The SAVI Capital Model™: Conversion Before Default

An executive summary of the white paper, for finance ministries, official lenders and the holders of sovereign debt

The SAVI Group® | October 2026 | A proposal for discussion. Not an offer of securities and not advice to any holder.

The measurement

On September 30, 2026 the gross debt of Argentina's central administration stood at US$486.6 billion, 51% of it payable in foreign currency. Of the foreign-currency service due from 2027 to 2035, 79.6% is principal, so the debt is paid by refinancing while the primary surplus covers only the coupon. On risk-neutral arithmetic at a 20% to 30% recovery, the market prices a better-than-even chance of a default inside a decade.

Why it concerns the holders and the state

A holder's counterfactual is the record, never par. Across 327 sovereign restructurings since 1815 the creditor's loss sits near 40% of present value at the centre and near 75% in Argentina's 2005 exchange, and a portfolio held through that default needed fifteen years to break even. A country that refinances its principal is renting time it does not own, and every earlier conversion replaced one extractive claim with another.

The proposal

The Sovereign Fund: a statutory body with its own legal personality, barred from any exposure to the public sector, capitalised each year by an appropriation of the interest the state no longer pays, and deployed through regulated managers into companies that adopt The SAVI Capital Model, whose employees share half of each company's net profit. A holder who rolls a bond into it owns class A, senior to the Treasury's class B, with no promised return; a holder who wants debt takes a New York-law note with a warrant on the fund's audited net asset value. The design rests on three pillars that stand or fall together: a balanced fiscal policy, the conversion, and the Fifteen Compact of the first paper. Two reforms travel with it: capital goods at zero applied duty, and an integrity regime written to the limit the Constitution allows.

The price, stated in advance

On its coupons alone, class A is worth 13.9 per 100 of old face at a 2x outcome and 24.9 at 5x, discounted at the bond's own yield, below what the 2005 exchange left at its first prices. A package of the note with an official floor of 50 at fifteen years and class A at 5x is worth 59.6 at 15%, above the 2005 and 2020 outcomes and below today's bid of 71.2. The paper promises no return, no recovery and no multiple.

What we ask

Who	The first step, available this year
Congress	Enact the fund's statute now, so the option exists when it is needed.
The Finance Ministry	Settle the term sheet of the two legs against the paper's questions.
Official lenders	Price the enhancement on the senior note and the pilot sleeve only.
Holders and their managers	Convert a first tranche at the bid, read against the record.

Our role

The role we claim is that of the designer: we bring the design and the Model's terms for the deployment sleeve, would not manage the fund or any sleeve of it, and rest no claim on our own performance. Any vehicle of our own that takes part opens itself to independent evaluation and publishes the results, favourable or not.

Santiago Vitagliano, Founder, Chairman, and Chief Executive Officer, The SAVI Group

The paper: doi.org/10.5281/zenodo.23565274 (resolves to the latest version), also SSRN 7655658. Its companion, Reform Before Rupture: doi.org/10.5281/zenodo.23249969. Correspondence through thesavigroup.com/inquiry.

The SAVI Capital Model™: Conversion Before Default

Dollar-Denominated Public Debt, the Record of Restructuring, and the Design of a Sovereign Fund

Santiago Vitagliano, The SAVI Group®
Version 1.1, October 2026
A proposal for discussion. Not an offer of securities and not advice to any holder.

In brief

A sovereign whose dollar debt is mostly principal pays it by refinancing. On risk-neutral arithmetic at a 20% to 30% recovery, the market now prices a better-than-even chance of an Argentine default inside a decade. The record of 327 sovereign restructurings since 1815 says what waiting costs: a loss near 40% of present value at the centre and near 75% in Argentina's 2005 exchange. On that record a deal struck before a default has cost less than half of one struck after it. This paper proposes converting part of that debt into ownership of productive companies before the default, on terms the record can defend. It states where the design is weaker than the alternative.

The vehicle is the Sovereign Fund: created by statute, barred from any exposure to the public sector, capitalised each year by an appropriation of the interest the state no longer pays, and deployed through regulated managers into companies that adopt The SAVI Capital Model. A holder who rolls a bond claim into it owns a senior class of its equity, ahead of the Treasury's class and with no promised return. A holder who wants debt takes a separate note. The prescription rests on three pillars that stand or fall together: a balanced fiscal policy, the conversion, and the fiscal-load reform of the first paper, the Fifteen Compact, which replaces the taxes and contributions a Compact Enterprise pays with one contribution rising in bands to a ceiling of 15% of profit after the workforce's share, sequenced with the class B appropriation under one revenue trigger because both land on the same budget (Part VIII). In the record this paper searched, no sovereign has done this, and no earlier conversion was an attempt at it. The SAVI Group offers the design, would not manage the fund, and claims no return for anyone.

Abstract

On September 30, 2026 the gross debt of Argentina's central administration stood at US$486.6 billion, 51% of it payable in foreign currency, on the Secretaría de Finanzas's monthly bulletin. Of the foreign-currency service due from 2027 to 2035, 79.6% is principal on this paper's sum of the Ministry's schedule of June 30, 2026, so the debt is paid by refinancing while the surplus covers only the coupon. Across 327 sovereign restructurings since 1815 the creditor's loss sits near 40% of present value at the centre and near 75% in Argentina's 2005 exchange. The paper proposes the Sovereign Fund, created by statute, barred from any exposure to the public sector, capitalised by a yearly appropriation of the interest the state no longer pays, and deployed into companies adopting The SAVI Capital Model; converting holders own a senior class of its equity ahead of the Treasury's, with no promised return, and a separate note serves holders who want debt. Two reforms sit around the fund: capital goods at zero applied duty, and an integrity regime written to the limit the Constitution allows. The SAVI Group offers the design, would not manage the fund, and asks for a statute, a term sheet, an enhancement and a pilot tranche.

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Executive summary

On September 30, 2026 the gross debt of Argentina's central administration stood at US$486.6 billion on the Secretaría de Finanzas's monthly bulletin. The bulletin states that 51% of it is payable in foreign currency, US$182.8 billion of it in dollars. On the Ministry's schedule of June 30, 2026 the Treasury's foreign-currency service is US$27.9 billion in 2027 and US$36.3 billion in 2032. Between 2027 and 2035 that service is US$211.1 billion of principal against US$54.1 billion of interest. Principal is 79.6% of it on the paper's sum of the schedule's tables. The coupons on the 2020 bonds step up to no more than 5%, so the burden sits in the maturities.

The surplus covers the coupon and nothing else. The national primary surplus was 1.38% of gross domestic product in 2025, and interest absorbed 88% of it on the national public sector's cash accounts. At the 2025 average exchange rate that surplus is about US$9.4 billion on the paper's arithmetic, one year of foreign-currency interest, while US$18.5 billion of principal falls due in 2027. Principal is refinanced, as the IMF's programme assumes, and the IMF's staff report of May 2026 rates the debt "sustainable but not with high probability". The country-risk spread, as the aggregator Rava reports JP Morgan's EMBI series, rose from 437 basis points on June 26 to 672 on October 20. On the bonds' offshore prices, Part VII puts the risk-neutral probability of default inside ten years at 55% to 65% at a 20% to 30% recovery, a figure carrying risk and liquidity premia.

The cost of paying through reserves and a shallow banking system shows first in credit and in the employer base. Bank lending to the private sector was about 14% of GDP in 2025, the paper's ratio of the central bank's loan stock to INDEC's output. On the World Bank's wider measure, which puts Argentina at 17.6%, Brazil stood at 75.1%. Employers with registered workers fell from 512,357 in November 2023 to 480,067 in July 2026 on the Superintendencia de Riesgos del Trabajo's series. Firms of one to ten workers account for 92% of the fall, a net count of exits less entries and never a count of closures. INDEC's reports put poverty at 32.3% of persons in the first half of 2026 and labour informality at 45.0% of workers in the second quarter.

A holder's counterfactual is the record, never par: across 327 sovereign restructurings since 1815 the median loss in present value is 38% and the mean 42%, and outright repudiation occurs in about 3% of cases (Graf von Luckner et al. 2025). For 1970 to 2010 the average loss was 37% in present value and 40% at market prices, so creditors kept about 60 cents per dollar (Cruces and Trebesch 2013). Argentina's 2005 exchange cost about 77% in present value on the Cruces-Trebesch measure. On the market-value measure its new bonds were worth 33 to 39 cents per 100 of old face at the prices of March 2005 (Sturzenegger and Zettelmeyer 2005). A holder through the 2001 default broke even only in 2016 (Meyer, Reinhart, and Trebesch 2022). Preemptive deals cost creditors 18% and took twelve months, against 48% and sixty months for post-default deals (Asonuma and Trebesch 2016).

The design is the Sovereign Fund, a statutory body with its own legal personality, barred from any exposure to the public sector, and capitalised each year by an appropriation of the coupon flow the exchange frees, never a liability to any holder. It deploys that capital as a private-equity investor would, through regulated managers, into new companies and into private companies converted to the Model, whose employees are its beneficiaries through the Human Capital Pool: half of each company's net profit goes to the people who

work in it, half to the capital that financed it. The holder's choice is binary and voluntary: the traditional route, with the recovery the record yields, or class A, a fund-issued unit with no par face, no maturity and no state guarantee. Class A ranks ahead of the Treasury's class B, which takes the first loss; its return is the appreciation of the fund's equity in the companies it finances, realised through the listing, the exit stages, or a repurchase the government may choose and never owes. Holders who want debt take the debt leg, a Republic-issued New York-law note that is debt in every statistic. Three pillars stand or fall together: a balanced fiscal policy, which the surplus already supplies and the class B appropriation may never break, then the conversion, and then the first paper's fiscal-load reform, the Fifteen Compact, paired with the fund under one revenue trigger.

The money goes where the economy can absorb it. Private capital invested in Argentina was about US$0.5 billion a year in 2020 to 2024, the paper's arithmetic on the US$2,558 million the association ARCAP reports, as the press carries it. The deployment sleeve is therefore capped, rises with measured absorption, and sits behind class A in the waterfall. The managers apply the Model's terms as the first paper's Appendix B writes them, with the 5.0 times outperformance threshold a fund term, never a promise to any holder. The companies stay private, and the state invests without operating. Class B pays for the sleeve, so a converting holder is never charged for it; a holder who wants its exposure opts into class C at a stated cost, 2.38 times net in a Model fund against 3.84 times in a conventional fund at a five-times gross outcome (first paper, Appendix C).

Two reforms sit around the fund. Zero duty on capital goods is lawful inside Mercosur until December 31, 2028 under Common Market Council Decision 8/21, and the applied average on machinery is still 11.5% to 13.2%. Zeroing chapters 84, 85 and 90 would cost about US$1.2 billion a year, 0.17% of GDP, on Appendix F's estimate; the paper asks for an applied zero, a renewal past 2028, and a transition for machinery makers, whose output fell 18.1% in the year to August 2026. Manufacturing's share of output peaked in 1974, so the industrial decline is about fifty years old, while the relative income decline is the ninety-year story. The integrity regime stays inside the Constitution, whose article 17 reads "La confiscación de bienes queda borrada para siempre del Código Penal argentino", and uses the lawful set: forfeiture of proceeds, fines of two to five times the gain, restitution ranked first, published judgments and cash rewards. Its audit pairs two firms with staggered terms and adds an annual forensic review by a third firm drawn by lot against a public random value.

The paper ends with a sequence and its actors, and The SAVI Group's part is the design and the Model's terms, never the fund's management. Congress enacts the fund's statute now, so that the option exists on the day it is needed. The Finance Ministry settles the term sheet of Appendix B against the questions of Appendix D. The official lenders price an enhancement on the sleeve and the senior tranche, never on the whole stock. Equity buyers and managers open a pilot tranche through the route open today: an investor buys bonds at the offshore bid and tenders them, and the original holder exits at the bid, told that the route is an exit and no gain. A country that refinances its principal is renting time it does not own, and the conversion leaves both sides holding an asset.

A note on authorship and interest

The SAVI Group designed The SAVI Capital Model, operates funds that would apply it, and would benefit if the deployment sleeve adopted the Model's terms. It does not seek to manage the Sovereign Fund or any sleeve of it, and the managers are chosen by public tender. No argument in the paper rests on The SAVI Group's own performance, and no performance data is offered. The Model's specification is the first paper, Reform Before Rupture (Version 1.1, October 2026, DOI 10.5281/zenodo.23249969). The SAVI Ministries®, the legally independent institution that The SAVI Group's own funds name under the Model's fourth tenet as the recipient of returns above five times, has no role in the design; every adopter of the Model names its own such institution, and The SAVI Group manages no sleeve here, so The SAVI Ministries receives nothing from the fund. Every figure carries its source and its label so that readers can check it.

Notice

This paper is a proposal for discussion and not an offer to sell, or a solicitation of an offer to buy, any security. Nothing in it is investment, legal, tax or accounting advice to any holder of any security. It recommends to no holder that it tender, hold, buy or sell anything. Statements about the future are forward-looking and uncertain. Nothing in the paper represents the recovery any holder would receive in a default, the return or value of any unit or note, or the classification or rating of the fund or its units. Every such figure is the paper's own arithmetic on named inputs or a figure from the record, with its source.

Bond prices are last trades in the offshore cable settlement at 19:52 GMT on October 21, 2026, from a single market-data feed. They move daily. Every legal statement is the paper's own reading of the statutes, indentures and cases it cites, and none is legal advice or an opinion. The statistical treatment of the fund is the paper's reading of the published manuals, stated with its conditions in Part V; the formal classification is the adopting state's statistical authority's, made before any exchange, and the design takes nothing for granted from it.

Part I. The ledger: the debt, its holders, and what paying it costs

The front matter made three promises: that every figure in this paper carries its date and its source, that the counterfactual is the record and never par, and that the design is offered to be tested. Part I keeps the first of them. It measures the debt of the Argentine central administration as the Secretaría de Finanzas reports it, in the monthly bulletin of September 30, 2026 and the quarterly file of June 30, 2026. It reads those files against the International Monetary Fund's staff report of May 2026 and against the market's prices of October 21, 2026. The hypothesis it tests is narrow: a dollar debt that is mostly principal, carried by a surplus that covers only interest, is paid by refinancing. The price of that refinancing is now set by a market that prices a better-than-even chance of default inside a decade.

The drain this part measures did not begin in Argentina; Argentina is where it has already broken. Total public debt of the United States crossed $40 trillion on August 18, 2026 and stood at about $40.1 trillion on September 29 (United States Treasury 2026b). The Congressional Budget Office projects debt held by the public at 101% of gross domestic product in 2026 and 120% by 2036, above the record of 106% set in 1946, and a deficit of 5.8% of output this year and 6.7% in 2036 against a fifty-year average of 3.8% (Congressional Budget Office 2026). Net interest, the budget function of the Monthly Treasury Statement, came to $970,359 million in fiscal 2025 and $1,051,754 million in fiscal 2026, the year that closed on September 30 (United States Treasury 2026c). The 30-year Treasury par yield stood at 5.64% on September 30, 2026. It had risen from 3.96% to 4.84% over the fifteen months to December 2025 in which the Federal Reserve cut its policy rate six times (United States Treasury 2026a; Board of Governors of the Federal Reserve System 2026).

The growth that accompanied that borrowing was thin once price is taken out. Between the fourth quarter of 2019 and the second quarter of 2026, nominal output rose 48.5% while real output rose 16.3%, on the paper's own arithmetic from the Bureau of Economic Analysis levels published by FRED (FRED 2026a, 2026b). About two thirds of the nominal rise was price. Real median household income rose 2.5% between 2019 and 2025 on the Census Bureau's series (FRED 2026c). Cheap money carried a cost on the corporate side as well. Across 14 advanced economies the Bank for International Settlements finds that the share of firms "unable to cover debt servicing costs from current profits over an extended period" rose from about 2% in the late 1980s to about 12% in 2016, and that "lower rates tend to push up zombie shares" (Banerjee and Hofmann 2018).

A system that takes interest and principal out of an economy faster than the economy produces them is extractive in the plain sense of the word. The sovereigns that borrow in a currency they do not issue meet its limit first. Egypt paid about 61% of its general-government revenue in interest in 2025, on the paper's arithmetic from the IMF's October 2026 Fiscal Monitor series, and has not restructured. Part XI returns to it and to Ecuador. Argentina, which has restructured twice this century, is the case in which the arithmetic has already been tested.

The paper's prescription for that case rests on three pillars, stated together wherever the design is summarised because they stand or fall together. The first is a balanced fiscal policy, which Argentina's primary surplus already supplies and which no appropriation in the design may break. The second is the restructuring of the debt through the conversion that Parts V to VII specify. The third is the fiscal-load

reform of the first paper, the Fifteen Compact, built on Argentine data in that paper's Appendix D and paired here with the fund under one revenue trigger in Part VIII. Without the first the conversion is financed by borrowing and the extraction resumes, without the second the principal wall measured below returns on schedule, and without the third the companies the fund finances carry the load that kept the economy from growing.

The stock, and the currency it is payable in

On September 30, 2026 the gross debt of the central administration stood at US$486.6 billion, of which US$484.1 billion was performing and US$2.4 billion was debt eligible for the 2005 and 2010 exchanges and never tendered (Secretaría de Finanzas 2026a, sheet A.1). The bulletin states the currency split on its first page: 49% payable in local currency and "el 51% restante, en moneda extranjera", the remaining 51% in foreign currency. That foreign-currency debt is US$245.7 billion, of which US$182.8 billion is in dollars, US$57.1 billion in Special Drawing Rights owed to the IMF, and US$5.5 billion in euros, with small amounts in yen and other currencies (sheet A.3). One convention governs every figure that follows. The Ministry classes a dollar-denominated instrument paid in pesos as local-currency debt. In this paper, "foreign-currency debt" therefore means debt that must be paid in foreign currency, the debt that touches reserves.

