

**Statement by Richard A. Samp, Chief Counsel, Washington Legal Foundation**

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*Issued in response to U.S. District Court Judge Griesa's hearing in which he considered Argentina's actions to evade his Court's injunction.*

Within the past day, Argentina has made bank deposits of \$832 million and designated the funds to cover interest payments on bonds held by Exchange Bondholders. The apparent purpose of the deposits is to stave off a default on the Exchange Bonds and to attempt to demonstrate to the international financial community that Argentina should be accepted back into credit markets.

Argentina's action will accomplish neither purpose. Its only likely effect is to antagonize Judge Griesa unnecessarily and to cause him to consider holding Argentina in contempt of court. First, the deposited funds will never be transferred to the Exchange Bondholders. The Bank of New York-Mellon will not complete the transfer now that it has been warned by the judge that doing so will result in a contempt citation. Moreover, the Bank of New York-Mellon need not fear that it will be sued by Exchange Bondholders for failing to make the transfer; the judge's warning provides it with all the legal protection it needs for holding onto the funds.

Nor does Argentina have any effective means of transferring funds to Exchange Bondholders without making use of U.S.-based banks, all of whom would face massive court fines were they to assist in evading the court's injunction. It should be obvious to Argentina, therefore, that it cannot avoid default by attempting to pay interest to Exchange Bondholders without also paying the holdouts.

Moreover, Argentina is unnecessarily risking a contempt citation of its own by taking steps to pay Exchange Bondholders. The court injunction bars Argentina from paying interest to Exchange Bondholders without simultaneously paying the holdouts. Judge Griesa likely is reluctant to hold Argentina in contempt, and he may delay doing so for so long as no payments actually reach the hands of Exchange Bondholders.

But Argentina's repeated efforts to find a way to make payments to Exchange Bondholders and no one else, when combined with strong statements from Argentine leaders attacking Judge Griesa and threatening to seek sanctions against him in international fora, will only cause him to be more adamant in his dealings with Argentina. If Argentina is serious about seeking to gain renewed access to international financial markets, it is going about it entirely the wrong way when it flirts with a contempt citation from an American court.

There is only one way out of the dilemma facing Argentina, as more sober leaders of the country fully appreciate. Argentina must sit down with the holdouts and attempt to reach

a good-faith settlement with them. Doing so will allow the country to avoid a default on the Exchange Bonds and to begin to regain its standing in the international financial community.

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