David Clementi: Debt workouts for corporates, banks and countries: some common themes

Speech by Mr David Clementi, Deputy Governor of the Bank of England, to the INSOL International Sixth World Congress held at the Hilton Metropole Hotel in London on 19 July 2001.

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Introduction

I am delighted to have the opportunity to speak at this, the Sixth World Congress of INSOL International. The Bank has a long-standing interest in insolvency arrangements. As the keepers of the London Approach, we have a direct, if informal, role in corporate workouts. This is in part historical, but it is no accident. Development of a satisfactory framework for corporate workouts is integral to the Bank's core purposes of maintaining financial stability and seeking to ensure the effectiveness of the UK financial system. The Bank is more commonly associated with the Monetary Policy Committee and the pursuit of monetary stability. But financial stability is an important corollary to this; it is difficult to achieve one without the other. The Bank in particular is closely involved with the design of regulation and financial infrastructure, such as payments and settlement systems, to ensure that these are robust and the system is, as a result, better able to withstand a crisis. Our interest in insolvency arrangements is similar. Without a framework that is predictable, equitable and transparent, designed to maximise value for all interested parties, the costs and wider economic disruption from unnecessary corporate liquidations may be enormous.

My speech this morning, therefore, provides an opportunity to signal the Bank's support for INSOL's mission to take a leadership role in international insolvency and credit issues and to bring about greater international co-operation among the main players. The growing interest by a number of international organisations in the design of orderly and effective corporate insolvency regimes, and in the encouragement of greater co-operation in cross-border corporate insolvencies, suggests you have been successful in that objective. I think this has been greatly assisted by the important work which the INSOL Lenders Group has been co-ordinating in developing a set of principles governing corporate workouts at the pre-insolvency stage.

But corporate workouts represent just one strand in financial restructurings more generally. There are two others I want to cover; and these are, first, restructurings of financial institutions, including banks, and, second, sovereign debt workouts. Indeed, in many instances, restructurings in the corporate sector will need to proceed in tandem with those in the financial and sovereign sectors. I would argue that, in all three cases, a collective approach by the different participants in the private and public sectors, and effective co-ordination among creditors and debtors, should help to preserve value. So I would like to consider today the extent to which these differing approaches raise common themes, and also whether there are distinguishing features which could affect the interactions between the three strands.

I recognise, of course, that more progress has been made in the corporate context than in the area of financial institutions or sovereign debts; and I think that reflects great credit on many individuals and organisations represented at this Congress. So I will start by offering a few thoughts on corporate workouts, linking these to the Bank of England's long-standing involvement in the London Approach and our responsibility for the maintenance of financial stability. I will then turn to look at how the desirable features, incorporated into the agreed principles governing international corporate workouts, might be applied to financial restructurings; and finally in a similar way look to whether these principles can be carried across into the field of sovereign workouts. This raises the issue of the role of the various different parties to debt restructurings, including the official sector. By drawing out some common themes, I hope to put INSOL's work on the corporate sector into the broader context of differing approaches to resolving debtor difficulties.

Corporate workouts

Let me start then with corporate workouts; and let me begin by saying a few words about the Bank's interest in this issue. As I noted a moment ago, it arises mainly from our financial stability responsibility, although I would argue that our role in promoting the efficiency and effectiveness of the financial system is also relevant. Episodes of incipient or actual financial instability are often

accompanied by failures in the corporate sector which may lead more generally to losses throughout the financial system. In some cases, the corporate failures reflect an inability to resolve temporary liquidity problems affecting a company that remains viable in the longer-term. Creditors may act without the benefit of all available information on a company's solvency. This imbalance in information available to company and creditors can be compounded by conflicts of interest between different types of creditors, or between banks, bondholders and other financial institutions. The end-result is often the same: the unnecessary liquidation of viable companies, which represents a market failure capable of amplifying financial instability. That, in a nutshell, explains the Bank's interest and involvement in this area.

A country's insolvency regime should seek to limit the costs arising from potential market failure, for example by supporting effective private sector mechanisms for reorganising viable companies. I would say it should do so partly by providing incentives for debtors and creditors to negotiate workouts at the pre-insolvency stage. This will hopefully reduce the risk of unnecessary corporate liquidations and avoid benefiting one group of creditors at the expense of others.