The dollar value of the stock moves with the exchange rate. The rise recorded in 2024 was mostly peso debt revalued at a stronger real exchange rate and indexed to inflation through the CER coefficient. Peso-denominated debt rose from US$103.7 billion to US$209.2 billion that year. The September 2026 figure is struck at about 1,517 pesos to the dollar (sheet A.3), and the attribution of the 2024 rise is the paper's reading of that sheet. Measured against output, the ratio fell from 154% of GDP at the end of 2023 to 71.4% on June 30, 2026 on the Ministry's series, and the IMF's general-government measure puts it at 80.1% for 2025 (Secretaría de Finanzas 2026b, sheet A.4.7; IMF 2026c). The average life of the stock is 4.57 years and 45.7% of its principal falls due within two years, the first sign that the burden lies in the maturities rather than in the coupon.

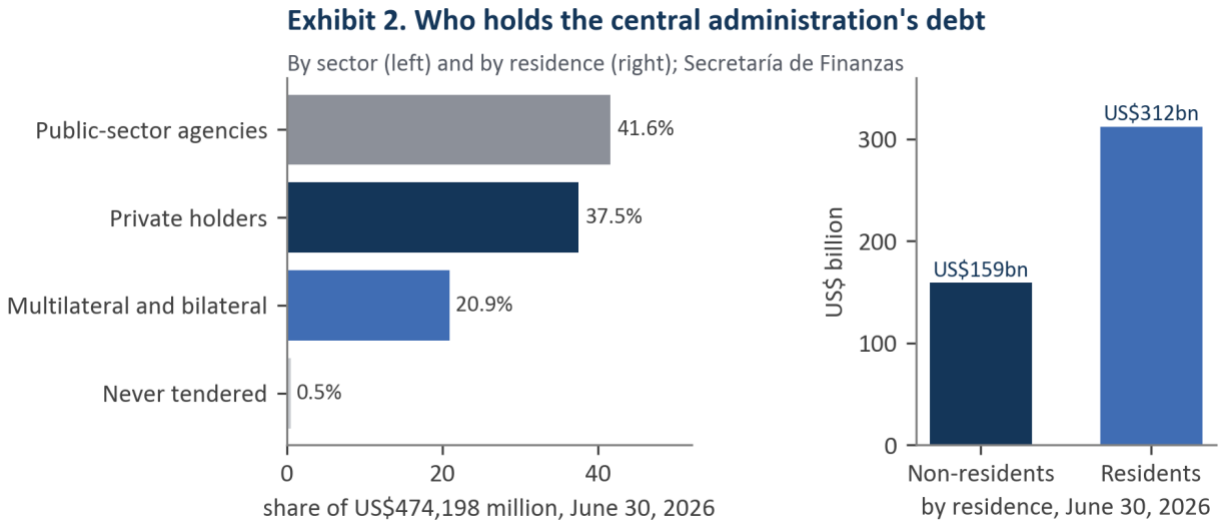
Who holds it, and under which law

The holders are reported quarterly, and the latest reading, June 30, 2026, puts gross debt at US$474.2 billion (Secretaría de Finanzas 2026c). Public-sector agencies, among them the central bank, the pension system's Fondo de Garantía de Sustentabilidad, and Banco de la Nación, held US$197.2 billion (41.6%). Private holders held US$177.7 billion (37.5%), multilateral and bilateral lenders US$99.2 billion (20.9%), and untendered eligible debt made up the US$2.4 billion remainder. By residence, US$159 billion was held abroad and US$312 billion at home. The composition of the two groups differs sharply: private holdings are 45.6% in dollars, while the public agencies' holdings are 31.5% in dollars and 98.8% under Argentine law. That difference matters in Part II, where the state settles debt to its own central bank in pesos.

By governing law, US$163.3 billion of the stock is foreign-law debt, a figure that includes the IMF and the other international financial institutions, and US$323.4 billion is under Argentine law (Secretaría de Finanzas 2026a, sheet A.2). The bonds a conversion would touch are the 2020 series. The foreign-law Globales outstanding are US$54.5 billion in dollars and US$4.2 billion in euros, and the local-law Bonares of the same exchange US$43.3 billion (sheet A.1). Summed from the Ministry's bond table of June 30, 2026, before the July instalments, the 2020 dollar series come to US$55.9 billion of Globales and US$44.5 billion

of Bonares. On September 30 the central bank held US$29.1 billion of non-transferable dollar letters, debt of the Treasury to its own monetary authority. A holder-by-holder split of each bond is not published, and the paper does not estimate one.

Exhibit 2: The holders of the central administration's debt, June 30, 2026: by sector, as shares of US$474,198 million, and by residence, in US$ billion. Sources: Secretaría de Finanzas (2026a, 2026c).



The programmes, and what the United States facility is

Two programme documents frame the period this paper measures, and the paper names the government in office by them and by its dates. The administration that took office in December 2023 negotiated the Extended Fund Facility that the IMF's Board approved on April 11, 2025, for SDR 15.267 billion, "equivalent to US$20 billion" in the Fund's words, over 48 months (IMF 2025a). After the second review, completed with the 2026 Article IV consultation on May 21, 2026, disbursements totalled SDR 11.452 billion, about US$15.8 billion (IMF 2026a). The same summary reports that the end-December target for net international reserves was missed. The staff report records that those reserves "declined by about US$9 billion during the year" 2025, and that the central bank's purchases of about US$7.5 billion in early 2026 raised them by about US$4.8 billion on the programme's definition, from a level the staff report still calls negative (IMF 2026b).

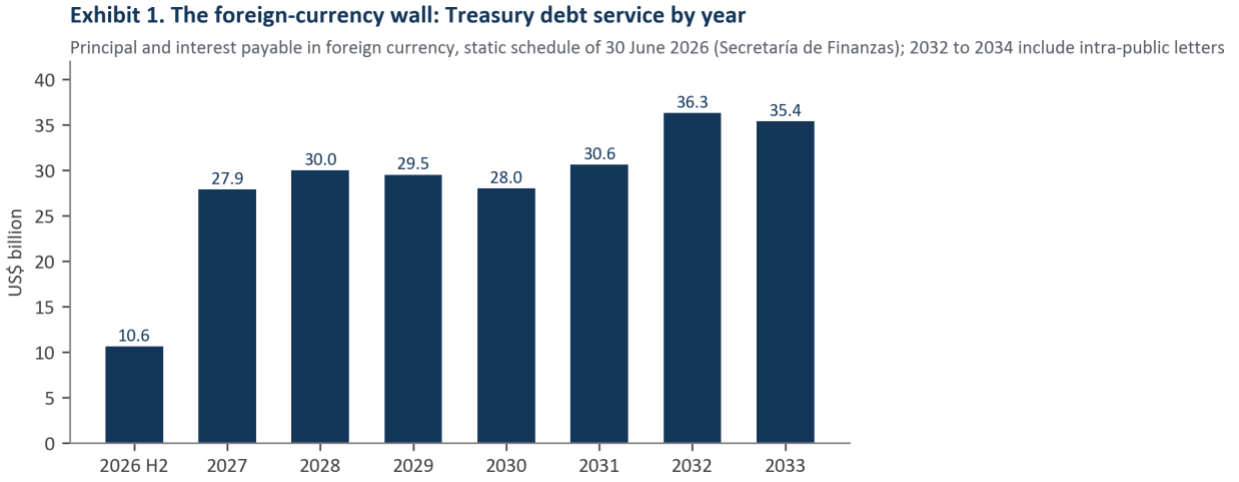
The second document is commonly described as a loan, and the paper corrects the description. The facility that the United States Treasury agreed with the central bank on October 20, 2025 is an exchange-rate stabilisation agreement providing for bilateral currency swap operations "for an amount of up to USD 20 billion" (Banco Central de la República Argentina 2025). Its counterpart is the central bank, and no line for it appears in the Treasury's debt stock. The facility is therefore not a loan to the Treasury and forms no part of the debt measured above, a reading the paper takes from the release and from the Ministry's tables. The Congressional Research Service reports that US$2.5 billion was drawn in October 2025 and repaid in December 2025, and that the arrangement remained active in the Treasury's Exchange Stabilization Fund report of February 2026 (CRS 2026).

The service is principal

The debt-service schedule of June 30, 2026 is a static profile. It records the commitments signed at that date, at that date's exchange rates, inflation coefficients and interest rates, and it excludes any payment on the GDP-linked units (Secretaría de Finanzas 2026b, sheets A.3.6 to A.3.8). From its tables the paper sums the foreign-currency service due from 2027 to 2035 by creditor and by component, and the sums reconcile to the Ministry's own foreign-currency totals to the dollar. Over those nine years the central administration owes US$211.1 billion of principal and US$54.1 billion of interest in foreign currency. Principal is 79.6% of the service. For the 2020 bonds alone the figures are US$89.3 billion of principal against US$25.9 billion of interest, 77.5%, and for the IMF US$56.5 billion against US$12.1 billion, 82.4%.

The burden is the maturities. Foreign-currency service of the Treasury is US$10.6 billion in the second half of 2026, US$27.9 billion in 2027, US$30.0 billion in 2028, US$29.5 billion in 2029, US$28.0 billion in 2030, US$30.6 billion in 2031, US$36.3 billion in 2032, and US$35.4 billion in 2033 (sheet A.3.6). The figures for 2032 to 2034 include US$30.3 billion of the central bank's non-transferable letters. Those letters are debt between two arms of the state, and Exhibit 1 shades them because they can be settled in pesos. The IMF's own table adds the central bank's obligations to the Treasury's and puts total foreign-currency service at US$24.8 billion in 2026 and US$32.3 billion in 2027 (IMF 2026b, Table 9). Bondholders take US$8.9 billion and US$11.9 billion of those totals, and the Fund itself US$4.5 billion and US$7.8 billion.

Exhibit 1: The annual foreign-currency wall of the Treasury, second half of 2026 to 2035, principal and interest stacked by year, with the central bank's non-transferable letters shaded as intra-public. Source: Secretaría de Finanzas (2026b), sheets A.3.6 to A.3.8; the component sums are the paper's.



The coupons were written low in the 2020 exchange, and they step up over time. On the schedule in the prospectus supplement of August 2020, the dollar bonds pay 1.75% on the 2030 series in its final years, 5% on the 2035, 2038 and 2046 series, and 4.875% on the 2041 series (Republic of Argentina 2020b). The weighted average rate on the Treasury's dollar debt was 3.31% on June 30, 2026, 3.05% on bonds and 5.15% on the loans of the international institutions (Secretaría de Finanzas 2026b, sheet A.1.5). A low coupon beside a near wall of principal means that the cost of the debt is set less by what the bonds pay than by what refinancing them will cost. One illustration states the scale, and it is arithmetic and not a forecast. If the US$81.3 billion of foreign-currency principal due from 2027 to 2030 were refinanced at 9.5%

instead of the 3.31% average rate on the dollar debt, the annual interest bill would rise by about US$5.0 billion, about 0.7% of 2025 output.

The lender reads the same arithmetic from its side. The IMF's programme has the primary surplus rising to about 2.25% of GDP by 2029, a path the staff report calls "consistent with the projected increase in the interest bill" (IMF 2026b). The paper does not dispute the path. It measures what the path rests on.

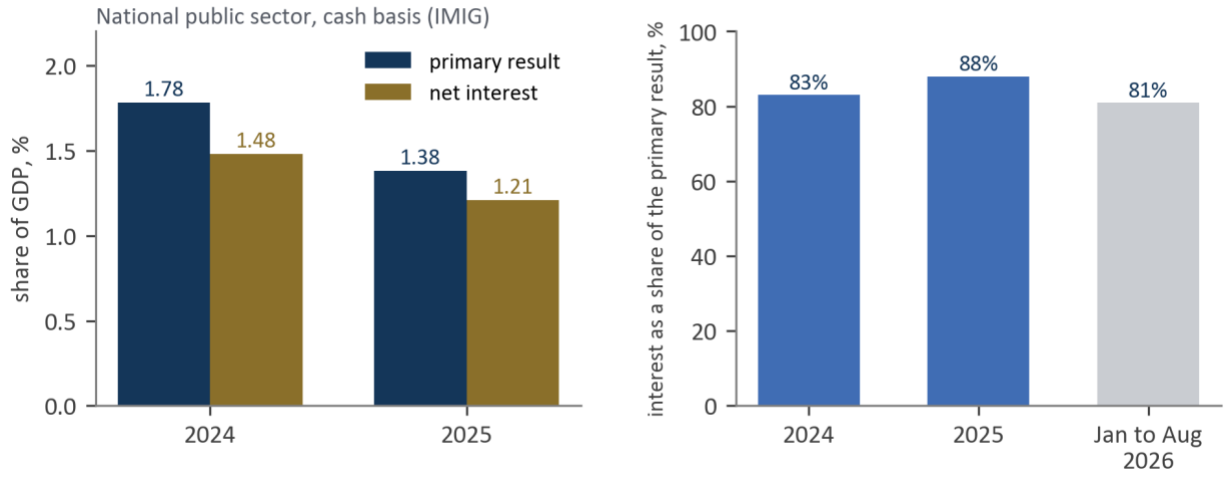
The surplus covers the coupon

The national primary surplus was 1.78% of GDP in 2024 and 1.38% in 2025 on the cash accounts of the national public sector (Ministerio de Economía 2026b, series 452.2). Net interest absorbed 83% of it in the first year and 88% in the second, and from January to August 2026 the share was 81% (series 452.3). The ratios are the paper's arithmetic. Converted at the 2025 average official exchange rate, on the paper's conversion, the 2025 surplus comes to about US$9.4 billion. Foreign-currency interest due in 2027 is US$9.4 billion, against US$18.5 billion of foreign-currency principal in the same year. The surplus pays one year's coupon and nothing else.

Every dollar of principal must therefore be refinanced or found in reserves, and the programme assumes exactly that. In the staff report's words, "principal payments on FX debt (to the IMF and private creditors) are refinanced through the issuance in the markets of foreign-currency debt", while "FX interest payments are covered mainly by primary surpluses" (IMF 2026b). The 2026 target of 1.4% of GDP is a performance criterion of the same programme. In practice the surpluses of 2024 and 2025 went to interest. On the paper's reading of the fiscal series beside that assumption, principal was rolled in pesos, refinanced, or paid from dollars the Treasury bought from the central bank with its peso deposits, and Part II follows those dollars.

Exhibit 3: The primary result against net interest, national public sector on a cash basis, 2024 to August 2026: both as shares of GDP for the full years, and interest as a share of the primary result. Sources: Ministerio de Economía (2026b), series 452.2 and 452.3, and Secretaría de Finanzas (2026b); the conversion is the paper's.

Exhibit 3. The surplus and what interest takes of it



Reserves do not cover the wall

Gross reserves of the central bank were US$23.1 billion on December 29, 2023 and US$50.2 billion on October 16, 2026 (Banco Central de la República Argentina 2026b, variable 1). The gross figure counts the swap lines, the banks' reserve requirements on dollar deposits, and other reserve liabilities. The programme's net measure strips them out, and on that measure reserves were negative at the end of 2025 and had risen by about US$4.8 billion by the second review (IMF 2026b). No primary source read for this paper publishes a current level of net reserves, and the paper states only the direction. Against that position the Fund's table puts the foreign-currency obligations of the Treasury and the central bank for 2026 and 2027 at US$57.1 billion, or US$45.6 billion net of the disbursements expected from the Fund and the other institutions (Table 9). Gross reserves stood at about 40% of the Fund's reserve-adequacy metric at the end of 2025, with 85% targeted by 2029.

The paper reads the arithmetic one way, on the Fund's own financing assumption. The obligations are payable on the rollover assumption and on no other. Meeting them through 2027 requires continued central-bank purchases, new local-law dollar issues, the banks' repurchase lines, and market access, each of which the staff report records.

What the market prices

The market has moved against the rollover assumption since June. The spread of Argentina's dollar bonds over United States Treasuries on JP Morgan's EMBI index fell to 437 basis points on June 26, 2026, the year's low on the pages read. It closed at 672 basis points on October 20, 2026, as reported by the Rava Bursátil historical pages, since the index itself is proprietary (Rava Bursátil 2026). The rise is 235 basis points, or 54%, in four months.

Growth expectations fell with the prices. The central bank's survey of forecasters expected 3.5% growth for 2026 in its December 2025 round and 1.5% in its September 2026 round, published on October 6 (Banco Central de la República Argentina 2026c). The same round has the third quarter at -1.0% quarter on quarter,

seasonally adjusted. The IMF's October 2026 World Economic Outlook has 2.1% for the year against the 3.5% of its May staff report (IMF 2026c).

Revenue moved the same way, for two reasons the paper keeps apart. Real national tax revenue from January to September 2026 was 3.0% below the same months of 2025, on the Ministry's monthly series deflated by the consumer price index, the paper's arithmetic (Ministerio de Economía 2026b, series 142.3; INDEC 2026e). Part of that fall is policy, since export duties were cut at the end of September 2025 and the first nine months of 2026 are compared with months that still carried the higher rates. Part is the slowdown. The paper attributes the whole of it to neither. The Fund's judgement of May 2026 stands in one phrase, that public debt "remains sustainable but not with high probability" (IMF 2026b).

Prices carry the same reading, and the paper fixes the convention before it quotes one. The same New York-law bond trades in Buenos Aires in two dollar settlements, "cable" dollars paid abroad and "MEP" dollars paid into a local account, and the premium on the offshore dollar puts the MEP price about 5.5% to 5.9% above the cable price. Foreign holders are paid offshore, and only the cable yield matches the published country risk, so every price this paper uses is a cable price and the MEP price appears once, for comparison.

