

**Financial Times** **New York State**

## Argentina deposits \$832m to pay bonds



Axel Kicillof, Argentine economy minister © AFP

By Ed Stocker in Buenos Aires and **Vivianne Rodrigues** in New York JUNE 26 2014

---

Get ahead with daily markets updates. **[Join the FT's WhatsApp channel](#)**

Argentina has deposited \$832m to meet interest payments on restructured debt by a Monday deadline in its latest attempt to avoid a [second default](#) in less than 15 years.

Economy minister Axel Kicillof said on Thursday the government had proceeded with the payment, of which \$539m was deposited with the Bank of New York Mellon, the trustee for the disputed Argentine bonds, and the remainder with other financial intermediaries.

But the move placed the country at odds with a New York federal court order that prohibits Argentina from making payments on its restructured debt without also doing so on its defaulted debt to so-called holdout investors – who did not participate in the country's previous debt restructurings.

“This is a brazen step in violation of this court's orders and it warrants a swift and decisive response,” said NML Capital, the hedge fund leading the holdout creditors, in a letter to the court.

Mr Kicillof said that by making the deposits Argentina was showing its willingness to comply with the terms of its bond contracts.

“Complying with a ruling doesn’t exempt us from honouring our obligations,” the minister said at a press conference in Buenos Aires. “Argentina will meet its obligations, will pay its debt, will honour its promises.”

Any attempt to block the payment would violate the rights of investors who accepted the terms of Argentina’s two previous debt restructurings, Mr Kicillof said.

Buenos Aires has argued that it cannot meet the \$15bn payment it claims New York district judge Thomas Griesa’s ruling will generate, requesting a court “stay” on the decision while the right “conditions” for payments can be found.

The economy minister on Thursday urged the judge to delay enforcement of the court order, allowing the country to discuss debt repayments with holdout investors. Judge Griesa [denied Argentina’s request](#) for a stay after Mr Kicillof’s press conference.

The New York court order also prevents BNY Mellon and other third party agents from dispensing payments on the restructured debt unless [holdout creditors](#) are also paid.

“In our role as trustee, BNY Mellon will comply with any court order by which it is deemed bound,” a spokesman for BNY Mellon said in a statement last week.

Ron Gruendl, a spokesman for BNY Mellon, said the bank had no immediate comment about Argentina’s deposit on Thursday.

“This seems to be part of Argentina’s tactics to raise international awareness for what in their view is an unfair ruling,” said Siobhan Mordern, the head of Latin America strategy at Jefferies.

**This is a brazen step in violation of this court’s orders and it warrants a swift and decisive response**

**NML Capital**

“They are trying to defuse the stigma of default and shifting the blame to the US courts.”

Analysts said the deposited money could now be embargoed to pay the holdout hedge funds at the centre of 2012’s ruling, led by NML Capital, a subsidiary of US billionaire Paul Singer’s Elliot Capital.

“Technically, because there is no stay, the Bank of New York would have to use this money in accordance with Griesa’s sentence and therefore share the money out between exchange bondholders and the other funds in the litigation,” said lawyer Eugenio Bruno, speaking to Clarin newspaper. “The government still has [more than] 30 days to implement its strategy.”

---

[Copyright](#) The Financial Times Limited 2024. All rights reserved.

---

