



Legislation Details (With Text)

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Title: Resolution calling on the New York State Legislature to pass, and the Governor to sign, S.6627/A.7562, an act to amend the banking law in relation to restructuring unsustainable sovereign and subnational debt.

Sponsors:

Indexes:

Attachments: 1. Res. No. 464, 2. January 19, 2023 - Stated Meeting Agenda, 3. Hearing Transcript - Stated Meeting 1-19-23, 4. Minutes of the Stated Meeting - January 19, 2023

Date	Ver.	Action By	Action	Result
1/19/2023	*	City Council	Introduced by Council	
1/19/2023	*	City Council	Referred to Comm by Council	
12/31/2023	*	City Council	Filed (End of Session)	

Res. No. 464

Resolution calling on the New York State Legislature to pass, and the Governor to sign, S.6627/A.7562, an act to amend the banking law in relation to restructuring unsustainable sovereign and subnational debt.

By the Public Advocate (Mr. Williams) and Council Members Cabán and Richardson Jordan

Whereas, Sovereign debt is the money a nation’s government owes to individuals, organizations or other governments; and

Whereas, Sovereign debt is a method for governments to finance growth and development; and

Whereas, Sovereign debt is used to pay for necessary services like hospitals, schools, public transportation and pensions, among other things; and

Whereas, According to Eric LeCompte, a member of the United Nations debt working group, more than half of all sovereign debt contracts are governed by New York State Law; and

Whereas, Unlike individuals and corporations, countries cannot use bankruptcy to restructure sovereign

debt; and

Whereas, If a country is unable to meet its debt obligations, it can restructure the debt to get payments down to a manageable level; and

Whereas, Under current law, all debt holders must agree on the terms for a country to restructure its sovereign debt; and

Whereas, Vulture funds are investment funds that buy distressed debt at a discount and use legal action to collect the full amount of the debt, regardless of the debtor's ability to pay; and

Whereas, One type of debt that Vulture funds purchase is sovereign debt; and

Whereas, Vulture funds make huge profits from sovereign debt; and

Whereas, According to The Intercept, Vulture funds bought up hundreds of millions of dollars in Puerto Rican debt in the aftermath of Hurricane Maria; and

Whereas, Vulture funds, which have bought the debt at a deep discount, can block a restructuring even if all the other credit holders agree to it; and

Whereas, Vulture funds often refuse to renegotiate sovereign debt to level that is more easily managed by the debtor country; and

Whereas, Unsustainable debt burdens can cause a country to lose access to much needed credit; and

Whereas, Vulture funds, purchased Puerto Rico's debt at a steep discount and continued to pursue full repayment even after the majority of the other debt holders had reached settlements; and

Whereas, According to the American Prospect, due to the need to pay the vulture funds, Puerto Rico had to cut back on healthcare and transportation, closed schools and laid off 30,000 public sector workers among other austerity measures; and

Whereas, A.7652 introduced by Assembly Member Davila and pending in the New York State Assembly, and companion bill S.6627, introduced by Senator Gustavo Rivera and pending in the New York State Senate, would allow for a supermajority of creditors to approve a restructuring; and

Whereas, A.7652/S.6627 would prevent vulture funds, by themselves, from blocking a country's debt restructuring when a supermajority of creditors agree that the restructuring is reasonable; and

Whereas, A.7652/S.6627 would allow debtor countries access to capital during the restructuring process by giving new lenders priority over existing creditors; and

Whereas, Having access to credit during the restructuring process is critical to allowing debtor countries to continue to provide necessary services for their citizens; now, therefore, be it

Resolved, That the Council of the City of New York calls on the New York State Legislature to pass, and the Governor to sign, S.6627/A.7562, an act to amend the banking law in relation to restructuring unsustainable sovereign and subnational debt.

LS #5844
12/08/2022
EHC