At 19:52 GMT on October 21, 2026, on one market-data feed of BYMA trades, the 2035 Global last traded at 70.01 per 100 of original face in cable settlement, the 2038 at 74.61, and the 2041 at 65.12 (data912 2026, as reported by the feed, since no dealer price was available). The 2030 bond traded at 53.54 per 100 of original face, of which 64 remains outstanding after the instalments paid through July 2026. The same 2035 bond traded at 74.04 in MEP dollars at the same moment, about 5.8% higher, which is the price a reader in Argentina sees quoted. Both prices are for the same New York-law bond, so the gap is the premium on offshore dollars and nothing else. The local-law Bonar 2035 trades a further 4.9% below the Global in either settlement, a separate discount for jurisdiction.

At 70.01 the 2035 bond yields 11.63% to maturity on its prospectus cash flows, 655 to 662 basis points over the Treasury curve of October 20, 2026 (United States Treasury 2026a), against a published country risk of 661 to 672 basis points (Rava Bursátil 2026; BondTerminal 2026a). The MEP price would imply 10.52% and about 545 basis points, which no published series shows. What those prices imply can be stated as a probability, with the convention named each time. On the reduced-form method that treats the spread as a constant default intensity, the EMBI spread of 672 basis points gives, at zero recovery, an intensity of at least 6.7% a year and a cumulative risk-neutral probability of default of at least 28.5% over five years and 48.9% over ten. Zero recovery is a lower bound on the intensity, since any positive recovery raises it, and the paper takes no recovery figure as a finding. Solved on the cable prices and the same Treasury curve, with recoveries of 20% to 30% entered as inputs to the calculation and never as a finding about what holders would receive, the four Globales imply an intensity of 8.1% to 10.4% a year, 33% to 41% over five years and 55% to 65% over ten.

Both sets of figures are risk-neutral. They overstate real-world probabilities, because a spread carries risk and liquidity premia as well as expected loss. The EMBI blends local-law and foreign-law bonds, and the 2027 presidential election falls inside the five-year horizon. The market prices a probability; it does not

predict one. At those recovery inputs it prices a better-than-even risk-neutral chance of a default inside ten years, and the Fund that lends to the Republic rates the debt sustainable but not with high probability. Part II asks what the economy that must produce the dollars has shown while paying on schedule, through the channels that have carried the payments since December 2023.

Part II. The float: what the payment channel did to the economy

Part I ended on the market's number and the Fund's phrase. This part measures what paying the debt on schedule, through the channels that carry it, has done to the economy since December 2023, the period Part I named by its dates and by its two programme documents. Its hypothesis has two halves. The drain runs through two pipes, reserves and credit, and its cost shows in the employer base and in the composition of work before it shows in average wages. Every series is official and dated. The period is named by its dates and its programmes and never by a party, because the mechanism belongs to the structure of the 2020 debt and to the channel through which it is paid.

Two pipes: reserves and credit

A payment in dollars to a non-resident leaves the reserves one for one, and US$159 billion of the stock is held abroad. The Treasury earns pesos through its surplus and must buy the dollars. In 2026 it bought them from the central bank, US$1.7 billion on May 18 and about US$0.6 billion in June, toward the July 9 payment of about US$4.35 billion on the Globales and Bonares, as La Nación reported (La Nación 2026). Those purchases sit inside a larger flow. The Ministry's payment table shows the Treasury paid US$22,582 million of foreign-currency principal and US$7,213 million of foreign-currency interest in 2025, and US$10,657 million and US$7,786 million from January to September 2026, figures that cover every foreign-currency creditor, the Fund included, and not only non-residents (Secretaría de Finanzas 2026a, sheet A.5).

The Treasury raised other dollars through local-law dollar issues, more than US$2 billion of Bonares by the end of April on the staff report's count, while the central bank raised dollars through repurchase lines of US$6 billion with international banks (IMF 2026b). A coupon paid to a resident can stay in the system, on the paper's reading of the mechanism. The staff report records that "household FX purchases have remained within the banking system", and the reserve requirement on a dollar deposit counts in gross reserves even as the net measure strips it out.

The second pipe is credit. Peso principal is US$75.0 billion in the second half of 2026 alone and US$71.7 billion in 2027 on the June schedule, and it is rolled at auction inside a banking system whose assets the Fund puts at about 35% of GDP (Secretaría de Finanzas 2026b, sheet A.3.7; IMF 2026b). The staff report calls that system shallow, "adding to the challenges of absorbing GFNs", the gross financing needs. When the Treasury absorbed the banks' funding, private credit shrank. The paper reads that mechanism from the credit series below and from the Fund's own attribution of the rebound.

Debt the Treasury owes its own central bank runs through neither pipe, and the period supplies the proof. In May 2026 a joint resolution of the finance and treasury secretariats, published in the Boletín Oficial on May 27, cancelled US$22.3 billion of the central bank's non-transferable dollar letters against "pesos dieciocho billones cuatrocientos mil millones", ARS 18.4 trillion (Boletín Oficial 2026; Secretaría de Finanzas 2026a, sheet A.4). The paper converts that sum to about US$13.2 billion at the May average rate, about 59% of nominal. No dollar left the reserves; the central bank received pesos. The operation is a domestic precedent the design draws on, since intra-public dollar debt can be converted first, where no reserve drain and no foreign holder is involved.

The verdict on the two pipes is the paper's own reading of the series. The reserve pipe is the foreign-currency service to non-residents and to the Fund, US$24.8 billion in 2026 and US$32.3 billion in 2027 on the IMF's table, the central bank's own obligations included. The credit pipe is peso debt absorbing a shallow banking system. A conversion that removes the external pipe relieves reserves, and one that removes peso rollovers relieves credit. This paper's design is addressed to the first, and the schedule gives its scale. In 2027 the 2020 bonds alone take US$6.5 billion of principal and US$3.6 billion of interest, US$10.2 billion of dollar demand, 36% of the Treasury's foreign-currency service that year and about 1.5% of 2025 output, on the paper's arithmetic from the June schedule.

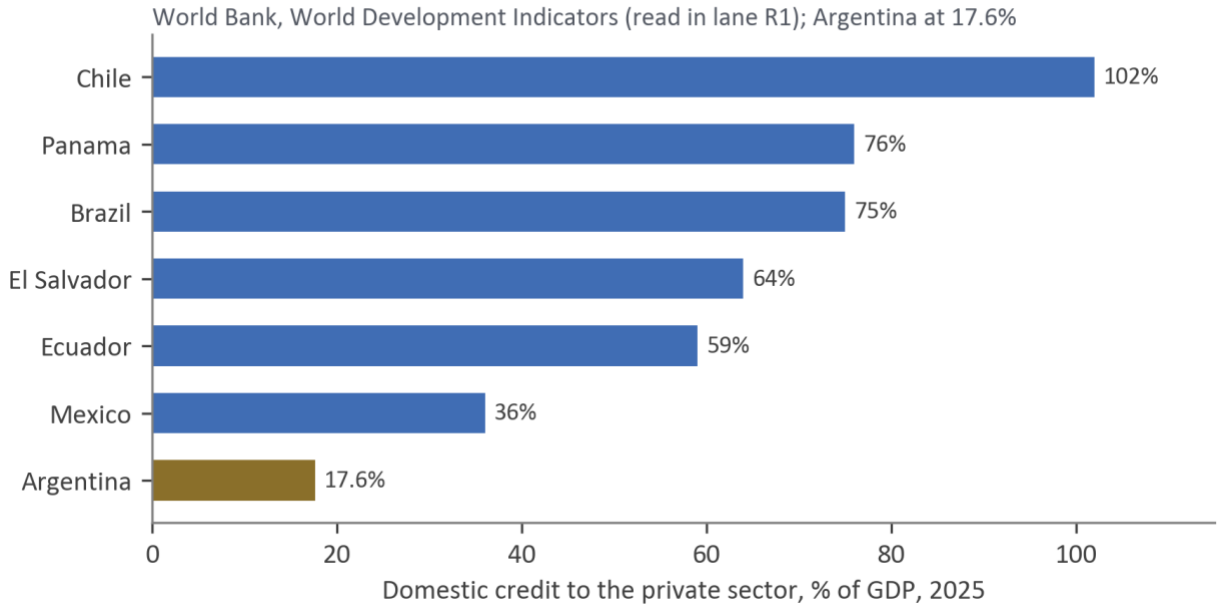
Credit: the gap to the region

Bank loans to the private sector were 11.3% of GDP in 2024 and 14.0% in 2025 on the central bank's series against INDEC's nominal output, and about 13.1% on the loan stock of October 16, 2026 against annualised second-quarter output (Banco Central de la República Argentina 2026b, variable 26; INDEC 2026a). The ratios are the paper's. On the World Bank's broader measure, domestic credit to the private sector, Argentina stood at 17.6% of GDP in 2025. Brazil stood at 75.1%, Chile at 102.1%, Mexico at 35.5%, Ecuador at 58.9%, El Salvador at 64.4%, and Panama at 75.5% (World Bank 2026). The two measures differ by definition, bank loans against all domestic lenders, and the date of the stock set against the year's output, and the paper names the one it uses each time.

Credit is coming back, and the Fund says from where. The staff report ties the rebound in bank credit to the private sector "from about 5½ percent of GDP in early 2024 to around 10 percent in 2025" to "reduced public borrowing", with real credit growth of 32% on average in 2025 and dollar credit at about 3% of GDP (IMF 2026b). The rebound is real and the paper reports it, but it has not closed the gap. A private sector that borrows 17.6% of its output from domestic lenders sits beside two regional peers, Brazil and Chile, that borrow four to six times as much on the same measure. Argentina stood at 15.4% on the same measure in 2023, when Brazil stood at 71.1% and Chile at 109.5%, so the gap predates the period and the paper does not attribute it to the debt, though it is the shallow base on which the credit pipe draws.

Exhibit 4: Domestic credit to the private sector as a share of GDP, 2025: Argentina against Brazil, Chile, Mexico, Ecuador, El Salvador, and Panama. Source: World Bank (2026), indicator FS.AST.PRVT.GD.ZS.

Exhibit 4. The crowded-out credit system



Poverty and informality: three figures, kept apart

INDEC measures poverty twice a year across 31 urban agglomerations, in persons and in households. In the first half of 2026, 32.3% of persons lived in poor households, 9.729 million people, up 4.1 points from 28.2% in the second half of 2025 and down from 52.9% in the first half of 2024 (INDEC 2026b). The path between those dates runs through 38.1% in the second half of 2024, 31.6% in the first half of 2025 and 28.2% in the second, and INDEC reports no significant change between the first halves of 2025 and 2026. Indigence was 7.5%, and 24.4% of households were poor. Among children up to 14 the rate was 44.5%.

INDEC gives the driver of the semester's rise in its own terms: per-capita family income rose 11.5% while the basket that defines the poverty line rose 19.6% and the food basket that defines indigence rose 21.4%. The Fund's staff report of May says poverty fell "to below 30 percent by Q3:2025", and INDEC's first-half figure shows it rising again. Both are true for their periods.

The paper states three figures and keeps them apart. A third of the people are poor. Close to half the children are poor. The third figure is informality: 45 of every 100 workers are outside the formal economy, the labour informality rate of 45.0% in the second quarter of 2026 on INDEC's new definition, "Tasa de informalidad laboral 45,0%" in the labour-market report, up from 43.2% a year earlier (INDEC 2026d). The same report gives 45.0% as the employment rate, and that coincidence is the likely origin of a figure that circulates as a poverty rate. The paper does not use it so.

Informality is where the hypothesis expects the cost of the drain to show first, and the series that follow test it. They are net counts. They cannot separate an employer that closed from one that moved its workers to a cheaper contract, and the paper does not claim to.

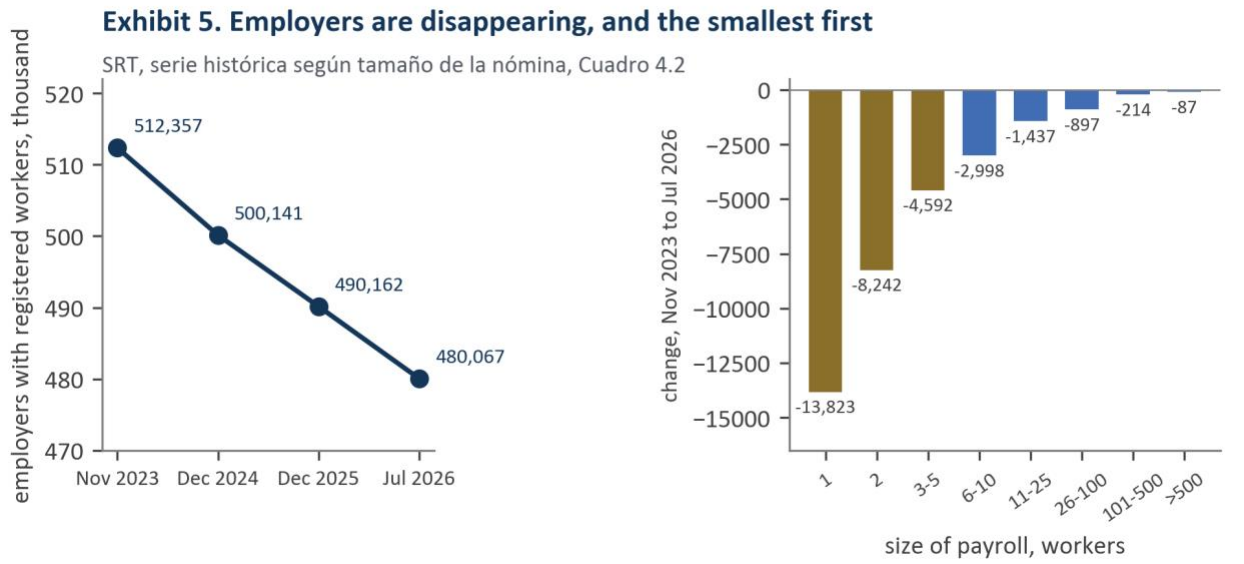
Employers: a net loss concentrated in micro-firms

The Superintendencia de Riesgos del Trabajo counts employers with insured, declared workers, by size of payroll, and its series is the paper's measure of the employer base (SRT 2026, Cuadro 4.2). Those employers numbered 512,357 in November 2023 and 480,067 in July 2026. The fall is 32,290, or 6.3%. Firms of one to ten workers account for 29,655 of the net loss, 92% of it, and single-worker employers alone fell from 181,390 to 167,567.

Employers of two workers fell from 85,309 to 77,067, employers of three to five from 100,278 to 95,686, and employers of six to ten from 58,706 to 55,708. The band of 11 to 25 workers lost 1,437, the bands of 26 to 100 and of 101 to 500 lost 897 and 214, and employers of more than 500 workers fell from 1,805 to 1,718. Covered workers in those firms fell from 9,857,173 to 9,419,562, by 437,611 (Cuadro 4.1).

Two cautions belong beside the numbers. The series is net of entries and exits, so a fall is a count of fewer employers and never a count of closures. Some of it may record firms that moved workers to self-employed contracts, and the counts cannot say how many. What the series can say is where the loss sits: in the smallest firms, where the SRT's own bands place 92 of every 100 of the employers lost. That reading is the paper's, and the size bands carry it.

Exhibit 5: Employers with registered workers by size of payroll, November 2023 to July 2026, with the net change in each band. Source: SRT (2026), Cuadro 4.2; the sums for the 26 to 100 and over-500 bands are the paper's.



Work: the K is in the composition

The composition of work moved in the same direction. Registered private wage earners on the SIPA series fell from 6,385,800 in November 2023 to 6,082,300 in July 2026, by 303,500, or 4.8% (Secretaría de Trabajo 2026, series 151.1, which carries seasonality). Public wage earners fell by 99,500. Registered self-employed workers on the monotributo rose by 177,100, from 2,037,800 to 2,214,900.

The count on the subsidised monotributo social fell by 414,000 over the same months. The sources cited here do not establish the cause, and the paper excludes that series from its reading. Real registered wages,

the INDEC wage index deflated by the consumer price index, were 3.4% below their November 2023 level in the private sector and 15.8% below in the public sector in July 2026 (INDEC 2026e, 2026g). The deflation is the paper's arithmetic. The paper does not use INDEC's non-registered wage index for this comparison, because it runs five months behind the registered series and its swings over the period are implausible.

Unemployment was about 7.5% at the end of 2025, and the central bank's survey expects 7.7% for the fourth quarter of 2026 (IMF 2026b; Banco Central de la República Argentina 2026c). Read together, the series describe a K whose lower arm is the composition of work and not the average wage. Formal private wage jobs fell by 303,500 while registered self-employment rose by 177,100. Informality rose 1.8 points to 45.0% in the year to the second quarter of 2026. The employers lost were almost all micro-firms, and public pay fell hardest in real terms, while average real registered private wages sit about where they stood in late 2023. That reading is inferred from verified series, and the K in it is a sorting of workers by the kind of contract they can get.

Part I measured a wall of principal that the surplus cannot pay and a market that prices a better-than-even risk-neutral chance that it will not be paid on schedule inside ten years. Part II has measured what happened to credit, to employers, and to the kind of work the country offers while it was paid on schedule. Both measurements lead to the question a holder of a Global asks before any ministry does, which is what a bondholder receives when a sovereign in this position stops paying. Part III answers it from the record of 327 restructurings since 1815, with Argentina's own two exchanges as the anchors, and the answer is a distribution and never a figure assumed.

Part III. The record: what bondholders receive when sovereigns default

Part I measured a wall of principal that the surplus cannot pay. Part II measured what happened while it was paid on schedule: a credit stock shallow before the period and shallow still, 32,290 fewer employers between November 2023 and July 2026, 92% of the net loss in firms of ten workers or fewer, and informality at 45.0%, all net counts that test a hypothesis and prove no cause. Both lead to the question a holder of a Global asks before any ministry does: what does a bondholder receive when a sovereign in this position stops paying? The answer is a distribution with a centre, a tail and a clock. Argentina sits in it twice, at the harsh edge in 2005 and near the middle in 2020. The part assumes no recovery figure and recommends nothing to any holder.