Most of you, of course, will know that, guided by these principles, the Bank took the lead in developing a framework governing corporate workouts in the 1980s and early 1990s – the "London Approach" or "London Rules". We are not jingoistic about this; we are equally supportive of variants whether Hong Kong Guidelines or Jakarta Initiatives. We draw the line, however, at Aussie Rules; references to Australian sports jangle a few nerves at the Bank! In any case, "rules" is definitely the wrong word, since the London Approach has no legal or statutory backing – it is merely an informal codification of a set of practices that had come to be widely accepted in the vast majority of large corporate workouts undertaken in the UK in recent years. This includes arrangements for an informal standstill while an independent review of the company's long-term viability and financing needs is carried out. But what is perhaps less well-known is that, in developing the London Approach, the Bank built on a tradition of involvement in industrial restructuring dating back to the 1920s. Indeed, a cursory glance at R S Sayers' excellent history of the Bank from 1891-1944 reveals that Montagu Norman's involvement in corporate restructuring in the inter-war period probably took up more of his time than any of his other duties, often to the consternation of some of his more conventional colleagues!

Since the recession of the early 1990s, and reflecting the more stable macroeconomic conditions in recent years, the Bank's direct participation as a mediator in corporate workouts has declined. We do, however, remain willing to take on that role again if invited to do so and where this appears necessary to help resolve the potentially conflicting problems of a company's creditors. Where we have tried to add value in recent years has been in promulgating the London Approach abroad and in working to develop the framework in the light of recent innovations and developments in global financial markets. Several issues have loomed large. One is the applicability of the unanimity requirement given the proliferation in the number and type of creditors in any large international workout. Another is the lack of a formal moratorium over all or part of the period of resolution of a company's problems, as distinct from the informal standstill of the London Approach during the initial period of collecting all available information and evaluating the company's long-term prospects. More broadly, the extent to which the Approach is affected by developments such as securitisation, loan trading and credit derivatives is exercising our minds and those of others closely involved in corporate workouts.

These issues raise potentially very tricky questions. For example, loan trading arguably makes the creditor co-ordination problem more challenging, but at the same time provides an exit route for those unwilling to be involved in the restructuring and an entry for specialist turnaround investors.

Credit derivatives raise a different set of issues, because they need not involve transfers of the company's debt until, in the case of physical settlement, a credit event occurs. The knowledge that debt will change hands following a credit event might, however, affect the incentives facing the company, its "pre-credit event" creditors and its potential "post-credit event" creditors in unpredictable ways. One possibility is that a bank which has purchased credit protection via a credit derivative may have an incentive to put an ailing company into liquidation in order to obtain a payment from its counterparty rather than participate in a restructuring, the results of which are uncertain. For many banks, such an approach would be incompatible with building banking relationships, but the recent debate as to whether restructuring, rather than failure, constitutes a credit event for the purposes of a credit derivative contract shows the matter is highly topical. At the very least, active markets in credit derivatives and secondary loans might make it more difficult to identify and organise creditors in order to negotiate any debt workout.

These are, as I have noted, awkward issues. But I am encouraged to see that the INSOL Lenders Group has attempted to address some of them in the course of drawing up its Statement of Principles for a Global Approach to Multi-Creditor Workouts. I am also encouraged that discussions on the Principles involved not only the largest global banks, but also a range of other finance providers, including insurance companies, institutional investors, hedge funds and secondary market debt providers. As the Governor noted in providing the Bank's endorsement of the ILG's initiative in October 2000, past experience suggests that a collective approach by the major creditors to a debtor company in financial difficulties can help to preserve value, to the benefit of the creditors as a whole and of others with an interest in the company. Although I know there have been tricky issues to resolve in the negotiations – notably those relating to the standstill, debt trading and the provision of new money – in the end, the Principles seem broadly consistent with the London Approach, based as they are on the enlightened self-interest of all the creditors. Ultimately, although some debt providers may be able to gain in individual cases by striking out on their own, in the long run a co-operative approach will ensure greater recoveries for creditors, including bondholders, in aggregate.

Just as greater international co-operation can produce net gains at the workout stage, so that needs to be backed up by greater co-ordination in cross-border corporate insolvencies. That is why we welcome the UNCITRAL Model Law on cross-border insolvencies, which, as most of you will know, has been implemented into UK insolvency law. The Model Law is consistent with the UK insolvency regime and contains many helpful provisions relating to co-operation between insolvency courts in different jurisdictions, and to the granting of recognition to foreign insolvency practitioners. We would therefore urge other countries to enact the UML.

