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Secondary Market in LDC Debts (LDC or Least Developed Countries)

The secondary market in LDC debts is a market were banks or individual creditors sell their debts papers or loans on sovereign borrowers to any purchaser, mostly at a substantial discount from face value.

The secondary market began its life during the 1983-85 period. Sellers were at first hesitant and often secretive about their intention to sell. By the end of the 80's the market was measured in the billions of dollars. Selling pressure and other factors produced steep discounts on the credits of many countries. Some participant banks boasted openly of their intentions to shed at first opportunity the LDC debt in order to safeguard their stock prices.[1]

Actors on this Secondary Market are first of all the Sovereign borrowers or debtors. These are Least developed countries who need to get loans. Consequently you have the Banks as actors, through whom loans are arranged. Also individual creditors or individual exporters are active on this Market when their commercial export have not been paid. Funds who group or purchase sovereign debts have emerged as these funds offered solution to overdue debts. Of course the Debt collection agencies, which are mandated by the above-mentioned actors to try and solve the debts, have been very active in this market.

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[1] BUCHHEIT, Lee C., Moral hazard and other delights, *IFLR*, April 1991, p. 10-11