Three measures of one loss

A sovereign restructuring is measured in three ways. The face haircut compares the principal of the new debt with that of the old. The present-value haircut, on the convention of Sturzenegger and Zettelmeyer that the datasets below and the IMF adopt, discounts the new instruments and the old claim at the same rate, normally the exit yield. It states the loss against a holder who kept being paid as if nothing had happened. The market haircut compares the present value of the new instruments with the face of the old claim, so 100 minus it is the cents per dollar of face a holder could have sold for at the exit.

The three move apart because most sovereign losses arrive through lower coupons and longer maturities. Across 327 restructurings since 1815 the median face haircut is zero and the mean 23%, against a median present-value haircut of 38% (Graf von Luckner et al. 2025, Table 1). A converting holder must beat the present value of what the record delivers, at a stated rate. Par is never that figure.

The distribution of the record

Graf von Luckner, Meyer, Reinhart and Trebesch assemble 327 distressed restructurings of debt owed to foreign private creditors from 1815 to 2023. The mean present-value haircut is 42% and the median 38%. Counted per spell, cumulating every deal inside one default, the mean is 46% and the median 42%, and the middle half of outcomes runs from 18% to 65% (Graf von Luckner et al. 2025, Table 1). Outright repudiation occurs in 10 of the 327 cases, about 3%, almost all in wars, revolutions or the break-up of states. At the other end, "about half (52 percent) of the distressed debt restructurings in our dataset are pure reschedulings" (Graf von Luckner et al. 2025, 4).

The modern window gives the same centre. Across 180 restructurings with foreign banks and bondholders in 68 countries from 1970 to 2010, Cruces and Trebesch find an average present-value haircut of 37%, about 30% weighted by volume, a market haircut of 40% and a face reduction of 16.8% (Cruces and Trebesch 2013, Table 1). Creditors kept, in present value, about 63 cents per dollar of their old claim on the simple average and about 70 weighted by volume, while the face itself fell 16.8%. A present-value recovery below 30 cents is the tail. On the paper's count of the Graf von Luckner dataset, 16.1% of the 193 restructurings with external private creditors from 1970 to 2024 cut present value by more than 70%, and 23.6% of those since 1998 (Graf von Luckner et al. 2025). Argentina's 2005 exchange, at about 23 cents in present value on the Cruces-Trebesch measure, is among them. Deeper still sit Iraq's 2006 exchange of

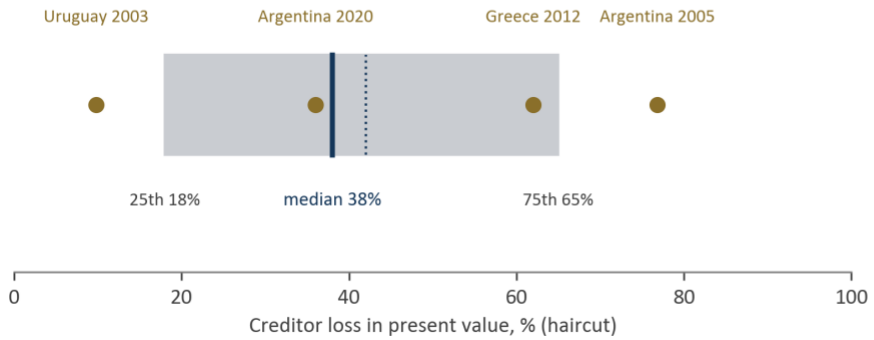
US$17.7 billion of commercial debt, a present-value haircut of 89.4% with 81.5% of the face cut, and the HIPC and donor-funded deals, at a mean of 87.0% (Cruces and Trebesch 2013).

The record since 2020 is harsher, and still far from that tail. The eight restructurings with private creditors completed between 2020 and 2024 took 2.5 years on average and cost 36.2% in present value, against 1.1 years and 22.8% for the thirteen cases of 2014 to 2020 (IMF 2025b, Table 2).

Exhibit 6: The distribution of present-value haircuts across 327 sovereign restructurings, 1815 to 2023, with the interquartile range, the 1970 to 2010 mean and Argentina's 2005 and 2020 exchanges marked. Source: Graf von Luckner et al. (2025), Table 1; Cruces and Trebesch (2013), Table 2; IMF (2025b), Figure 6.

Exhibit 6. The record of restructurings, with Argentina marked

327 restructurings since 1815 (Graf von Luckner, Meyer, Reinhart and Trebesch 2024); the shaded band is the middle half; dotted line the mean



Before the default or after it

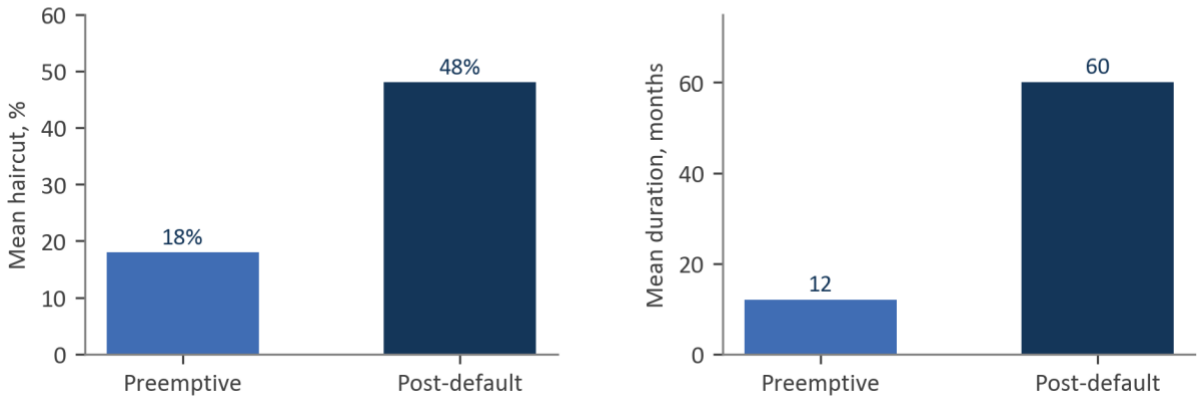
The strongest regularity in the record concerns timing. Asonuma and Trebesch divide 179 restructurings between 1978 and 2010 into 68 completed before any missed payment and 111 after a default. The preemptive deals cost creditors a mean present-value haircut of 18.4% and took 12.2 months. The post-default deals cost 48.0% and took 59.8 months, with a median of 37 (Asonuma and Trebesch 2016, Table 1). The early deals cost less than half as much and ended in about a fifth of the time. The comparison runs across different cases, so the paper reads it as an association.

Delay goes with deeper losses. In the two-century sample "a 5 years longer default process is associated with a 12.5-percentage point higher haircut", and default spells have lasted about eight years on average since 1970 (Graf von Luckner et al. 2025, 27-29). Exclusion is the second cost: "The average duration from restructuring to partial reaccess is 5.1 years, while the median is 3 years" (Cruces and Trebesch 2013, 21). Moody's reports that 45% of the issuers that defaulted between 1997 and 2013 never regained access (Moody's 2018).

Exhibit 7: Preemptive against post-default restructurings, 1978 to 2010: mean present-value haircut and mean months to resolution. Source: Asonuma and Trebesch (2016), Table 1; Cruces and Trebesch (2013), Table 1.

Exhibit 7. Acting before the default: what it costs creditors and how long it takes

Asonuma and Trebesch 2016, read in lane R8



Argentina 2001 to 2005: the record's outlier

Argentina's default of December 2001 produced the deepest haircut of its generation, and domestic creditors took the first cut. In November 2001 US$64.37 billion of claims held mostly by residents were swapped into guaranteed loans, and in February 2002 about US$58 billion of dollar instruments under Argentine law were pesified by decree at 1.40 pesos per dollar (Sturzenegger and Zettelmeyer 2005, Tables 9 and 10). The present-value haircuts were 41.7% and 45.6%, and a holder restructured twice lost close to 70% (Sturzenegger and Zettelmeyer 2005, 47). Domestic law did not shield the domestic creditor.

The foreign leg followed. As reported by the Congressional Research Service, the offer of January 12, 2005 covered bonds with a face value of US$81.8 billion plus US$20.8 billion of past-due interest (CRS 2013). It offered a Par bond with no face reduction, a Discount bond at 33.7% of original face and a Quasi-par bond in indexed pesos at 69.6%, and it recognised no interest due between December 2001 and December 2003 (Sturzenegger and Zettelmeyer 2005, 40-41). Holders of 76.15% of eligible claims accepted, residents at 98% and non-residents at 63% (Sturzenegger and Zettelmeyer 2005, 41, 63).

At the exit yields of March 2005 Sturzenegger and Zettelmeyer find a weighted average present-value haircut of 71% to 75%, 72.9% overall (Sturzenegger and Zettelmeyer 2005, 41-42). Cruces and Trebesch, discounting at an imputed 10.4%, put the present-value haircut at 76.8%, the market haircut at 79.0% and the face reduction at 29.4% (Cruces and Trebesch 2013, Table 2). On the market-value measure a typical uncollateralised dollar bond obtained about 33.6 to 38.9 per 100 of principal at the prices of March 4, 2005 (Sturzenegger and Zettelmeyer 2005, Table 11).

The holdouts, 2010 to 2016

The Republic reopened the offer in 2010. As reported by the Congressional Research Service, about US$12.4 billion of the US$18.4 billion eligible was exchanged, 67.7%, and cumulative participation reached about 91% (CRS 2013). The Republic's own count is "approximately 92%" (Republic of Argentina 2016).

The Second Circuit's pari passu opinions are dated October 26, 2012 (699 F.3d 246) and August 23, 2013 (727 F.3d 230), and the Supreme Court's docket in No. 13-990 records "Petition DENIED" on June 16, 2014

(Supreme Court of the United States 2014). As reported by Fortune, a US$539 million interest payment fell due on June 30, 2014, and when the grace period ended on July 30 S&P lowered the foreign-currency rating to selective default. On August 1 ISDA's Americas Determinations Committee "resolved that a failure to pay credit event occurred in respect of the Argentine Republic" (ISDA 2014a). Holders who had taken the deepest haircut of their generation went unpaid a second time because the New York courts' broad reading of the pari passu clause, won by holders who had taken no haircut, interrupted payments on the exchange bonds (IMF 2025b).

The settlement came in 2016, fourteen years after the default. The Republic's proposal of February 5, 2016 offered a standard option of 100% of principal plus up to 50% of original principal as interest (Republic of Argentina 2016). As reported by the Associated Press, the four largest litigating funds reached an agreement in principle on February 29 for about US$4.65 billion, about 75% of their judgment amounts including interest (Voice of America 2016). In April the Republic issued US$16.5 billion of new bonds and applied US$9.3 billion to settlements on about US$4.2 billion of principal, about 2.2 times principal on the paper's arithmetic, because the claims carried contractual and post-judgment interest (Republic of Argentina 2017; Note 1). About US$1.51 billion of untendered principal stayed outside any settlement at December 31, 2016 (Republic of Argentina 2017). By October 15, 2025 "agreements in principle have been executed with holders of approximately 87%" of the untendered stock of 2015 (Republic of Argentina 2025).

The holdout premium was real, and narrow. Greece's foreign-law holdouts of 2012, holding €6.4 billion, were repaid in full and on time (Zettelmeyer, Trebesch, and Gulati 2013; Fang, Schumacher, and Trebesch 2021). None of the studies cited compares the exchanger's and the holdout's realised returns on a like-for-like discounted basis. The premium went to concentrated funds that could litigate and wait. Collective action clauses, single-limb aggregation above all, bind dispersed holdouts in (Fang, Schumacher, and Trebesch 2021), so the holdout outcome is not on offer to the median holder of a bond that carries them.

Exhibit 8: Argentina's four episodes on one timeline, 2001 to 2020: the domestic exchanges of 2001 and 2002, the 2005 exchange, the 2010 reopening, the 2014 payment block and the 2016 settlement, and the 2020 exchange, each with what holders received on the measure stated. Source: Sturzenegger and Zettelmeyer (2005); Cruces and Trebesch (2013); CRS (2013); Republic of Argentina (2016, 2017, 2020b, 2025); OPC (2020b).

Date	Episode	What happened	Measure
November 2001	Domestic exchange	US$64.37 billion of claims, held mostly by residents, swapped into guaranteed loans	present-value haircut 41.7%
February 2002	Pesification by decree	about US$58 billion of dollar instruments under Argentine law converted at 1.40 pesos per dollar	present-value haircut 45.6%

Date	Episode	What happened	Measure
January to June 2005	The exchange	the offer of January 12, 2005 on US$81.8 billion of face plus US$20.8 billion of past-due interest; holders of 76.15% of eligible claims tendered	present-value haircut 72.9% (Sturzenegger and Zettelmeyer) and 76.8% (Cruces and Trebesch); market haircut 79.0%; face reduction 29.4%
2010	Reopening	about US$12.4 billion of the US$18.4 billion eligible exchanged, 67.7%; cumulative participation about 91%, "approximately 92%" on the Republic's count	
July 30, 2014	Payment block	after the pari passu opinions and the Supreme Court's denial of June 16, 2014, the grace period on a US$539 million payment ended and the foreign-currency rating moved to selective default	
February to April 2016	Settlement	the proposal of February 5, 2016; agreement in principle with the four largest litigating funds on February 29 for about US$4.65 billion, about 75% of their judgment amounts	
April 21 to September 4, 2020	The exchange	about four and a half months from offer to settlement	55.8 per 100 of eligible face at a 10% exit yield, the congressional budget office's valuation

The growth-linked units

Both Argentine exchanges carried an equity-like claim. On the terms the IMF's 2017 review tabulates, the units paid 5% of real gross domestic product above a reference path, with cumulative payments capped at 48% of notional, and they expire in 2035 (IMF 2017; Republic of Argentina 2025). As reported by Bloomberg, the Republic told a United States court that it made every required payment, nearly US$10 billion in all. Then the statistical base was changed, and nothing was paid for the reference year 2013.

The English High Court held on April 5, 2023 that €1.33 billion plus interest was due on the euro-denominated units (IMF 2025b, Annex II). The Court of Appeal dismissed the appeal on June 12, 2024, the Supreme Court refused permission on October 14, 2024, and about €1.5 billion was outstanding at June 30, 2025 (Republic of Argentina 2025). As reported by Infobae, holders enforced a €313 million deposit in April 2026 and obtained a freezing order in London.

Greece and Ukraine ended their growth-linked claims early. Greece's 2012 units were worth about 0.23 per 100 of old principal at issue (Zettelmeyer, Trebesch, and Gulati 2013). As reported by Cleary Gottlieb, Greece called them on April 4, 2025 at €252.28 per €1,000 of notional, about 7.9 per 100 of old principal on the paper's arithmetic, and the English court upheld the call in 2026. Ukraine's 2015 warrants became a claim its Ministry of Finance put at US$6 billion to US$20 billion over 2025 to 2041. As reported by Interfax-Ukraine, holders of 99.06% exchanged them on December 18, 2025 into about US$3.5 billion of plain bonds at a ratio of 1.34.

Growth-linked claims paid when growth came, and each issuer then rebased, called or bought them out. That is why the warrant on Part V's debt leg is linked to an audited net asset value verified by a third party, never to a statistic the state computes.

Break-even and the asset class

Meyer, Reinhart and Trebesch price 1,552 foreign-currency sovereign bonds of 91 countries from 1815 to 2016 and find a real ex-post return of 6.85% a year, defaults included (Meyer, Reinhart, and Trebesch 2022, Table 3). That is a portfolio average with continuous rebalancing into new issues. No holder of one defaulted bond earned it. For a portfolio entered two years before a default, break-even came about four years after it on average, and more than six where the haircut exceeded 42%. For Argentina and Ecuador, "it took investors until 2016 to break even in Argentina (15 years) and about five years after Ecuador's 2008 default" (Meyer, Reinhart, and Trebesch 2022, 36).

Argentina 2020: near the centre of the record

Holders of 93.55% of the US$66.185 billion of eligible foreign-law bonds accepted, and the collective action clauses carried consent to 99.01% (Republic of Argentina 2020d; OPC 2020a). A holder of a 2016-indenture dollar bond received US$97 of new 2030, 2035 or 2046 bonds per US$100 of face, a face cut of 3%, plus 1% bonds due 2029 for accrued interest (Republic of Argentina 2020b). The loss came through coupons that start at 0.125% and step up to between 1.75% and 5% by July 2028, and through maturities out to 2046. From the offer of April 21 to the settlement of September 4, 2020 the operation took about four and a half months on the paper's count.

At exit yields the IMF's data put the 2020 present-value haircut at about 36%, read from the Fund's chart to within a point (IMF 2025b, Figure 6). The Oficina de Presupuesto del Congreso valued the agreed deal on August 6, 2020: "Asumiendo un exit yield de 10%, el acuerdo tiene un valor estimado promedio de USD55,8 por cada USD100 de valor nominal elegible", US$1.4 better than the offer of July 6 (OPC 2020b). That is a value per 100 of eligible face, a market haircut of about 44.2% on the paper's arithmetic, while the 36% compares the new bonds with the old claim at the same yield. No primary source read gives the first-day prices of September 2020.

What a 2020 exchanger holds today is the paper's own arithmetic, on R8's cash schedule from the prospectus and the offshore cable prices of October 21, 2026 at 19:52 GMT. Per 100 of old face exchanged into the 2030 bond, a holder has received about 37.9 in cash, the 36 of principal and 3.1 of coupons paid per 100 of new face, times 0.97. The bond, with 64 of each 100 of face still outstanding, trades at a clean cable price of 53.54 per 100 of original face, 51.9 per 100 of old face, so the position is about 90. Through

the 2035 bond the holder has received 14.6 of coupons per 100 of new face and no principal, about 14.2 per 100 of old face, and holds a bond worth 67.9 at 70.01, about 82 in all. The figures are undiscounted and omit the 2029 bonds and the coupons earned before 2020. They describe a position, never a return.