In this context, we also welcome the ongoing work by international organisations, including the IMF and World Bank, on the design of efficient and effective insolvency regimes worldwide. It is, of course, difficult to establish international standards in this area, because the approaches adopted by different countries reflect not only different legal traditions but also different policy choices, most especially on the extent to which the system should favour debtors or creditors. Indeed, this is a debate that is live in several countries, including the UK where new measures were announced last month in the Queen's Speech, and I am sure is occupying minds at this Congress. But the IMF work argues, rightly in my view, that any insolvency regime, whether debtor- or creditor-oriented, will enhance financial stability effectively only if it protects value for the benefit of all interested parties and the economy in general; and this requires the allocation of risk among market participants to be done in a way that is predictable, equitable and transparent.

Financial sector restructurings

Let me turn now to my second area: financial sector restructurings, and I would like to start by noting the importance of confidence in the smooth running of a financial system. Confidence is important in most industries, but it is at the heart of the financial industry. It is confidence that permits banks to operate, as a matter of course, with gearing many times capital, and with a maturity mismatch between their assets and liabilities, often concentrated in short-term or sight deposits. They are thus peculiarly vulnerable to a loss of confidence, individually and as a group. The potential for contagion – the threat that trouble in one bank will result in a run on others that might endanger the system as a whole – makes monitoring banks' solvency and liquidity a core activity for central banks. Whether responsible day-to-day for supervision or not, central banks still need to stand ready to act as lender of last resort. However, any such operation must be carefully considered. Any decision to support an institution, particularly in circumstances of underlying insolvency, creates a moral hazard that undermines market discipline. Designing effective arrangements for restructuring financial institutions is thus a particular challenge – there is a need to act quickly and finally; intermediate arrangements are much more difficult to sustain.

The challenge is complicated by the degree to which financial markets are now global and financial groups operate in a number of different jurisdictions. The G30 report on international financial insolvencies, published in March 1998, raised several themes that are rather similar to those relating to cross-border corporate insolvencies. In particular, it emphasised that a close degree of international co-operation was necessary to prevent the disorderly failure of a bank or insurance company. Effective co-operation would help to bring about a reorganisation or if necessary an orderly disposal of assets, and avoid the delays, uncertainties and loss of value often associated with formal legal proceedings. If the financial institution does fail, in my view some of the provisions of the Model Law,

especially those relating to judicial cross-border co-operation, are potentially helpful in providing a starting point for negotiations.

There used to be a clear distinction between banks and securities houses, fund management and insurance, and financial institutions of different nationalities. Restructuring could be to some extent contained within one market or one jurisdiction. Now the distinctions between different markets and types of firm have become blurred and the increasing consolidation of financial groups has given rise to a range of large complex financial institutions or LCFIs. Restructuring one of these groups would be far from straightforward. The steps involved with winding up an LCFI have been the subject of recent discussion among central banks. This has involved not only co-ordination and information sharing arrangements but also how the wider risk to the system would be assessed in these circumstances. Winding up a firm on this scale could be a large undertaking in itself. But the wider repercussions in terms of dislocation of markets could be enormous.

Thankfully, as yet, we have had little if any experience of restructuring or winding down an LCFI. As with corporates, however, the first step would be an assessment of the long-run viability of the institution prior to the restructuring. This will determine whether liquidity support to the LCFI may be justified, or whether it should be closed, in much the same way as the independent review in a corporate restructuring will determine whether the company should be reorganised or liquidated. With financial institutions, the time available to make an assessment and reach a decision on providing support may be limited.

Other common themes in the two strands are the need for co-operation between all the relevant parties, based on full exchanges of information, and the need for equitable treatment of similar classes of creditors, investors and depositors. It may also be possible to envisage, in the winding down or restructuring of an LCFI, the authorities playing a facilitating role in a private sector solution, raising parallels with the Bank's role in the London Approach.

There has, as yet, been little in-depth exploration of the linkages between corporate sector and financial sector restructurings. I believe that efforts to explore the complementarities between the two approaches would reap dividends. A well-designed corporate restructuring framework, by rehabilitating viable companies facing short-term problems, should maximise the value of creditors' claims if it preserves the going concern value of the companies. By providing for an orderly recognition and allocation of losses, it should also improve banks' ability to assess the value of impaired assets and determine the appropriate level of loan loss provisions. As the IMF has noted, this should encourage more accurate and predictable pricing of distressed claims, assisting the development of a deeper secondary market in which financial institutions can trade distressed claims and thereby transfer loans to specialist turnaround investors.

