Letter of 30 November 2009 from the Association for the safeguarding of investors in Argentinean securities (Task Force Argentina, TFA), Rome

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Translation

I am writing to you as a representative of Task Force Argentina (TFA), a non-profit-making association set up by more than 420 Italian banks. The association was set up with the main aim of assisting, advising and representing the interests of Italian investors in securities issued by the Republic of Argentina (activities similar to those performed by other bodies in various European countries). At present the TFA is, inter alia, coordinating the arbitration with the Republic of Argentina which was requested from the ICSID (International Centre for Settlement of Investment Disputes) by more than 18 000 Italian investors concerning debts with a nominal value of approximately USD 4.4 billion.

I am writing to you to express my strong concern about the situation of the more than 180 000 European citizens whom I represent, who are in danger of suffering fresh damage because of certain actions which the Republic of Argentina is preparing to take.

The Argentine Minister for Economic Affairs, Amado Boudou, has recently announced that he intends to offer a debt exchange to holders of Argentine bonds who refused to participate in the restructuring in 2005. The aim of this operation is to replace the defaulted securities which are still in circulation (valued at USD 20 billion) and to seek USD 1 billion in fresh capital. The details of the operation (typology of the financial instruments to be used, currency of issue, interest rate, maturity, repayment arrangements, etc.) have not yet been published. However, on the basis of statements by Mr Boudou himself and leaks to the media, it seems that the new restructuring plan is in some respects even worse than the exchange offer of 2005, with a cut in capital value of more than 65%.

Contrary to claims made by representatives of the Argentine Ministry of Economic Affairs, the restructuring proposal is not the result of negotiation with the TFA or with other retail creditors' groups, but rather of a unilateral initiative by the Republic of Argentina planned with a number of institutional investors and speculative investment funds.

A first aspect which I should like to draw to your attention is that of the unreliability of the Republic of Argentina.

After having sold bonds of its own to the Venezuelan Government – which then placed them on the financial market again, causing a fall in the prices of other securities in circulation – and after having recently nationalised the pension funds, making full use of their resources, it again finds itself compelled to turn to the international financial markets to cover its enormous public spending, which has quadrupled in recent years.

It should be noted that statistics on inflation and GDP in the past three years have been called into question both in the South American country itself (it may suffice to recall the 'scandal' of

the National Statistical Office INDEC, which falsified the inflation figures: cf. the recent statements by the rating agency Moody's) and by the international financial community.

Moreover, Argentina has shown that it is not willing to pay its debts, even in response to judicial measures. After the default of 2001, many legal actions were brought against the Republic of Argentina, inter alia before courts which had substantive jurisdiction on the basis of the rules governing the bonds (courts in Germany, the USA, Italy, Argentina and many other countries). Argentina has never complied with any of the numerous rulings given against it (in Germany and the USA). At present, meanwhile, more than 50 arbitration procedures are in progress at the ICSID in Washington (including that on behalf of Italian bond-holders relating to some USD 4.4 billion, at the initiative of the TFA) and at UNCITRAL (United Nations Commission on International Trade Law).

What is more, the new operation seems rather opaque. Whatever the case may be, the SEC (Securities and Exchange Commission), which supervises stock exchanges in the USA, has made numerous observations on Form K-18, the annual report on the economic and financial situation which has been submitted to the corresponding commission of the Republic of Argentina, requiring the latter to rectify its content in various respects. This correction operation will compel Argentina to postpone the submission to the SEC of the above-mentioned exchange offer.

However, Argentina would appear to have made up its mind to file its offer in Luxembourg on a preliminary basis and then extend it to the citizens and residents of other European countries on the basis of Directive 2003/71/EC (Prospectus Directive), even though the European citizens who have invested in Argentinean securities (to whom the offer is thus addressed) do not reside in Luxembourg. In other words, taking advantage of European law, the Republic of Argentina will be able to avoid presenting accurate information in Italy (and in other European countries), confining itself instead to a translation of a few pages of information which will probably not include sufficient details or the necessary advice to make it possible to assess the attractiveness (if that is the right word!) of the new exchange offer.

In brief: the other 180 000 Italian investors represented by the TFA and other European citizens who hold defaulted Argentinean securities will be compelled to decide whether to accept the offer without having been given the necessary information to make an informed decision.

Finally, to demonstrate the bad faith of the Republic of Argentina, it may be noted that in recent days the Argentine Parliament has extended by two years the period of validity of the National Emergency Law. This alleged state of emergency has been contested by the German courts, which have ruled that a state of emergency did exist until 2003 but has not done so since then, in that Argentina subsequently accumulated more than USD 46 billion in currency reserves and reimbursed USD 10 billion to the International Monetary Fund (two years ahead of schedule).

All in all, the picture which emerges is that of a State which, while having funds at its disposal (its public debt is now less than 40% of Gross Domestic Product), displays no desire to resolve in an equitable and dignified manner and in a spirit of genuine and transparent cooperation an affair which has been dragging on for no less than eight years.

However, pressure of time does not permit us to draw up a petition, which would reach the Committee well after Argentina's presentation of its new exchange offer. However, we understand that other European citizens have already raised the issues with which we are concerned, submitting at least two petitions to the Committee.

In view of the extreme urgency of the matter, we would ask you to draw the Committee's attention to the above problem. We fear that, unless the appropriate bodies adopt a strong position, Argentina's fresh initiative will result in further serious damage not only to the 180 000 bond-holders whom we represent but also to the many other European citizens who in the past have bought Argentinean bonds.

(Closing formula)