Three crises remain open. As reported by Bloomberg Law, Venezuela's 2027 notes reached 53.8 cents on the dollar on May 5, 2026, a nine-year high on Bloomberg's indicative pricing. Lebanon has no deal, and in April 2026 BLOMINVEST reported a Goldman Sachs valuation of its Eurobonds at 22 to 23 cents and judged the market's pricing "too generous" (BLOM Invest Bank 2026). Ethiopia reached an agreement in principle on June 29, 2026, a new US$880 million bond for its US$1 billion notes and a 12% face cut on the Ministry of Finance's own statement (Ministry of Finance of Ethiopia 2026).

What the record sets as the counterfactual

The counterfactual for a holder choosing between a conversion and the ordinary path is a range, never a point. At the centre a restructuring costs about 40% in present value, and post-default deals take a median of about three years and a mean of five. Argentina's 2005 exchange cost about 77% in present value on the Cruces-Trebesch measure and left new bonds worth 33 to 39 cents per 100 of old face at the first prices on the market-value measure. Its 2020 exchange cost about 36% in present value on the IMF's exit-yield reading and was valued at US$55.8 per US$100 at a 10% exit yield by the Oficina de Presupuesto del Congreso. Preemptive deals have cost 18% and a year, post-default deals 48% and five years. A portfolio held through Argentina's last full default needed fifteen years to break even, and the holdout premium reached litigating funds after fourteen.

None of that range is a recommendation to any holder or a promise about the next default. A unit offered for a 2020 bond passes the test Part VII applies only if its present value, at a stated discount rate, beats the better of the market bid and the record's distribution. Every exchange in this part paid creditors in new claims on the debtor or its official lenders, or in cash the debtor borrowed. Whether any earlier conversion into something other than debt escaped that circle is the question Part IV puts to the old paradigm's record.

Note 1. The 2016 Form 18-K prints US$4.3 billion for the April 2016 settlement payments and the prospectus of March 14, 2017 prints US$9.3 billion, both against about US$4.2 billion of principal. The paper follows the 2017 figure (Republic of Argentina 2016, 2017).

Part IV. The old paradigm's record: every earlier conversion stayed extractive

Nothing in the record is this design, and no earlier case was an attempt at it. In the conversion programmes of 1984 to 1990, the Brady deals, the restructurings of Part III, the debt-for-nature swaps and the state funds below, no sovereign made the holders of its bonds owners of a fund whose assets are private companies that share their profit with the people who work in them. That is an absence in the sources searched. The Model that defines such a company did not exist, and the paper counts the absence in its favour.

What the record holds is four decades of conversions of sovereign debt into something else. Each stayed inside the extractive paradigm by one of four routes: a subsidy to the investor, debt replaced with debt, a claim contingent on a statistic the debtor controlled, or state assets sold through managers paid on the assets they held. On the paper's reading, that is why each failed or left the debtor owing. Each case is read for what it was inside that paradigm and for the mechanic or failure mode it leaves.

The 1980s swaps: the discount went to the investor

Between 1985 and 1990 fifteen heavily indebted countries converted about US$43 billion of debt to foreign commercial banks into local equity or local-currency instruments (World Bank 1993). Chile, the showcase, transacted about US$9 billion of face by December 1989, yet its total debt fell by only about US$2.5 billion, because new borrowing replaced what was retired (Ffrench-Davis 1990). Inside the paradigm the swaps were a buyback financed by the state at a discount the state mostly did not keep.

Under Chile's Chapter XIX a note bought abroad at about 60.5% of face was redeemed in Chile at about 88%. Investors and intermediaries captured about 70% of the market discount, a rent Ffrench-Davis puts at US$870 million, allocated with no auction (Ffrench-Davis 1990). Larraín and Velasco put the subsidy to the foreign investor at 29% to 43% of the dollars invested in 1985 to 1988, record round-tripping, and judge that swaps could not solve the debt crisis (Larraín and Velasco 1990). As reported by Ffrench-Davis, an IFC survey found only about a third of non-bank deals fully additional. The mechanic that survived is the one Chile's Chapter XVIII used for residents and Argentina's Comunicación A 1109 for public debt: the conversion right is auctioned or priced at the market, never redeemed at a fixed near-par rate.

Exhibit 9: The Chapter XIX discount, Chile 1985 to 1989: the purchase price abroad, the redemption value in Chile, and the shares of the discount captured by the debtor side, the creditor and the intermediary. Source: Ffrench-Davis (1990); Larraín and Velasco (1990).

The Chapter XIX conversion, Chile 1985 to 1989	Figure	Source
Purchase price of the note abroad	about 60.5% of face	Ffrench-Davis (1990)
Redemption value in Chile	about 88% of face	Ffrench-Davis (1990)
Share of the market discount captured by the country	about 30%	Ffrench-Davis (1990)
Share captured by investors and intermediaries	about 70%, a rent of US$870 million, allocated with no auction	Ffrench-Davis (1990)

The Chapter XIX conversion, Chile 1985 to 1989	Figure	Source
Subsidy to the foreign investor, 1985 to 1988	29% to 43% of the dollars invested	Larraín and Velasco (1990)

Settlement in money, and why it ended

Mexico's programme of 1986 and 1987 paid for swaps in pesos. The Bank of Mexico's disbursements for them were 33.1% of the growth of the monetary base in January to September 1987, while monthly inflation ran at 6.6% to 8.7%, and the programme was cancelled in October 1987 (Sanginés 1989). Brazil and the Philippines scaled back for the same reason in 1989 and 1990 (World Bank 1993). Chile avoided inflation only because its Central Bank paid in long-term peso notes into an economy running a fiscal surplus (Ffrench-Davis 1990). A conversion settled in new pesos is a monetary operation. The design settles in equity, never in base money.

Argentina ran its own programmes, and every one carried an explicit subsidy. Comunicación A 532 of September 1984 capitalised private debt covered by exchange insurance. The public-debt programme of 1987, under Comunicaciones A 1035 and A 1059 with its rules in A 1109, auctioned the debt value projects would accept, and A 1056 of the same year capitalised on-lending. About US$2.28 billion was capitalised from 1985 to March 1989, and the public-debt programme's subsidy was US$121.6 million on US$394.6 million of debt redeemed (Basualdo and Fuchs 1989).

The large conversions came in 1990 through privatisation. Sixty percent of ENTel went for US$214 million in cash plus about US$5 billion of bank-debt paper at face, and 85% of Aerolíneas for US$260 million plus US$2 billion of paper (World Bank 1990). That paper had traded at 16 cents on the dollar in 1989 (Ffrench-Davis 1990, Table VII.1). The sales leave behind the one monetary mechanic that worked, settlement in assets, and the failure mode beside it, state assets handed over against paper valued at face.

Brady: a write-down, with debt

The Brady Plan of 1989 worked where the swap menu failed. As reported by Griffith-Jones, Gallagher and Volz (2021), it combined a real write-down, about US$30 billion of official money committed in 1989 for buybacks and guarantees, and a tradeable instrument collateralised by United States Treasury zero-coupon bonds. Across the seventeen deals the present-value haircut averaged 44.6% unweighted and 37.1% weighted by debt, about 63 cents per dollar on the weighted figure in the paper's arithmetic, from 28 cents in Costa Rica to 75 in the Philippines (Cruces and Trebesch 2014). Argentina's deal of 1993 cut only about US$3 billion of US$28.5 billion, a sum that included US$9.3 billion of arrears, and cost holders 32.5% in present value, about 67.5 cents (Republic of Argentina 2025; Cruces and Trebesch 2014). Inside the paradigm it replaced debt with debt, and Argentina's Brady bonds were among the claims exchanged in 2005. Its legacy is the one enhancement in the record read that creditors collected on: the Treasury collateral survived the default, and the tendering holders of 2005 received its present value in cash (Republic of Argentina 2025).

Claims contingent on a statistic

The growth-linked instruments of Part III were contingent debt on a number the debtor computed. The IMF's 2017 review supports state-contingent instruments in principle and names the obstacles behind a thin market: novelty and liquidity premia, adverse selection, incentives to misreport the state variable, and pricing effects on conventional debt (IMF 2017).

The designs of 2023 and 2024 moved the trigger out of the debtor's hands. Zambia's second bond steps up if the IMF-World Bank composite indicator reaches 2.69 for two consecutive reviews or if exports and revenues exceed the Fund's projections of December 2023 (Republic of Zambia 2024). Sri Lanka's test compares 2027 dollar output with the Fund's baseline (Sri Lanka Ministry of Finance 2024). As reported by Orrick, Suriname's instrument pays 30% of one oil block's royalties. Neither the Zambian nor the Sri Lankan statement names a calculation agent beyond the IMF framework, and the sources read give none for Suriname. Krugman's condition of 1988, relief contingent on states the country cannot affect, is what the paper's warrant answers with an audited net asset value and a named third-party agent (Krugman 1988a).

The buybacks of the 2020s, and Bulow and Rogoff

The debt-for-nature swaps of this decade are buybacks at a discount financed by credit-enhanced new debt. As reported by the IMF in May 2022, Belize bought its US$553 million superbond in November 2021 at about 55 cents with an insured blue bond. The Graf von Luckner dataset records a present-value haircut of 0.2% against a face reduction of 45%, which the paper reads as holders selling at the market value of a claim they already held (Graf von Luckner et al. 2025). Ecuador retired US$1,628.8 million of face in May 2023 with a US$656 million loan insured by the DFC and guaranteed in part by the IDB, cutting its external debt stock by US$972 million (Ecuador Ministry of Economy and Finance 2023). Gabon bought its 2025 bonds at 96.75 and its 2031 bonds at 85 cents per 100 of face, as reported by IFR (2023). The World Bank's summary of the joint guidance of 2024 draws the line the paper adopts: countries with unsustainable debt "may need instead broader solutions before a debt swap is appropriate" (World Bank 2024).

Bulow and Rogoff's objection of 1988 reaches every market-price buyback, the equity-buyer route of Part VII included. A debt-equity swap, they show, equals a conventional direct foreign investment plus a marginal purchase of the debt at its average price, so ordinary investment dominates a swap unless the conversion is priced below the market or produces real efficiency gains. In March 1988 Bolivia used US$34 million of donated money to buy back 46% of its bank debt. The price of the rest rose from 6 to 11 cents, so the market value of the debt fell by only US$400,000, 1.2% of what was spent (Bulow and Rogoff 1988).

The design answers in two parts. The conversion right is priced by auction, so that competition among bidders sets how much of the discount the country keeps. The state's relief rests on the write-down of face at conversion, since the holder exchanges a senior claim with a par amount for a residual claim with none. The state buys none of its bonds at the market price, and what it gives in return is the yearly appropriation to class B it chooses to vote, smaller than the service retired (Part V). The original holder who sells to an equity buyer is told, in Part VII, that the route is an exit at the bid and no gain.

Funds of state stakes, and creditors who took shares

Three cases are precedents for a listed fund holding state stakes and for creditors taking shares, and for nothing more. Romania's Fondul Proprietatea was created by Law 247 of 2005 to pay compensation claims in shares of a fund holding state-company stakes (Fondul Proprietatea n.d.). It listed in Bucharest in January 2011 and in its first weeks traded near RON 0.62 against a par of RON 1, as reported by Romania Insider. In 2022 its discount to net asset value ranged from 2.1% to 39.4% and averaged 21.6% (Fondul Proprietatea 2023).

Poland's National Investment Funds, created by the statute of April 30, 1993, were fifteen listed funds holding 60% of 512 state firms. Their certificate's last quotation, in December 1998, stood 40% below its price at listing, and the funds' index had fallen to about a third of its peak by 2005 (Aluchna 2008). The managers drew a fixed fee of 2% to 3% of assets, about US$42 million a year, and had sold 325 of the firms by September 2001, a quick liquidation Aluchna judges the scheme's biggest disappointment. As reported in a Yale case study, creditors of Iceland's failed private banks took 87% of Arion and 95% of Íslandsbanki in 2009, equity in restructured banks and never in a sovereign (George 2024). The three leave behind a first price well below face, a discount to manage from the first day, and the case for paying managers on value delivered and never on assets held.

The Czech voucher funds became the case for which the word tunnelling was coined (Hanousek and Kroch 1995; Johnson et al. 2000), and later evidence found looting through credit from state banks (Cull, Matesova, and Shirley 2001). China's asset-management companies of 1999 paid the banks partly in their own bonds. Cinda's 2.25% ten-year bond to China Construction Bank, with a book value of RMB 247 billion, was extended by ten years in 2009 by the Ministry of Finance (China Construction Bank 2010). The 2016 round then barred any state backstop for losses (State Council 2016). A vehicle that buys claims at face with its own paper moves the loss. It does not remove it.

In Russia's loans-for-shares of 1995 and 1996, lenders advanced about US$800 million to the budget against stakes in twelve firms, in auctions Treisman describes as rigged (Treisman 2010). When the same insiders organise a sale and bid in it, no price can be trusted. As reported in the German History in Documents and Images collection, the Treuhand closed in December 1994 with a deficit of DM 256.4 billion against about DM 67 billion of proceeds from more than 15,000 privatisations.

Greece's privatisation programme carried a €50 billion target, restated in the Euro Summit statement of July 12, 2015 as the targeted total for the independent fund that became HCAP (Euro Summit 2015). As reported by Kathimerini, the programme realised about €4.7 billion in cash from 2011 to 2017. Law 5131/2024 gave the three state seats on HCAP's board to serving officials (HCAP 2026). A target without a delivery mechanism under-delivers. Independence written only in a charter decays.

The Alaska Permanent Fund shows that a cash distribution from a fund becomes a political object. The state's Supreme Court upheld the governor's veto of about half the 2016 dividend on August 25, 2017 (Wielechowski v. State 2017). The 2018 statute fixed a percent-of-market-value draw (Alaska Legislature 2018), yet the amount is still set in the budget each year, US$1,000 plus a US$200 oil bonus in 2026, as reported by Alaska's News Source. The design pays no cash distribution to the public. Its beneficiaries are

the employees of the companies the fund finances, paid by those companies from their own profit through the Human Capital Pool, which no budget line can cut.

Reprofilings, and Greece

For a stressed and solvent issuer, the benchmark a voluntary conversion competes with is the fast reprofiling. Uruguay's preemptive extension of 2003 cost external holders 9.8% in present value, drew 93% participation and took about two months (Cruces and Trebesch 2013, Table 2; Das, Papaioannou, and Trebesch 2012). Jamaica's domestic exchange of 2010 was par for par and drew 99.2% participation between January 14 and February 24 (Grigorian, Alleyne, and Guerson 2012). In Greece's deep exchange of 2012 holders received 15% of face in notes of the European rescue fund and 31.5% in new English-law bonds, majority-action clauses were retrofitted by statute onto €177.3 billion of Greek-law bonds, foreign-law participation reached only 71%, and the €6.4 billion of foreign-law holdouts were paid in full (Zettelmeyer, Trebesch, and Gulati 2013; Part III). They leave behind the cash-like sweetener from an official vehicle and the collective-action map of Part VI.

Diwan and Claessens's condition

One finding cuts against the design directly. Among the conditions under which a market-based conversion improves the debtor's welfare, Diwan and Claessens list that private rather than public debt be swapped for equity (Diwan and Claessens 1989). Their abstract gives the condition without the argument behind it. The paper reads it against the 1980s record, where a public debt swapped for equity obliged the state to create the consideration, in base money that fed inflation or in state assets sold against paper valued at face.

The design meets the condition only in part. The bonds exchanged into the equity leg are public. What the holder receives is neither money nor a state asset but a residual claim on a fund barred by statute from any exposure to the public sector, whose assets are private companies financed from an appropriation voted each year (Part V). Once the appropriations are invested, the holder's claim is a claim on equity in private enterprise. Until then it rests on each year's vote, the political risk Part VII prices, and Part V publishes and caps the share of fund assets that is any claim on the state.

What survived and what failed

Exhibit 10 sets each lesson beside its verdict and its source. Pitchford and Wright show that collective action mechanisms cut delay by more than 60% in simple restructurings and can double it in complex, high-cost ones, through free riding on negotiation costs (Pitchford and Wright 2012). Bolton and Jeanne show that competition between lenders can leave sovereign debt excessively difficult to restructure in equilibrium (Bolton and Jeanne 2007). Both are why Part VI maps the clauses series by series.

Exhibit 10: What survived and what failed in the record of conversions, 1985 to 2026: each lesson, its verdict and the source behind it. Source: the ranked lessons of lane R4 and the sources named in each row.

Lesson	Verdict	Source
Price the conversion right at the market or by auction	Survived	Ffrench-Davis 1990; Larraín and Velasco 1990; World Bank 1993

Lesson	Verdict	Source
Settle in assets, never in base money	Survived; the programmes that violated it died	Sanginés 1989; World Bank 1993
Pair a real write-down with official enhancement and a tradeable instrument	Survived	Griffith-Jones, Gallagher, and Volz 2021; Republic of Argentina 2025
Collective action clauses with aggregation	Survived	Republic of Argentina 2020d; Fang, Schumacher, and Trebesch 2021
Contingent payouts simple, capped and verified by a third party	Failed as designed; the lesson survived	Republic of Argentina 2025; IMF 2017
A clean exit from contingent claims	Mixed; survived where written in	Cleary Gottlieb 2026; Interfax-Ukraine 2025
Additionality required, asset transfers excluded	Weak evidence; partly survived	Ffrench-Davis 1990; Basualdo and Fuchs 1989
A swap as a substitute for a restructuring	Failed	Larraín and Velasco 1990; Krugman 1988b; World Bank 2024
A proceeds target with no delivery mechanism	Failed	Euro Summit 2015; Kathimerini 2018
Case-by-case approval	Failed	Ffrench-Davis 1990; Sanginés 1989
A manager paid on assets held	Failed	Aluchna 2008
A menu of options for heterogeneous creditors; a cash flow ring-fenced from the budget	Survived	Republic of Argentina 2020b; Griffith-Jones, Gallagher, and Volz 2021

The old paradigm's record ends where the paper's design begins, and the design closes each of its four routes. The conversion right is auctioned and settles in equity, the lead design puts no state assets into the fund, and its managers are chosen by public tender. Part V specifies the fund, beginning with the hybrid the project first drew and the statistical tests that divide it into two legs: fund-issued class A units, a residual claim with no par face, no state promise and no statistic to rebase, for holders who want equity, and a Republic-issued New York-law amortising note, explicitly debt, for holders who want debt.