Of course, some of these complementarities may be difficult to exploit in countries, especially emerging market economies, in which banks are facing major problems arising from their corporate loan books. Banks with inadequate loan loss provisions and low capital ratios may be reluctant to participate in corporate workouts, because they may then be forced to recognise actual losses. The role of the public authorities is often crucial in such cases. In practice, bank restructuring programmes have often transferred distressed corporate sector debt to separate government agencies. Indeed, this has happened in recent years in some G10 countries, notably the US, Japan and Sweden. This can lead to tensions between maximising short-term debt recoveries to limit the public costs of bank recapitalisation and preserving longer-term corporate value. Effectively, the public authorities may liquidate companies prematurely, in an effort to secure immediate cash recoveries, when a longer-term restructuring of these companies might be a more effective way to preserve value in both the corporate sector and the wider economy, including the banking sector. To avoid this conflict, corporate and banking sector restructurings need to be more effectively co-ordinated. I would argue that this can lead to synergies by facilitating the rehabilitation of viable companies in a manner benefiting all the creditors – including the public authorities – in the longer term.

Having said all that, there is no doubt that financial restructurings and insolvencies do contain several distinguishing features compared with corporate reorganisations, besides the importance of confidence with which I started. Indeed, that probably explains why much of the debate on the Model Law is on whether its principles can be applied to the insolvencies of banks and other financial institutions. Different views on this meant that the Law had to contain an effective opt-out for banks and insurance companies. I would certainly agree that depositors or policyholders are in a different position from ordinary creditors. They are likely to have less information, be greater in number, and be less well organised to recover their assets than professional creditors. So any application of corporate

workout and insolvency principles to international financial insolvencies would have to allow for depositor and policyholder protection schemes.

The role of supervisors would also, of course, need to be recognised explicitly. In particular, the principles underlying corporate workouts and insolvencies would have to be consistent with internationally recognised principles of banking and insurance regulation. In the EU framework, that requires consistency between cross-border corporate sector initiatives such as the Model Law and ILG Principles and the EU passport system and principle of home state responsibility for banking and insurance supervision. Relevant EU directives would also need to be taken into account.

All this strengthens my view that although synergies should be realised through consistency in the approaches to corporate and financial sector workouts, we need to recognise that banks (and insurance companies) are different. I have noted that, in corporate insolvencies, countries may differ in the extent to which their legal and statutory arrangements favour the debtor or the creditor. But they will also differ in the extent to which their insolvency laws embody a universal or territorial approach to cross-border insolvencies. Exactly the same distinction is relevant in an international financial insolvency. In the ”single-entity” approach, a bank with branches in several jurisdictions will be wound up according to universal principles, so that creditors and depositors worldwide are entitled to an equal claim on the bank’s worldwide assets. By contrast, a ”separate-entity” (or ”ring-fencing”) approach to liquidating an LCFI proceeds according to territorial principles, so that creditors and depositors of an individual bank branch in a particular jurisdiction take precedence in the distribution of all the LCFI’s assets within that jurisdiction, before the local liquidator is authorised to turn over any excess assets to the home country liquidator.

This implies that, in both corporate sector and financial sector insolvencies, banking supervisors and insolvency practitioners will be subject to varying legal responsibilities that may make the co-ordination problem more difficult. I would argue that initiatives such as those of the ILG and UNCITRAL are more consistent with the spirit of a universal approach. In fact, I would go further and suggest that the application of these initiatives to international financial restructurings and insolvencies is only possible, in all respects, if a country adopts a single entity approach to the liquidation of international banks. Continued adherence to separate entity approaches could therefore make it more difficult to achieve greater consensus on the principles governing cross-border corporate workouts and international financial insolvencies.

Sovereign debt workouts

I would now like to stray into even more uncharted territory and turn to my third area, sovereign debt workouts. I hope I have already said enough to clarify that the establishment of an effective framework governing the relationships between non-sovereign debtors and their creditors provides a means of involving the private sector in the resolution of financial crises. But how does this relate to the current very live debate about private sector involvement (PSI) in sovereign debt workouts? The potential linkages between the three strands of financial restructurings are amply illustrated by the Asian crisis of 1997-98, which involved widespread defaults by the corporate sector on both its domestic liabilities and its obligations to foreign creditors. This impacted not only on the banking sector’s balance sheets and capital positions, with further feedback effects on the corporate sector, but also on the sovereign sector, through its need to involve itself in bank recapitalisation and corporate sector restructuring. On top of that, there were contagion effects on public and private sector holdings of sovereign debt at a time when public finances in many countries were themselves deteriorating independently.

