



Debt Buybacks

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Current Debt Buyback Activity

- **Focused on Brady Bonds**
- **Precursor: Mexican Aztec Bond of 1988**

Exchanges and Buybacks Of Emerging Debt, 1996-1999

Date	Country	Payment	Instrument bought back	Purpose	Comments
October 1999	Brazil	US\$2 bn Global bond due 2008	US\$ 2.9 billion DCB, C-bond, Pars, Discounts	Debt management	Successful, good support after issuance
October 1999	Philippines	US\$1 bn Global bond due 2024	US\$ 714 million Pars, DCBs, NMBs, FLIRBs	Debt management	
October 1999	Mexico	US\$425 mn Global bond due 2009	US\$ 292 million cash US\$ 525 million cash	Debt management	Repurchase of an existing issue with the proceeds of a sale
September 1999	Uruguay	US\$85 mn Global bond due 2027	US\$ 96 million Bradys	Debt management	
August 1999	Ukraine	DEM450 mn T-bill due 2001	Zero-coupon due 2000 Private placement reinvested	Crisis management	
May 1999	Brazil	BNDES Global bond	Corporate bonds	Liquidity enhancement	Transaction canceled due to lack of interest
May 1999	Argentina	US\$2.64 bn Bontes due 2004	US\$1.27 billion Bontes due 2001	Debt management	Only local debt was exchanged
April 1999	Brazil	US\$3 billion Global bond due 2004	US\$ 2 billion cash US\$ 1 billion IDUs, Els	Debt management	New bond trades poorly due to large size
September 1998	Ukraine	1-year T-bills	Defaulted debt	Crisis management	
July 1998	Russia	US\$6.6 billion Eurobonds due 2005 and 2018	US\$ 500 million cash US\$ 5.9 billion T-bills	Debt management	Disastrous, as T-bills default; Eurobond prices collapse
May 1998	Argentina	US\$ 685 million Global bond due 2027	US\$ 868 million Pars and Discounts	Debt management	Local transaction with pension fund managers
September 1997	Panama	US\$ 600 million Global bond due 2027	US\$ 100 million cash US\$ 700 million IRB, PDI, Pars, Discounts	Debt management	Transaction achieved only one year after Bradys were issued
September 1997	Venezuela	US\$ 4 billion Global bond due 2027	US\$ 4.4 billion Bradys	Debt management	New bond trades poorly due to large size
May 1997	Brazil	US\$ 3 billion Global bond due 2027	US\$ 750 cash US\$ 2.7 billion Bradys	Debt management	Additional US\$ 500 million 2027s issued 3/98
May 1997	Poland	-	US\$ 1.7 billion Bradys	Debt management	Straight buyback
April 1997	Ecuador	-	US\$ 250 million Bradys	Debt management	Straight buyback
September 1996	Philippines	US\$ 550 million Global bond due 2020	US\$ 690 billion Pars	Debt management	
May 1996	Mexico	US\$ 1.75 billion Global bond due 2026	US\$2.3 billion Pars and Discounts	Debt management	

Current Debt Buyback Activity

- **Bondholders want to exchange Bradys:**
 - **Simpler debt**
 - **Non-restructured obligations**
 - **Uncertainty about accessing the collateral**
- **Issuers want to buy back Bradys:**
 - **Eliminates stigma of Brady bonds**
 - **Reduces the stock of outstanding debt**
 - **Helps cash flow management by pushing amortizations and maturities into the future**
 - **Allows countries to reborrow collateral pledged**

Current Debt Buyback Activity

- **Spurred by a re-evaluation of the value of Brady collateral**
 - **Principal collateral not available until maturity, even in the event of default**
 - **Even if made available, it is non-marketable**
 - **Interest guarantees overestimated**

Current Debt Buyback Activity

- **Is accelerating the extinction of Brady bonds**
 - **Liquidity, the biggest selling point of Bradys, diminishes through buyback activity**

Current Debt Buyback Activity

- **Spurred by the closure of capital markets**
 - **Facing a lack of new money, rearranging cash flows and freeing collateral is the next best thing**

Future Debt Buyback Activity

- **Liquidity-enhancing Sovereign exchanges**
 - More efficient and liquid curves could facilitate issuance, especially in the EUR-denominated market
- **Corporate bond swaps**
 - BNDES issue was unsuccessful, but others may be coming

Argentina EUR-denominated curve

Currency	Maturity year	Coupon	Currency	Maturity year	Coupon
DEM	1999	7,00%	DEM	2005	7875%
ITL	1999	11,00%	DEM	2005	8,50%
NLG	1999	7.625%	ITL	2005	LIBOR+250
DEM	2000	9,25%	DEM	2006	11,25%
ITL	2000	8,00%	GBP	2007	10,00%
ATS	2001	9,00%	ITL	2007	10,00%
GBP	2001	11,50%	ITL	2007	10-7.625%
ITL	2001	13,25%	DEM	2008	11-8%
DEM	2002	10,50%	DEM	2008	14-9%
ESP	2002	7,50%	EURO	2008	8.125%
CHF	2003	7,00%	FRF	2008	10-8%
DEM	2003	10,25%	NLG	2008	10-8%
DEM	2003	9,00%	DEM	2009	8,00%
EURO	2003	8,75%	ITL	2009	10.375-8%
ITL	2003	11,00%	DEM	2010	8,00%-9,00%
ATS	2004	7,00%	EURO	2010	8,50%
DEM	2004	7,00%	DEM	2011	11,75%
ITL	2004	9-7%	DEM	2016	12,00%
ITL	2004	9,25-7%	DEM	2026	11,75%