Part V. The fund and the unit: the specification

Part IV closed each of the four routes by which every earlier conversion stayed extractive: the conversion right is auctioned and settles in equity, the lead design puts no state assets into the fund, and its managers are chosen by public tender. Part V assembles those mechanics into a fund and two instruments precise enough to be drafted. It begins where the project began, with the hybrid it first drew, because the statistical tests that rejected the hybrid produced the two legs. Every classification claim that follows is a condition for a statistician to rule on, never a ruling.

The Sovereign Fund is created by a specific act of Congress with its own legal personality, barred by statute from any exposure to the public sector, and listed from its first day. Its capital is the service the state no longer pays on the bonds that convert, voted into the fund each year as an appropriation. Its assets are the companies it finances through regulated managers under The SAVI Capital Model. Converting holders own class A, a senior class of its equity with no promised amount, ahead of the Treasury's class B, which takes the first loss.

Each holder's choice is voluntary: the traditional route, with the recovery the record of Part III normally yields, or rolling the claim into the fund as class A. Holders who want debt take a separate Republic note. The employees of the financed companies are the beneficiaries, through the Human Capital Pool.

The conversion is one of three pillars. The first is a balanced fiscal policy, which Argentina's primary surplus already supplies and which the class B appropriation must never break. The second is the restructuring of the debt through the conversion. The third is the fiscal-load reform of the first paper, the Fifteen Compact, paired with the fund in Part VIII under one revenue trigger. They stand or fall together.

The hybrid, examined

The paper examines a single hybrid first, before the two legs, so that a reader who prefers it can see what it costs. The hybrid was a Republic-issued unit with a par face of 100 per 100 of old face. The face was paid in a fixed order: first from a state covenant, a dollar schedule the Republic would pay to the fund under foreign law in place of the converted bonds' service, then from the fund's distributions, and on wind-down from net asset value up to the unpaid face. A creditor sees a par path with state backing. A treasury sees a smaller, later payment.

The statistical manuals read it as debt. The IMF's manual defines a debt instrument as "a financial claim that requires payment(s) of interest and/or principal by the debtor to the creditor at a date, or dates, in the future" (GFSM 2014, 7.236). Equity is distinguished by the absence of such a claim: "In contrast to debt, equity does not generally provide the owner with a right to a predetermined amount or an amount determined according to a fixed formula" (7.164). A par face paid in order from a Republic covenant is a predetermined amount owed by the Republic. On those texts the hybrid is debt, and an exchange of bonds for it would replace one debt instrument with another and leave the converted claim inside measured debt.

The sector test points the same way. Government special-purpose units that "do not carry the risks and rewards associated with the assets and liabilities they hold" are part of general government (ESA 2010, 2.27). The Eurostat manual places a defeasance structure inside government "whatever its legal status"

when government assumes the majority of its risks and rewards, for example "through being the main source of financing directly or indirectly" (MGDD 2022, 4.5.3.2.1, para 30). A fund whose principal asset is the Republic's own covenant fits both descriptions on the paper's reading. The hybrid's fund would consolidate, and the converted bonds would reappear inside government as the covenant.

Each half of the hybrid's attraction survives in a clean instrument. The creditor's comfort is the debt leg, a note that says it is debt and states its present-value reduction. The treasury's relief is the class B appropriation, voted each year with no holder able to sue for it. The trade-off the hybrid tried to escape is printed in its place: the instrument that reduces measured debt is the one no creditor accepts for comfort, and the instrument a creditor accepts for comfort is the one that reduces no debt.

The fund: personality, the bar on public-sector exposure, and the listing

The statute creates the fund as a body with its own legal personality and fixes its mandate, its investment limits, and the rules under which it sells. A majority of the board is appointed outside the executive and anchored on the Auditoría General de la Nación, whose president is proposed by the opposition under art. 85. External anchors decay: Greece's HCAP was given in 2016 a board selected with the European Commission and the European Stability Mechanism, and Law 5131/2024 gave three of its seats to serving officials. The anchor that does not decay is the holders themselves, so class A's governance rights live in the units' terms under foreign law.

The bar on public-sector exposure is the clause on which everything else depends. In June 2026 the FGS, the pension reserve administered by ANSES, held 77.7% of its portfolio in public debt, as reported by Chequeado from the agency's monthly report. The statute therefore bars the fund from acquiring, directly or through any route, any instrument issued, guaranteed or collateralised by the public sector at any level or by the central bank, with a stated liquidity cap as the only exception. It reaches secondary-market purchases, repos and cauciones backed by public paper, units of funds that hold such paper, and derivatives on it. Ley 27.181 already locks the FGS's share stakes behind "el voto de las dos terceras (2/3) partes de los miembros", and the same two-thirds rule locks this ban, repeated in class A's terms under foreign law.

The units list on BYMA from the first day because the closed-end fund statute requires it. Under Ley 24.083 art. 1, as amended by Ley 27.440 art. 99, a closed fund's units "deberán tener oferta pública autorizada por la Comisión Nacional de Valores y estar admitida su negociación en un mercado autorizado". The fund adopts the Santiago Principles voluntarily and may carry a foreign-asset sleeve, but in the International Working Group's definition, whose text "excludes those funds that solely invest in domestic assets", it is not a sovereign wealth fund. The statute gives it its legal name; this paper calls it the Sovereign Fund.

Separation from the Republic must hold in fact. The YPF turnover orders of June 2025 show the attachment risk. The statute therefore gives the fund fixed board terms, no instruction from the Executive, no lending to or from the Treasury and separate audited accounts. The Republic appoints no majority, instructs no decision, and guarantees nothing.

The classes: A, B and the appropriation, and C

Class A is issued by the fund and never by the Republic. The unit carries no par face, no maturity, no fixed redemption amount, no coupon, no guarantee by the Republic, and no promise by the Republic to pay anything to its holders. A class A unit is a residual, pro-rata claim on the fund's net assets whose only priority is the one the waterfall gives it over class B. Units are issued at a ratio set by auction, so that the market discount goes to the country and never to an intermediary, Part IV's correction from Chile's Chapter XIX. The issue value of each unit, the price the ratio implied for the bond surrendered in the offshore settlement of the dollar, is recorded at issue and governs the waterfall.

Every distribution goes first to class A until it has received, in cash and in tenders at net asset value, its aggregate issue value. After that, distributions are shared pro rata by capital among the classes, and a mandatory sweep sends the fund's realised hard-currency proceeds into this waterfall.

The priority is an order of payment among the fund's own distributions and not a right to any amount: the fund owes class A nothing if its investments return nothing, the statute says so, and no distribution is a claim on the Republic. Recovery of the face of the bonds surrendered, in ten or twenty years, is what that waterfall and the listed price may deliver. No term promises it. Class A's holders bear the political risk that an appropriation is not voted, and the offering documents say so in those words. In return class A holds the governance rights Appendix B sets out, from vetoes over related-party transactions to the removal of the independent directors.

Class B is held by the Treasury alone and takes the first loss up to a published cap. Its capital is the appropriation: the coupon flow the exchange frees, voted each year in the budget under the authorisation the statute gives and recorded as a capital transfer. No appropriation is a liability to any holder, and holders are told that the junior class's funding depends on each year's vote. Class B receives nothing until class A has received its issue value, which is an equity waterfall and never a sovereign promise.

The budget saving is the difference between the service retired and the appropriation voted. On the 2035 bond the remaining coupons are 32.6 of 132.6 contractual cash flows per 100 of face, so an appropriation of the coupons alone is about a quarter of the service retired.

Class C exists for the class A holder who wants the sleeve's exposure. A class A holder may exchange part of its units for class C units of equal net asset value, which carry the sleeve's economics. The election is voluntary and preceded by a disclosure of the cost in the first paper's form: a Model fund pays its investors what a conventional fund pays at half the profit, 2.38 times against 3.84 times at a gross outcome of five times.

The debt leg, the warrant and the extendible

For holders who want debt, the Republic issues a dollar note under New York law, registered on Schedule B of the Securities Act and exempt from the Trust Indenture Act, amortising, rated, eligible for the dollar bond indices, with collective-action clauses in the aggregated form of the 2016 indenture. The note is debt in every statistic: it reduces the debt stock by the face it retires, since the aggregates are kept at face value, and its present-value reduction against the bond surrendered is a separate figure, stated in the exchange

documents. Where an official lender funds it, part of the principal carries a Brady-pattern floor. On the Treasury curve of October 20, 2026, a floor of 50 per 100 of face at fifteen years costs about 22.6 per 100 and a floor of 100 about 45.2, the paper's own arithmetic in Appendix C.

A detachable warrant accompanies the note. After a stated date and up to a stated cap, it pays a share of the excess of the fund's audited net asset value per class A unit over a stated base. A calculation agent named in the warrant's terms and independent of the Republic computes the payment, and the forensic reviewer of Part X verifies it, a role that, on the statements Part IV reads, the growth-linked instruments of 2023 and 2024 left to the IMF framework. The warrant is never linked to gross domestic product, to tax revenue or to any statistic the Republic compiles, and the methodology and base of net asset value are frozen in the statute.

For bonds that mature after the exchange, each series may carry an extendible. At maturity a holder elects either payment on the existing terms or conversion into class A at the ratio the exchange documents fix, and a holder who makes no election is extended on its existing terms. On a breach of an objective trigger named in the indenture, the Republic may launch a conversion within the series' collective-action framework.

The exit, in three stages, and the discount it will carry

The exit is listed from the first day and widens in stages. Class A trades on BYMA from conversion, which the statute requires and which Fondul Proprietatea lacked: listed only on January 25, 2011, its shares traded at RON 0.619 against a nominal value of RON 1 in their first month, as Romania Insider reported. Within eighteen months it lists abroad in depositary-receipt form, with Euroclear and Clearstream eligibility.

An exchange-traded fund belongs at the end of the sequence, because a United States exchange-traded fund may not hold more than 15% of its net assets in illiquid investments (Rule 22e-4). Once the companies the sleeve finances list, the fund's listed stakes can be packaged into an exchange-traded fund and sold. Hong Kong used that route: the Tracker Fund's initial issue was HK$33.3 billion, its units began trading on November 12, 1999 (Hong Kong Monetary Authority 2000a), and the Hong Kong Monetary Authority called the launch "the first step in the disposal of part of the Hong Kong equity portfolio purchased by the Government in August 1998" (Hong Kong Monetary Authority 2000b). India's government sold state stakes through its Bharat-22 exchange-traded fund, whose November 2017 offer raised Rs 14,500 crore, as reported by Business Standard.

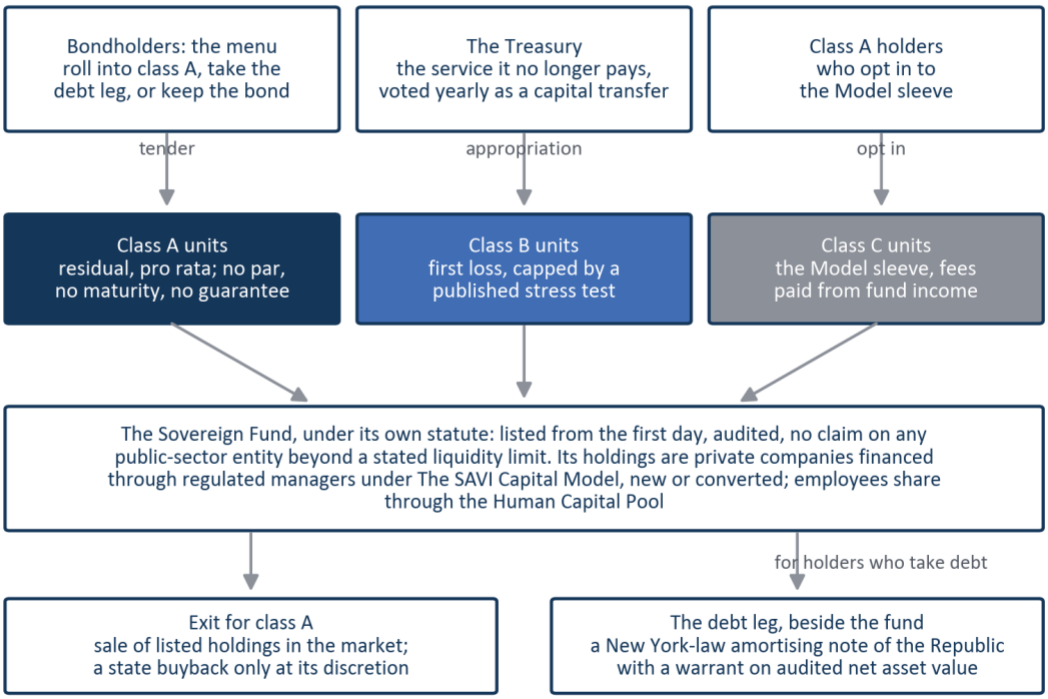
The first listed price will sit below net asset value, and the design says so. Fondul Proprietatea's shares traded at a discount of 2.1% to 39.4% in 2022, averaging 21.6%, on the fund's own results. Part of any discount is sentiment, which no waterfall touches (Lee, Shleifer, and Thaler 1991). The main control is a conditional tender at 98% of net asset value, funded only from realised proceeds and triggered by the discount or by performance. The Mexico Fund announced that form in June 2026 for 20% of its shares, as excerpts of its filing with the Securities and Exchange Commission report. Managed distributions and buybacks are secondary tools, and the record on buybacks is weak: Fondul Proprietatea spent RON 1,146.6 million on them in 2022 and still averaged a 21.6% discount.

Two settlement conditions belong to the design itself. Point 3.13.1 of the BCRA's ordered text at September 14, 2026 provides that repatriation of non-resident investment "requerirá la conformidad previa del BCRA". Its portfolio exception does not reach units received for bonds, since no inflow through the exchange market stands behind them. The paper asks for a new sub-point treating units acquired by exchange of Republic foreign-currency bonds as compliant, with an offshore issuer of class A as the alternative. In the United States class A is placed only under Rule 144A with qualified institutional buyers that are also qualified purchasers, and outside it under Regulation S, the route Part VI sets out.

Exhibit 11: The fund's structure: assets, classes A, B and C, the appropriation, the sleeve, the debt leg and its warrant, the exit stages.

Exhibit 11. The fund's structure

Part V; the lead design carries no state assets



Design A as the lead, and Design B explored and set aside

The lead design transfers no asset from the state into the fund. Its assets are the companies the sleeve finances out of the yearly appropriations, and nothing else. Class A's holders receive no distribution until those companies are born, develop, and pay. Their return is the appreciation of the fund's equity in them, realised when the companies exit to the private market or when the government repurchases units, and that repurchase is discretionary. A put to the sovereign would re-debt the unit, so the design contains none.

The counterfactual against which a holder measures this is never nothing. Outright repudiation is about 3% of the 327 restructurings since 1815. Argentina's own holders received about 23 cents per 100 in present value in 2005 on the Cruces-Trebesch measure and 55.8 per 100 in 2020 at a 10% exit yield on the

congressional budget office's valuation. On the coupons alone, the paper's own arithmetic in Appendix C values a Design A unit at 8.1 to 32.5 per 100 of face, across gross outcomes of two to seven times and discount rates from the 2035 bond's cable yield of 11.63% to 20%. That is below the 33 to 39 per 100 that Argentina's 2005 new bonds were worth at their first prices in every case shown, and below the 23 per 100 present-value measure in most of them.

The lead design therefore beats the record only if the appropriation carries the full former service of the converted bonds in its first years, or an official floor is added, or the holder is a long-horizon equity buyer who bought at the bid, and Part VII prices each. Two legal points favour it, and Part VI carries them. A lien by the fund over its own assets, for units the Republic does not guarantee, sits outside the bonds' negative pledge, and a swap into fund units is arguably outside the 2016 indenture's definition of a "restructuring exchange offer".

Design B, the alternative explored, is the claim a creditor will prefer. It seeds the fund with the smallest set of federal assets whose value is observable, each named in the statute and valued independently at transfer: federal real estate already on sale, escrowed privatisation proceeds, and contracted concession receivables. Federal assets only, because Constitución Nacional art. 124 provides that "Corresponde a las provincias el dominio originario de los recursos naturales existentes en su territorio". The YPF shares and the FGS's stakes each sit behind a two-thirds vote of Congress.

A small first tranche converts against the seed assets at their valuation, which sets the tranche's size and never the reverse, and later tranches convert at maturity through the extendible against the companies the sleeve has financed. The arithmetic favours Design B, and the paper says so: the fewer the seed assets, the closer the conversion sits to a restructuring with a haircut. Its value to a holder would be the lead design's plus the value of the seed assets, which the paper does not run because it names no asset list. Part VII prices the lead design alone.

The paper sets Design B aside on adoptability. Every asset in that set is an existing deal of whoever governs. A design that competes for those deals dies in Congress. The lead design asks for no asset from the privatisation pipeline.

The circularity test

The rule beneath the design can be stated as arithmetic. A unit's value over the bond it replaced comes only from assets that are not a claim on the Treasury, because a claim on the Treasury discounted at the Treasury's rate is worth what the bond was worth. The paper therefore gives the test a number: the share of the fund's assets that is any claim on the public sector, published quarterly with the audited accounts and capped by statute, which the exposure ban sets at zero.