I think it is important to appreciate that the existing framework governing sovereign debt workouts in emerging market economies (EMEs) evolved in a world where official financing dominated and private financing was provided by a relatively small number of developed country banks. But private claims now outweigh official claims on the major EMEs – by a ratio of 70:30 in recent years. And these private claims are increasingly to bond investors rather than banks – direct and portfolio investment flows now dwarf bank lending as a source of finance for EMEs. Bondholders are dispersed and often anonymous, so there are potentially greater creditor co-ordination problems. To contain the potential systemic consequences of future crises, both the public and private sectors have an incentive to devise a new framework that can deal more effectively with sovereign debt workouts, and most especially with the role of PSI, when private claims, particularly bondholdings, are substantial.

This is very similar in kind to the challenge of adapting the London Approach, whose original principles were most relevant where the creditor group largely consisted of a fairly small group of relatively

homogeneous banks, to a world where creditor groups had become much more disparate and international, involving large numbers of bondholders and other financial creditors. It seems sensible, therefore, to consider to what extent the sovereign sector can borrow from the ideas11 discussed by the ILG and others in developing principles governing multi-creditor global corporate workouts that are more appropriate to modern financial markets.

I take considerable encouragement from the fact that, in recent months, a number of different private sector groups have published views on "best practice" principles that might underlie sovereign debt workouts. Although there are inevitably differences between the various groups, in all cases a collaborative framework to facilitate negotiations and co-operation between a sovereign debtor and its creditors, and also to overcome possible co-ordination problems between different creditor groups, seems to be envisaged. These general principles seem to me to have much in common with the themes underlying the ILG's corporate workout principles. They also include several other suggestions to enhance creditor co-ordination, such as the inclusion of collective action clauses in bond contracts and, more widely, the use of "creditor country clubs" as a conduit for information exchanges.

The key to all this is, in my view, the creditor co-ordination issue. A failure of creditor co-ordination in the sovereign context can lead to cancellation of longer-term investment projects and protracted exclusion from international capital markets. The private sector groups argue that, when a sovereign encounters financial difficulties likely to trigger a debt default, it should encourage a process of dialogue between the affected creditors and the sovereign. That should involve co-operation to facilitate a full exchange of information and analysis relating to the current financial situation and prospects of the sovereign. This will be easier if the country has already taken the necessary action to improve data availability and transparency and to meet relevant IMF data standards and codes. There is a close parallel with the way in which corporate and financial sector restructurings are governed by independent reviews based on full exchanges of information on the corporate's or bank's financial position. In both cases, it is essential that those analysing the debtor's financial position (the IMF in the sovereign context and the independent accountants in a corporate case) are able to distinguish between different types of default. More effective monitoring should improve the discipline on the debtor and facilitate the extension of more lending by the private creditors in both cases.

Another area where sovereign debt workouts could borrow from corporate and financial restructurings is in possible recourse to a neutral mediator, charged with facilitating a co-operative creditor solution. In the sovereign context, one possible facilitator might be the IMF. It would certainly have the resources and expertise to do the job, although one possible drawback is that the IMF, unlike an arbiter in a corporate workout, will sometimes itself have claims on the debtor, in this case the sovereign. And this raises a separate issue of whether, or in what circumstances, the IMF might provide financial support during a sovereign debt workout – so-called lending into arrears. Such an approach would have to be designed to limit the moral hazard implications, incorporating strict conditionality. But it can be useful as a means of supporting a country as it takes remedial policy action through bridging finance.

The issue of the standstill is, as many of you will know, controversial in the sovereign context, notwithstanding the fact that an informal standstill plays a crucial role in corporate workouts. Voluntary debt rollover agreements with creditors or bond restructurings are, I believe, useful aspects of effective PSI. But historical experience of involuntary sovereign debt standstills, in the form of payments suspensions, has not exactly been encouraging – the process has often been inefficient and inequitable. Nevertheless, there are circumstances in a sovereign debt crisis where the immediate payments relief provided by a standstill may make an important contribution. An example would be where capital flight is pervasive because immediate policy adjustment is insufficient to bring about adequate voluntary private sector refinancing.

