S.4747 (Hoylman-Sigal)/A.2970 (Fahy)

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BILL
S.4747 (Hoylman-Sigal)/A.2970 (Fahy)
SUBJECT
Sovereign Debt Recoverability
DATE
May 16, 2023
OPPOSE

The Business Council opposes S.4747 (Hoylman-Sigal) / A.2970 (Fahy) which enacts severe limitations on U.S. investors who hold foreign sovereign debt. If approved, this bill will destabilize the market at a time when the United States is grappling with increasing interest rates and ongoing debt limit negotiations.

Under this legislation, any U.S. investor in foreign sovereign debt shall only have the right to recover no more than what the U.S. federal government is willing to recover when it restructures its own debt claims held against a sovereign state. The bill would be effective immediately and retroactive to existing debt contracts, voiding agreed upon terms of existing contractual agreements between borrowers and creditors.

The sponsors indicate that the legislative intent is the "longstanding policy of the United States and the state of New York, as the world's leading financial center, to support orderly, collaborative and effective international debt relief for countries with unsustainable levels of debt." Yet, this legislation will undoubtedly raise the cost of borrowing by foreign sovereigns and corporations and make borrowing in New York expensive and unappealing, forcing sovereign states to seek financing from other competing nations. This bill will only add instability to international markets and also jeopardize the health and returns of U.S. pension funds that heavily invest in sovereign debt.

Further, there is no indication from the federal government that this is desired or required, and we urge caution in the state interfering with global financial markets

without significant and coordinated input from the U.S. Department of Treasury and the Biden Administration. This bill ignores progress that was made by the Obama Administration and the IMF when they worked to include clauses to encourage creditors to accept voluntary restructurings. As a result, private sector bondholders haven't blocked international sovereign debt restructurings in over a decade.

This bill will do the exact opposite of what it claims it will do; it will drive money from the U.S. market, destabilize international markets, force sovereign states into less favorable rates and contractual terms, and put the U.S. on unequal footing with international investors like China.

New York's reputation as a leading financial center will be lost if this bill is enacted. For these reasons, we oppose S.4747 (Hoylman-Sigal) / A.2970 (Fahy) and urge against its passage.

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