Classification, as design constraints

Two tests decide what the statistics record, and the paper keeps them apart. Argentina compiles its accounts under the IMF's manual and the 2008 SNA. The European texts cited here bind only European Union states, and the paper uses them by analogy, as the most detailed applied precedents.

The first test is what the instrument is. Class A qualifies as equity on the manual's text only if it carries a residual, pro-rata claim on liquidation, no right to a predetermined amount, and no guarantee or covenant of the Republic. "Equity and investment fund shares are not debt instruments because they entitle the holders to dividends and a claim on the residual value of the unit" (GFSM 2014, 7.237). Participating preferred shares remain equity "regardless of whether the income is fixed or determined according to a formula" (7.166), so class A's priority over class B reads as a ranking and not as a promised amount.

The manual contemplates general government units with liabilities in equity and investment fund shares (7.170). The European deficit procedure's debt covers only currency and deposits, debt securities, and loans (MGDD 2022, 4.4.3), and in a debt conversion "public sector debt is extinguished and a nondebt liability created" (PSDS Guide 2011, 4.48). On that reading the instrument test decides whether the units are debt: units that meet the conditions are not debt instruments, and the bonds exchanged into them leave the debt aggregates. The sector test decides where the liability sits. Outside general government it is the fund's alone; inside, it is a general-government liability in equity and investment fund shares (7.170), outside the debt aggregates and a liability still, which the deficit and the net worth record.

A unit that fails the instrument test is debt wherever the fund sits, and government debt if the fund sits inside. Measured debt is the face value of the instruments the aggregates cover (MGDD 2022, introduction and 8.2.2.2), so the exchange reduces it by the face of the bonds retired and by nothing else. That narrows the question to the sector test. The reading is the paper's, and the adopting state's statistical authority rules on it before any exchange.

The second test is the sector, and it decides the deficit and the government's net worth, while the instrument test decides the debt. The fund can sit outside general government only if it is not government-controlled on the manuals' indicators (GFSM 2014, Box 2.2; ESA 2010, 2.38) or, if controlled, it "places itself at risk by incurring liabilities on its own account" (ESA 2010, 20.33). For a unit managing assets the 50% sales test "is generally not relevant" (20.34). What governs is risk: a structure for which "government is assuming all or the majority of the risks and rewards" sits inside general government "whatever its legal status" (MGDD 2022, 4.5.3.2.1, para 30), a rule written for defeasance structures that the paper applies by analogy. The size of class B's first loss is therefore the design's own lever on the sector test: the cushion that comforts class A is what pulls the fund inside government. That cushion is one determinant among those the manuals name, beside control on the indicators of GFSM Box 2.2 and ESA 2.38, the market test of ESA 20.33 and 20.34 for a unit that places itself at risk by incurring liabilities on its own account, and the source of financing under para 30.

Class B is sized below that line by a published stress test, which Appendix C runs, on the paper's own arithmetic, against the record of Part III. With the Treasury holding a fifth of total capital and its first loss uncapped, the state would bear 53% of the loss in the record's median case and the whole of it in the interquartile-low case. The scenarios run from the record's interquartile low of 18% to Argentina's 77% of 2005. Capped, the largest first loss that keeps the state at or below half the loss in every scenario is about 8.0% of total capital when class B holds a tenth of the capital, 6.7% at two tenths, 5.1% at three tenths, and 3.0% at four tenths. Above one half of the capital the Treasury holds the majority of the upside by

construction. The stress test and the cap are therefore published with each budget, and class B's voting power is held below control.

The statute settles the fund's sector with the national statistician before the exchange, a condition printed beside every claim of measured debt reduction. Two further findings bind the drafting. First, the yearly appropriation is a capital transfer that raises the deficit unless the state expects a return "at least equal to long-term (10 years) government bonds rates" (MGDD 2022, 3.2.2.1), and it bears on the fund's sector only if it becomes the fund's main financing. In the lead design it is the fund's only source of cash. On the paper's reading an appropriation that is the fund's only cash is "the main source of financing" in the sense of para 30, since the claims class A surrendered are extinguished at the exchange and finance nothing afterwards, so the lead design's fund should be expected to sit inside general government until outside capital, class C or units bought for cash on the exchange, carries the majority of its risk. The design is built so that its one statistical claim does not depend on that answer: the instrument test, not the sector test, takes the bonds exchanged into class A out of the debt aggregates.

Second, the fund's costs are met by mechanism A: the state subscribes class B capital and the fund pays its fees and running costs from its own income. Direct reimbursement of costs, mechanism B, marks a unit that "takes on low risks because it acts with strong public financial support" (GFSM 2014, 2.130), so the paper rejects it.

The precedents are read on their rulings, and they warn in one direction. Ireland's NAMA sat outside general government from 2009 through a majority-private vehicle and was moved inside in 2020. Spain's SAREB sat outside from 2012, with 54% private ownership on excerpts of Eurostat's opinion, and was moved inside from December 2020, backdated to its creation. Greece's HCAP was inside from the start, on Eurostat's 2017 findings. The fund is therefore designed against risk and reward, never against an ownership percentage.

Five further things a statistical authority weighs, and the design's answer to each. Implicit support: the statute bars any guarantee, put, make-whole or liquidity line from the Republic to the fund or its units, the prospectus states that class B's funding depends on each year's vote, and the government's repurchase is discretionary and at a price set by independent valuation. Control in fact through the yearly vote: the appropriation is the fund's cash and nothing else, and the managers, chosen by tender, hold mandates the Executive cannot instruct, on the separation set Part VI draws. The mandate: the fund invests for return through regulated managers and operates no company, and the Model's sharing enters as a term of each investment, disclosed under GAPP 19.1, never as a public programme. The financed companies: they remain private companies in which the fund holds equity through the managers' vehicles as a limited partner with monitoring rights (Part VIII), so none becomes a public corporation. Winding up: at the end of the fund's term its assets are realised and paid out in the order of the classes, and the Republic assumes no liability of the fund and acquires no asset of it except by purchase at a valued price (Appendix H, Article 3).

Two consequences the paper states before a rating agency does. Under IAS 32 the units of a limited-life entity count as equity in its own accounts only if they sit in the most subordinate class, with "no priority

over other claims to the assets of the entity on liquidation" (para 16C). Class A carries no put by design, so that exception is its only route to equity presentation. It fails the test because it ranks above class B in a closed fund of fixed term, and it would likely be presented as a financial liability in the fund's IFRS statements, a point the fund's auditor confirms. That accounting test is separate from the statistical tests above, which turn on the instrument's economic nature (GFSM 2014, 7.164 and 7.174) and not on the fund's own balance sheet.

The workers' half under the Model would be recorded as compensation of employees, "the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period" (2008 SNA, 7.5). Wages in cash include "Ad hoc bonuses or other exceptional payments linked to the overall performance of the enterprise made under incentive schemes" (7.44(d)). On that reading the workers' half is neither property income nor a transfer.

Adoptability: the incentive map

A design is adopted by the people who hold office when it is proposed, and the only assumption about their motive that the record supports is self-interest. The paper works with it and names the government of the day by its dates and programme documents.

The adopter keeps five things. The first is the default avoided on their watch. The second is the power of the purse, since the roll-out depends on each year's appropriation, and the third a share of the freed debt service retained in the budget, since the appropriation is smaller than the service retired. The fourth is the lawful and public rent of manager mandates awarded by tender and of the class B returns, and the fifth the political credit for the workers' pools in every company the fund finances.

Against these the design takes nothing already held. It creates new companies and recapitalises existing private ones, it asks for no asset from the privatisation pipeline, and the integrity regime of Part X is prospective, bounded to the fund's chain, and never reaches back into deals outside it.

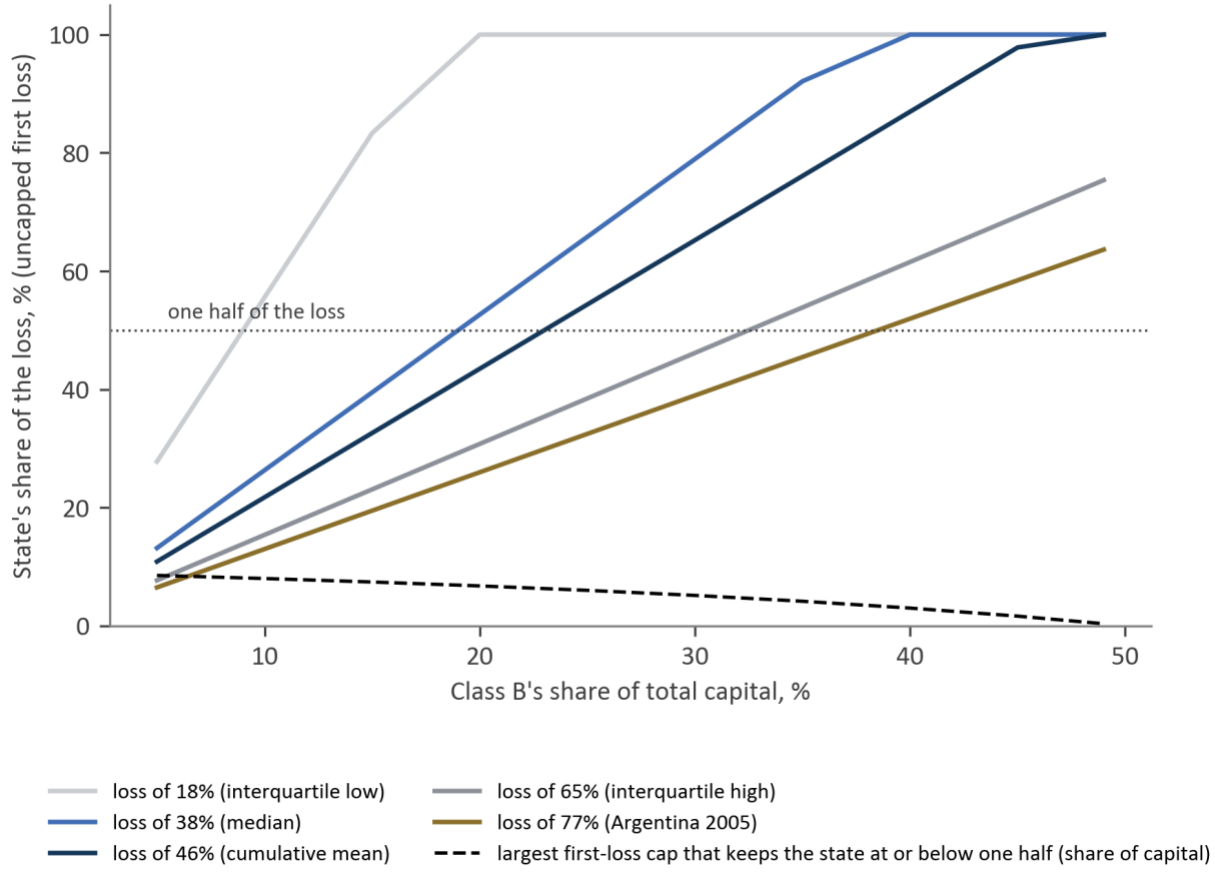
What makes the fund survive the next government is its beneficiaries. The Human Capital Pool in every financed company creates more beneficiaries than any administration can buy. They are paid by the companies out of their own profit, never by the state's budget, so no government can cut them with a line in a budget law. Part IV's Alaska record shows a cash distribution from a fund becoming a yearly budget fight. The entrenchment menu of Appendix B adds the contractual layer, and the paper states its limit: a statute alone binds no future Congress.

The price of adoptability is borne by the holder, and the paper says so. Class A carries the political risk that an appropriation is cut, and Part VII prices that risk inside the discount rate. Three thresholds close the map: no closing below a stated face amount of tendered bonds, no sleeve before the fund's governance is seated, and no distribution to class B until class A's coverage ratio passes its published threshold.

Exhibit 12: Class A's recovery of issue value under three asset-cash-flow cases and three NAV discounts (Appendix B and Appendix C).

Exhibit 12. Sizing class B: when the state bears the majority of the risk

Scenarios from the record of restructurings (Appendix C); the dashed line is the cap the statute publishes



What the specification claims, and what Part VI must supply

The specification claims one statistical result, measured debt reduction for the bonds exchanged into class A on the instrument test, with the units a liability in equity of general government for as long as the fund sits inside it, and only if the statistical authority rules that the conditions above are met.

The bonds' indentures already contemplate conversion into "other obligations or securities of the Republic or any other person". Part VI shows what a specific act of Congress, that clause, and a registered Republic security make possible under Argentine and New York law.

Part VI. The legal path

Part V leaves the reader holding a specified instrument: a class A unit of the Sovereign Fund, senior to the Treasury's class B, with no par face and no promise from the Republic, beside a Republic-issued note that is debt in every statistic. Three texts open the path. A specific law of Congress can create the fund and authorise the exchange. The 2020 indentures already contemplate converting the bonds into securities of "any other person". A Republic security registered on Schedule B carries the debt leg through the market's existing machinery. Every legal statement here is the paper's own reading of the texts it cites, and none is legal advice.

Congress owns the debt

The Constitution assigns the debt to Congress. Article 75, inciso 4, empowers it to "Contraer empréstitos sobre el crédito de la Nación", to borrow on the Nation's credit, and inciso 7 to "Arreglar el pago de la deuda interior y exterior de la Nación", to settle the payment of the domestic and foreign debt. The 2020 exchange rested on Ley 27.544, the 2016 holdout settlement on a law of March 31, 2016, and the 2022 programme with the International Monetary Fund (IMF) on Ley 27.668, recorded in the government's legal database as approved under inciso 7. Ley 27.544, the template, authorised the Executive "en los términos del artículo 65 de la Ley N° 24.156", and the invitation closed with consents covering 99.01% of the eligible bonds. This conversion also needs a statute that creates the fund and authorises consideration that is not Republic debt.

Why the Executive cannot do it alone

The Executive's own restructuring power is written for debt that becomes other debt. Article 65 of Ley 24.156 allows it to restructure the public debt "mediante su consolidación, conversión o renegociación, en la medida que ello implique un mejoramiento de los montos, plazos y/o intereses de las operaciones originales", only where amounts, terms or interest improve. An exchange for units extinguishes the debt and so arguably improves the amount, but a unit is no credit operation, and on the paper's reading article 65 alone is a contestable base. Article 66 states the price of a wrong reading: operations in breach "son nulas y sin efecto, sin perjuicio de la responsabilidad personal de quienes las realicen", void, with personal liability on those who carry them out. A cautious reading costs nothing, since the fund needs its own statute anyway.

Other routes are closed. Article 60 bars any public credit operation outside the budget law or "una ley específica", and article 64 requires a law for any guarantee to persons outside the public sector. DNU 846/2024, a necessity-and-urgency decree, lets public-debt subscriptions be paid with public debt at market prices. Ley 27.742, the 2024 omnibus statute, contains no public credit article in the reproduction read, and on the paper's reading neither reaches an exchange into equity. Ley 27.612 of 2021 remains in force on the government's legal database. Its article 1 requires, for a foreign-currency, foreign-law issue above the budget's ceiling, "una ley especial del Honorable Congreso de la Nación que la autorice expresamente", and article 2 a law for any IMF programme.

The fund's statute: autonomy, the yearly vote and the exposure ban

The statute must neither delegate legislative power nor promise money the budget has not voted. Article 76 bars delegation to the Executive except "en materias determinadas de administración o de emergencia pública, con plazo fijado para su ejercicio y dentro de las bases de la delegación que el Congreso establezca", for a set term within set bases. Argentina uses another technique. The central bank is by charter "una entidad autárquica del Estado nacional" that "no estará sujeto a órdenes, indicaciones o instrucciones del Poder Ejecutivo nacional", and the Auditoría General de la Nación holds its own legal personality by statute. On the paper's reading a statute that fixes the mandate, the investment limits, the exposure ban, the governance and the rules for selling in its own text creates an autonomous body and delegates nothing. A board free to dispose of unnamed assets would invite the article 76 attack.

The yearly appropriation is the form the budget law leaves for the state's contribution. Ley 24.156 treats appropriations as "el límite máximo de las autorizaciones disponibles para gastar", the year's spending ceiling. Article 20 bars the budget law's general provisions from carrying "disposiciones de carácter permanente". Article 15 admits multi-year commitments only for works and procurement, and those authorisations lapse at the close of the following year if no contract is signed. A multi-year transfer promised outside the budget would be public credit under article 60 or a guarantee under article 64, and either would turn the holder's claim back into a claim on the Republic. On the paper's reading the lawful form that keeps class A equity is a permanent fund statute, an appropriation voted each year to subscribe class B, and a prospectus telling every holder that class B's funding depends on each year's vote.

The exposure ban needs a stronger lock than an ordinary clause. It reaches any public-sector or central-bank paper, bought in any market or held through repos, cauciones, fund units or derivatives, inside a stated liquidity cap. Ley 27.181 supplies the model, since its article 20 provides that a transfer of the share stakes it protects "requerirá del voto de las dos terceras (2/3) partes de los miembros" of Congress. The fund's statute borrows that threshold for any amendment of the ban. The lock is political as much as legal, because a statute alone binds no future Congress, so class A's terms under foreign law repeat the ban, and a breach is a contract claim.

What the state may put in, and whose it is

The lead design transfers no asset into the fund, and the map of ownership shows how narrow the alternative is. Article 124 governs: "Corresponde a las provincias el dominio originario de los recursos naturales existentes en su territorio", the natural resources in a province's territory belong to that province. Ley 17.319 pays the hydrocarbon royalty "al concedente", to the grantor, with offshore deposits beyond twelve nautical miles the one federal exception. The Código de Minería makes mines property of the Nation or of the provinces "según el territorio en que se encuentren", and Ley 15.336 pays the hydroelectric royalty of 12% to the provinces where the sources lie. On the paper's reading a national fund can receive those streams only by a province's own contribution, in exchange for units.