In these circumstances, a standstill may realise the same advantages as in a corporate workout if it provides breathing space for remedial policy measures to be evaluated and put in place; if it promotes creditor co-ordination and avoids unjustified creditor preference by treating creditors of the same type equitably; and if it provides incentives to both creditors and debtors to reach a voluntary arrangement sooner rather than later. That is a lot of ifs and, as I have noted, a further provision is that if the standstill is supported by IMF lending into arrears, it would need to be subject to strict conditionality. But again these conditions could usefully borrow from the corresponding provisions attached to corporate workout standstills. In both cases, the standstill should be subject to a strict time limit; it should allow for a full release of all relevant information from debtor to creditors on a timely basis; it should facilitate equitable treatment of similar types of creditors (for example through the formation of

bank creditor and bondholder committees); it should provide for the seniority of any new money; and above all it should deliver the rapid presentation of a restructuring plan to creditors.

What this means is that any sovereign debt standstill would need to be orderly, efficient, equitable and expeditious. Easier said than done, of course, especially given the fact that generally no single organisation represents the disparate group of private creditors. But, as with corporate workout standstills, the key is to reduce the incentives for creditors to rush for the exits.

Of course, some have argued that attempts to negotiate a standstill could have the opposite effect, in other words they could prompt a rush for the exits. But longer-term investors benefit from country runs being forestalled, so the net effect might be a beneficial switch from short-run to long-run investors. Others have suggested that standstills create moral hazard and alter debtor incentives in the process by undermining the primacy of debt contracts. But, as I have noted before, a well-designed framework for sovereign debt workouts, involving a voluntary standstill where that is thought to be helpful, might be no more likely to provide perverse incentives for sovereign debtors to default than insolvency law does for corporate debtors. But it would have to be clear that the standstill option would be used sparingly and in tightly-defined circumstances; otherwise, it could be self-defeating.

Having highlighted all these common themes, I could be accused of wearing rose-tinted spectacles if I did not also acknowledge that there are important distinguishing features between sovereign and corporate workouts. Unlike a company, a sovereign, of course, cannot be liquidated. Public policy approaches to crisis management recognise that there is an argument for sovereign debt restructuring in cases where the crisis arises from poor performance and policy. In such cases, as more generally, crisis management will involve a careful combination of official finance, policy adjustment by the debtor and PSI. This is rather different to the corporate case, where the creditors might well decide to liquidate, rather than restructure, a company whose problems arose solely from poor management. The lack of a corresponding insolvency law back-up in the sovereign case might mean that the incentives to repay are weaker, and that the moral hazard effect inducing a voluntary default is more common, than in the corporate case.

Such factors might be compounded by other differences between the corporate and sovereign frameworks, including the lack of collateral (or the means to acquire it) underlying sovereign debt, and the greater uncertainties in the sovereign case on issues such as creditor seniority, assessing ongoing debt sustainability and burden sharing. This latter point also raises the thorny issue of Paris Club comparability, which could be regarded as imposing a form of involuntary PSI on the private creditors. The sovereign case will also generally be subject to political factors that are simply not present in the corporate case.

The uncertainties surrounding these questions explain why progress has been slow in devising a framework governing sovereign workouts that is capable of commanding widespread support. I believe there is great scope in developing such a framework to draw heavily on the principles governing corporate and financial sector restructurings, where they are relevant, without compromising the distinct features of sovereign workouts. I am pleased to see that this seems to be the approach being taken by the various private sector groups, and I wish them well in their efforts.

Conclusion

Let me try to bring my remarks to some conclusion. In a financial system that has become ever more global and inter-connected, central banking increasingly involves spotting linkages between developments in different countries, sectors or markets. Usually this is a matter of identifying and dealing with threats before they emerge. But there is also an opportunity to take ideas developed to address one set of problems and apply them elsewhere. I have tried to give you a flavour of the synergies that I believe exist in debt workouts affecting, first, companies, then financial institutions and finally sovereign countries. But I hope I have also not underestimated the difficulties in realising those synergies, especially as the number and type of players involved in workouts has increased. Significant progress towards a global approach to corporate workouts has been made, however, thanks to the efforts of many of you. I am convinced that this has laid the foundations for further moves towards more effective frameworks governing bank and, especially, sovereign debt workouts. Thank you.