in parallel with all relevant stakeholders, including on matters of importance under the IMF-supported program, for example, (following creditor consent) financing assurances from official bilateral creditors and key benchmarks under the IMF-supported program.
11. **Interface with other Stakeholders.** Where the LCC requests the attendance of the IMF, the OCC, the Paris Club (or respective Secretariats) or other creditor group representatives, the Sovereign Debtor should use reasonable endeavours to ensure appropriate participation.
12. **Methodology for Comparability.** The Sovereign Debtor should facilitate discussions in connection with methodologies used for the purposes of measuring comparability of treatment provisions and, if applicable, associated claw back clauses. It should require its financial advisors to provide relevant analysis as to the OCC's comparability of treatment and application to the loans being proposed for debt treatment as well as compatibility of such debt treatment with the DSA and any debt targets agreed between the IMF and the Sovereign Debtor.
13. **Timely Analysis by Official Creditors.** Any proposed treatment of non-bond debt is expected to be analysed in a timely manner by the Paris Club Secretariat and/or, if applicable, the Secretariat to the OCC with respect to comparability of treatment considerations and by IMF officials with respect to program parameters and the DSA. The Sovereign Debtor should share this information with the LCC promptly once available.
14. **Restructurings of Bonds/Loans.** In circumstances where holders of one component of the private sector debt stock (e.g. internationally traded sovereign bonds to be exchanged into new sovereign bonds) are offered features which could increase recovery values, due consideration should be given to holders of other components of the private sector debt stock, such as loans, also benefiting from corresponding features. Similarly, if clauses of a legal nature are being contemplated (such as most favoured creditor or loss reinstatement clauses) information on such provisions should be shared with the LCC. In instances where any such contractual clause would give rise to any unintended consequences, the Sovereign Debtor and the LCC could develop an equitable alternative without such unintended features which provides a comparable economic outcome. Where any lenders have so requested, the Sovereign Debtor should consider any requests from lenders to exchange their loans into any such new sovereign bonds.

15. **Sequencing.** Early, and to the extent possible, parallel engagement with all creditor groups would be highly beneficial. In terms of the sequencing of discussions and negotiations with respect to the non-bond commercial debt, the aim should be a parallel process as between the LCC and any bondholder committee.
16. **Good Faith.** Throughout, the Sovereign Debtor should be engaging with lenders in good faith, not least to meet the IMF's lending into arrears policy.
17. **IIF Principles.** The Sovereign Debtor should refer to the IIF's [Principles for Stable Capital Flows and Fair Debt Restructuring](#) which are a set of voluntary, market-based guidelines which aim to promote crisis prevention and to facilitate orderly restructurings for sovereign debtors and creditors. They provide useful guidance for restructuring discussions.

SECTION B: THE LCC PROCESS

18. **Chair Role.** The Sovereign Debtor may suggest that one of its significant lenders takes on the role of a Chair institution. However, the LCC itself may determine which of its members or third party advisors should act as the Chair(s) and, if applicable, Co-Chairs and whether to establish any sub-committees. Where more than one committee or sub-committee of lenders is formed as contemplated in section A2 above, this process should be adopted for each such committee or sub-committee of lenders.
19. **Mandate.** In conjunction with legal and/or financial advisers, the LCC should agree to a committee mandate dealing, among other things, with measures to prevent the dissemination of MNPI, fees, costs and expenses (including the timing and manner of payment), arrangements relating to the sharing of confidential information within the LCC, exculpatory protection for the Chair institution and other LCC members and co-ordination arrangements with other lenders who are not LCC members ("**non LCC members**") as well as the IMF, Paris Club Secretariat (on behalf of the OCC) and the Sovereign Debtor.
20. **LCC Role: No Plenipotentiary Power.** The LCC would act as the interface between the LCC and the Sovereign Debtor in terms of facilitating the flow of information and seeking to maintain and facilitate dialogue in relation to restructuring proposals that are in contemplation. It is not the role of the LCC to make commercial decisions on behalf of lenders in the LCC or otherwise. Further, it is understood that the LCC would not have the ability to revise contractual terms or to bind its members or other lenders and any restructuring transaction would be presented to LCC members and any other lenders for their approval in respect of each individual claim. The advisers should agree non-disclosure agreements with the Sovereign Debtor to facilitate early discussions in the first instance and subsequently agree non-disclosure agreements between any LCC members and the Sovereign Debtor that may be needed.
21. **Legal and Financial Advisers.** The expectation is that an international law firm would be appointed to act on behalf of the LCC and its scope of work determined by the LCC and the Chair/LCC would also draw in other expertise (e.g. financial advisers) as needed. The LCC should raise with the Sovereign Debtor the coverage of fees, costs and expenses.

22. **Economic Holders.** Where lenders of record have entered into risk amelioration arrangements, there should be discussions between the applicable lender of record and the risk amelioration provider with a view to determining which of them could participate in the LCC and, where applicable, the LCC should be requested to bring into its membership any such economic risk takers as soon as practicable.
23. **Design of Restructuring.** In order to facilitate the acceptance of any restructured terms, the LCC would be given an early opportunity to provide input on the design of restructuring strategies and the design of individual instruments. For these purposes it would be helpful to consider the views of non LCC members.
24. **Develop Capacity.** Lenders that have, or expect to have, significant exposure to sovereign risk could further develop specific groups of personnel with the capacity to act knowledgeably and effectively as organisers and members of LCCs and to assist in the coordination of various creditor groups.

SECTION C: OTHER MATTERS

25. **What happens if no LCC is formed.** If, for whatever reason, no LCC is formed rapidly, as mentioned in section A3 above, the Sovereign Debtor should give serious consideration to inviting lenders to a meeting including using the good offices of the IMF with a view to facilitating the conduct of the Sovereign Debtor's restructuring arrangements.
26. **No LCC: Information to Lenders.** At all times whilst there is no LCC, the Sovereign Debtor should strive to engage and ensure a process of continuous information sharing with its lenders on a bilateral basis in relation to all matters referred to in Section A above as if all references to the LCC were instead references to its lenders on a bilateral basis. In accordance with A15 above the aim should be that the process with lenders bilaterally and the corresponding process with any bondholder committee should be conducted in parallel. It should also occur with the economic risk takers on loans. In all instances information flows should be subject to appropriate confidentiality frameworks.
27. **Loans with credit protection from an International Financial Institution.** Where a lender has a loan with credit protection from an international financial institution, multilateral insurer or multilateral development bank, attendance or participation by such lender in any of the processes contemplated in this Implementation Guide shall not, in respect of that loan, prejudice in any way, or be deemed to be a waiver in any way of the preferred creditor status enjoyed by such credit protection provider.
28. **Loan Provisions.** Certain contractual provisions in loans such as yank the bank and snooze you lose may be helpful in the implementation of restructuring arrangements.