ORTUZ
LAWYER'S OFFICE

Sovereign Debts

A Sovereign debt is a debt instrument guaranteed by a government. When a national economy starts to default, due to different reasons (low oil prices, armed conflicts, embargos etc.) debts are not being paid anymore and solutions must be sought. As such a Sovereign debt market exists. Claim holders will start looking for payment, but the process is lengthy and expensive. ORTUZ is able to guide you amongst the different options a Claimholder has at its disposal.

The Sovereign debt market evolved from a trading business to a more legal business. At first creating a value from commercial documents was fairly easy and traders could see the potential. Hence, the Debt Collection Agencies and Hedge Funds interested in buying such claims. Nowadays, public structures of the sovereign debtors are more complex (SWF, PPP, investment companies, joint ventures etc. next to the normal State structure).

The legal framework to act against sovereign debtors is becoming more and more restricted due to new legislation and the so-called court imposed embargo. Injunctions against foreign sovereigns have come under criticism on comity and enforcement grounds. This discourages third parties from dealing with sovereigns. Injunctions against sovereigns are prone to spillover effects because they cannot reach the sovereign government.

Traders lack the vision to deal with these kinds of files. Good knowledge about creating an international valid entitlement through arbitration or litigation and consequent execution of such, is pertinent.