The expropriated YPF shares belong 51% to the Nation and 49% to the producing provinces, and Ley 26.741 bars their transfer without a vote of Congress "votada por las dos terceras partes de sus miembros". A co-participated tax can be earmarked only by a time-limited special law passed by "la mayoría absoluta de la totalidad de los miembros de cada Cámara", with provincial adherence under Ley 23.548. The federal

streams left are export duties, outside co-participation, and non-tax revenues such as dividends of national companies, concession fees and sale proceeds. Spectrum fees are federal, but spectrum management is "responsabilidad indelegable del Estado nacional" and permits are granted "con carácter precario", so spectrum is poor collateral. The yearly appropriation to class B touches none of these locks.

One text supports the design: article 14 bis directs the laws to assure the worker "participación en las ganancias de las empresas, con control de la producción y colaboración en la dirección", a programme that, on the paper's reading, companies adopting the Model voluntarily carry out.

The indentures already contemplate conversion

The 2020 bonds carry their own conversion clause. The 2016 indenture governs the 2029, 2030, 2035 and 2046 bonds, and the 2005 indenture the 2038 and 2041 bonds. Both list among the reserve matters a vote to "authorize the Trustee, on behalf of all holders" to "exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Republic or any other person". On the paper's reading of that text, a qualified vote can in principle bind a series into units of a separate fund. No reported case known to the research has tested such a vote, and the research did not survey New York case law after 2020. If a court read the clause as reaching only debt, or found the vote a breach of the implied covenant of good faith, the exchange would bind only those who tender.

The menu must clear the thresholds Exhibit 14 maps. A reserve matter under the 2016 indenture needs more than 75% of a series, or more than 75% of the aggregate across series in a single limb if the modification is "uniformly applicable". The 2038 and 2041 bonds need a higher aggregate vote. Bonds held by the Republic, a public-sector instrumentality or an entity it controls "will be disregarded and deemed not to be outstanding". "Uniformly applicable" means the same consideration per unit of principal and of accrued and past-due interest for every holder, or the same menu, which is why Part V offers one menu to all.

Exhibit 14: The collective-action thresholds by series, 2016 indenture and 2005 indenture, reserve and non-reserved matters, with the disenfranchisement rule and the 36-month lock

Series	Indenture	Reserve matter, one series	Reserve matter, several series	Non-reserved matter	Rules that also apply
USD and EUR 2029, 2030, 2035, 2046	2016	more than 75% of the series	single limb: more than 75% of the aggregate, if uniformly applicable; two limbs: more than 66⅔% of the aggregate and more than 50% of each series	more than 50% of the series	Republic-held and controlled bonds disregarded; votes by outstanding principal; no single-limb vote for 36 months after a two-limb vote or a restructuring exchange offer unless that operation exceeded 75%

Series	Indenture	Reserve matter, one series	Reserve matter, several series	Non-reserved matter	Rules that also apply
USD and EUR 2038, 2041	2005	at least 75% of the series	at least 85% of the aggregate and at least 66⅔% of each series	at least 66⅔% of the series	Republic-held and controlled bonds disregarded; votes by outstanding principal; no 36-month bar in this indenture

After a two-limb cross-series modification or a "restructuring exchange offer", the Republic may not use single-limb voting on the affected 2016-indenture bonds for 36 months unless the earlier operation reached more than 75%. A restructuring exchange offer is an exchange "for new debt securities" unless the bonds trade above 90% of par and the new package is worth at least 90% in present value. That exclusion is not met: in the cable settlement of October 21, 2026 (one market-data feed, as Part VII reports), the 2035 bond traded at 70.01 and the 2030 bond at 53.54 per 100 of original face, on 64% of face outstanding. On the paper's reading an exchange into the debt leg is therefore a restructuring exchange offer, and the bar follows it unless participation exceeds 75%.

An exchange into fund units is arguably outside the defined term, the first of two textual points that favour the equity leg. That point holds only for an offer of units alone, since a menu that includes the debt leg is, on the same reading, an exchange for new debt securities, and a two-limb vote triggers the bar whatever the consideration. Later tranches are therefore sequenced on the assumption that the bar applies. The extendible of Part V never traps a passive holder, who is extended on the existing terms unless units are elected.

Two older constraints have changed. The rights-upon-future-offers clause ran "until the fifth anniversary of the Settlement Date", and the invitation settled on September 4, 2020, as the Republic's annual report on Form 18-K for 2025 records. On the paper's own arithmetic the clause expired on September 4, 2025. The 2016-indenture bonds state that their pari passu clause "will not be construed so as to require the Republic to make payments" ratably. The 2038 and 2041 bonds keep the older "pari passu … without preference" wording. The Second Circuit held in NML Capital (699 F.3d 246, 2012) that an equal-treatment clause "bars Argentina from discriminating against plaintiffs' bonds", so a ratable-payment argument stays open for holdouts in those series.

The conversion statute must therefore never repeat the Lock Law's promise never to pay non-participants, since the Second Circuit relied on that law, Ley 26.017, as evidence of discrimination.

The negative pledge, and what may stand behind each leg

The Republic undertakes not to "create or permit to subsist any security interest" in "its revenues or assets to secure its public external indebtedness", which reaches any "preferential arrangement that has the practical effect of constituting a security interest". Public external indebtedness is external indebtedness "of, or guaranteed by, the Republic" in securities form. A lien over federal assets behind a Republic-issued

dollar security would therefore breach the pledge for every bond left outstanding unless those bonds were equally secured or their holders consented, so the debt leg carries an outside-funded enhancement and no lien. On the paper's reading units the Republic does not guarantee are not its indebtedness, and a lien the fund grants over its own assets sits outside the clause, but only while the fund is separate in fact. An earmarked transfer could be argued to be a preferential arrangement, one more reason the lead design transfers nothing.

The live ledger, and the lesson of the warrants

The conversion would launch into open litigation, and the Republic's ledger of October 15, 2025 listed twenty-nine complaints and judgments of about US$408.9m on 2001-default bonds. German judgments of €121.3m and Spanish claims of about €452m were unsettled, and arbitration awards of about US$810.8m were final. The 2016 settlement measures the holdout premium: US$9.3bn applied to settlements covering about US$4.2bn of untendered principal. The Second Circuit reversed the US$16.1bn YPF judgment on March 27, 2026, holding the damages claims "not cognizable as a matter of Argentine law", and a petition for certiorari (No. 26-442) is pending. A June 2025 order sending the Republic's YPF shares to a custody account was stayed on appeal that August. A fund holding state assets while such judgments stand would invite fraudulent-transfer and alter-ego claims, on the paper's reading, a third reason to transfer none.

The GDP-linked securities warn against any payment formula a sovereign can move. In England the Court of Appeal dismissed the Republic's appeal on June 12, 2024 ([2024] EWCA Civ 641) against a judgment of about €1.3bn for the 2013 coupon, finding "the meaning of the words is clear", and about €1.5bn remained outstanding at June 30, 2025. In New York the holders lost on the no-action clause, with summary judgment for the Republic affirmed on July 16, 2025. On that record any metric the issuer computes becomes a litigation surface for a decade, so the value-recovery warrant of Part V references audited distributions and an independently computed net asset value.

The alter-ego test

The fund must be separate from the Republic in fact. Under Bancec, 462 U.S. 611 (1983), a foreign state's instrumentality enjoys "a presumption of independent status" that yields where it is "so extensively controlled by its owner that a relationship of principal and agent is created". In the 2015 EM Ltd. case the Second Circuit asked whether the sovereign "exercises significant and repeated control over the instrumentality's day-to-day operations", and held the central bank was not the Republic's alter ego. The English court in Kensington International v Republic of the Congo [2005] EWHC 2684 (Comm) pierced structures it found to be "a façade" built to hide assets from creditors. The separation set the paper draws from them comprises own legal personality, a board removable only for cause, no Executive instruction, no lending to or borrowing from the Treasury, separate accounts, arm's-length dealings with the state, and no transfer timed to defeat a creditor.

United States securities law and the two legs' forms

United States securities law decides who may receive each leg. Under section 7(d) a foreign investment company may not offer its securities publicly without an order of the Securities and Exchange Commission. The Investment Company Act's government exclusion names only "the United States, a State, or any political subdivision of a State". Section 3(a)(9) of the Securities Act covers only a security "exchanged by

the issuer with its existing security holders exclusively". Rule 802 is closed because Rule 405 defines a foreign private issuer as "any foreign issuer other than a foreign government", and Rule 144A excludes open-end funds.

The debt leg takes the form the market knows. The Republic registers the note on Schedule B, as in 2020, and its debt is exempt from the Trust Indenture Act under section 304(a)(6), which covers any bond "issued or guaranteed by a foreign government", so the collective-action clauses stand. The equity leg takes the private form. Class A units are offered in the United States only to qualified institutional buyers who are also qualified purchasers, under Rule 144A and Regulation S, with the fund outside the Investment Company Act through section 3(c)(7), the paper's reading. Retail United States holders, who cannot receive units on that route, take the debt leg or are cashed out. That difference is where the "uniformly applicable" test is most exposed, and Appendix D asks how one menu reaches holders ineligible for one of its options.

The domestic vehicle, and the local-law bonds

Ley 24.083, as amended by Ley 27.440, lets a closed-end fondo común de inversión hold unlisted securities and real assets with a fixed term and no redemption, and its units must be publicly offered and listed. Under article 205 of Ley 27.440 publicly offered funds pay income tax "sólo en la proporción a las inversiones no realizadas en la República Argentina", which makes them tax-transparent for domestic deployment. Ley 24.083 also states that such funds "no constituyen sociedades y carecen de personería jurídica", so the Sovereign Fund needs its own statute and the closed-end funds serve as its deployment layer.

The local-law dollar bonds carry a different risk. In Galli (April 5, 2005), as reported in a note by Marval O'Farrell Mairal, the Supreme Court upheld the pesification and deferral of Argentine-law bonds under its emergency doctrine. The paper rejects a statute converting those bonds into units by force, on two grounds. Article 17 states that property "es inviolable", that no one may be deprived of it "sino en virtud de sentencia fundada en ley", and that expropriation must be "calificada por ley y previamente indemnizada". A compulsory conversion into equity would face that article from every holder it bound. The second ground is credibility: only a voluntary exchange leaves the unit worth holding.

The consents, in one table

Exhibit 13 gathers every consent the path requires. On the paper's reading the conversion law and the fund statute need only an ordinary majority of each chamber. Every 2020 bond is governed by New York law. The English-law instruments still outstanding, the euro GDP-linked securities and the untendered Euro Par 2038 bonds II and III, and the local-law series exchanged under Ley 27.556 sit outside the perimeter the paper draws: the design binds no holder of them, takes their tenders only voluntarily, and states none of their clauses. The untendered pre-2005 debt carries no usable clause and cannot be bound at all.

Exhibit 13: Consents required, by instrument and by law: the statute, the special law, the central bank's opinion, each bond series, the domestic units, the United States route, and the three instruments outside the perimeter

Instrument or step	Law	Threshold or form	Who decides
Conversion law and fund statute	Constitution arts. 4, 75 incs. 4 and 7; Ley 24.156 arts. 60, 64, 65	ordinary law, simple majority of each chamber (no special majority found in the texts read)	Congress
Entrenchment of the exposure ban; any pension-reserve stake	Ley 27.181 art. 20 model	two thirds of the members of Congress	Congress
Foreign-currency, foreign-law issue above the budget cap	Ley 27.612 art. 1	special law	Congress
Any change to the IMF programme	Ley 27.612 art. 2	law	Congress
Opinion on the balance of payments	Ley 24.156 art. 61	opinion	Central bank
2016-indenture bonds (2029, 2030, 2035, 2046)	New York law	thresholds of Exhibit 14; 36-month single-limb bar after a two-limb vote or a restructuring exchange offer	Holders, Republic-held bonds disregarded
2005-indenture bonds (2038, 2041)	New York law	thresholds of Exhibit 14	Holders
Domestic closed-end fund units	Ley 24.083; CNV rules	public-offering authorisation and listing	CNV and the market
Class A units to United States holders	Securities Act, Investment Company Act	no public offer without a section 7(d) order; Rule 144A and Regulation S to qualified institutional buyers who are qualified purchasers, section 3(c)(7)	Investors

Instrument or step	Law	Threshold or form	Who decides
Debt leg to United States holders	Securities Act, Trust Indenture Act	Schedule B registration; section 304(a)(6) exemption	SEC registration
Euro GDP-linked securities (2035)	English law, 2005 trust indenture	outside the perimeter; voluntary tender only	Holders through the trustee
Untendered Par 2038 bonds II and III	2005 indenture as it applied to them	outside the perimeter; voluntary tender only	Holders
Local-law series exchanged under Ley 27.556	Argentine law	outside the perimeter; voluntary tender only	Holders

What the law permits sets the outer edge of the design and nothing more. None of it tells a holder what a unit is worth against the bid, or against what the record says a default returns. Part VII sets the unit against the bid and the record and reports what it finds.

Part VII. The investor case, met head-on

Part VI closed on the outer edge the law draws, and nothing inside that edge tells a holder what a unit is worth. A bondholder weighing an exchange compares the offer with what the bond fetches today and with what the record says a restructuring returns, at a discount rate of the holder's choosing, and this part runs that comparison in the three settings the paper allows itself. The arithmetic is Appendix C's, built on the 2035 bond's cash flows, its offshore price of October 21, 2026 and the Model fund's flows from the first paper. Every unit value is the paper's own arithmetic on named inputs, and none is a promise of return. The weak cells are reported beside the strong ones.

The bid, reconciled

The first benchmark is the price a holder can sell at, and that price has two dollar settlements. A New York-law Global trades in Buenos Aires in dollars paid abroad, the cable settlement, and in dollars paid into a local account, the MEP settlement. The paper uses cable, and Part I states the local-dollar price once with the gap.

A foreign holder is paid offshore, so cable is what that holder could realise. Only the cable yield agrees with the published country risk. On the paper's arithmetic the 2035 bond's 11.63% sits about 655 to 662 basis points over the Treasury curve of October 20, 2026, against a published country risk of 661 to 672, as data sites report it. The local-dollar yield would imply about 545, which no published series shows.

The paper's prices are the cable last trades at 19:52 GMT on October 21, 2026, clean, per 100 of original face, as an aggregator of the Buenos Aires exchange's data reported them. The 2030 bond traded at 53.54 on the 64% of its face still outstanding, the 2035 bond at 70.01, the 2038 bond at 74.61 and the 2041 bond at 65.12, yields of 11.20%, 11.63%, 11.41% and 11.61%. The local-law 2035 bond trades a further 4.9% below the Global in either settlement, so the gap is the settlement currency and never the governing law. With accrued interest of 1.180 the 2035 bond's dirty price is 71.19. That 71.2 is the bid every unit value below is measured against.

What the market prices

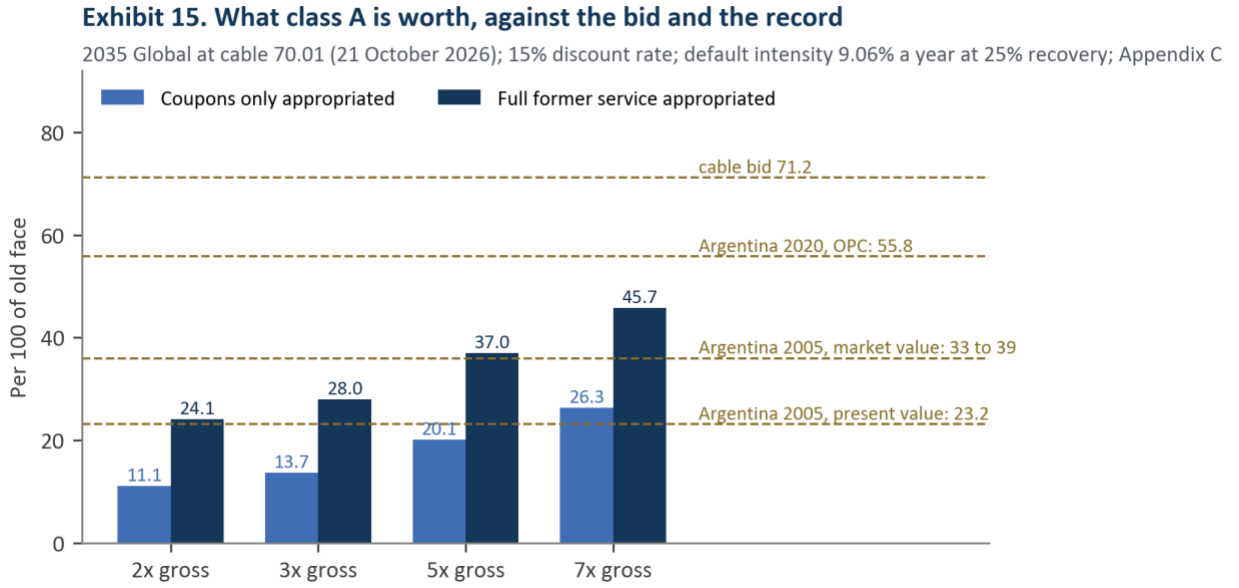
On those prices the market already discounts a large probability of the outcome the paper's hypothesis names. A reduced-form model that reproduces the quoted yields from the 2020 prospectus's cash flows, solved on the Treasury curve of October 20, 2026, gives a risk-neutral default intensity of 8.1% to 10.4% a year across the three long bonds at a recovery of 20% to 30% of face. That is a cumulative probability of 33% to 41% over five years and 55% to 65% over ten. What the bonds were worth once payment had failed is also on the record: the auctions that settled Argentina's credit default swaps fixed 39.5 in September 2014 (ISDA 2014b; Markit 2014) and 31.5 in June 2020, the latter as reported by Creditflux.

Why coupons alone fail, and why the full service does not reach the bid

The order that began this paper read "interest becomes growth equity" literally, with the freed coupons as the fund's capital, and Appendix C prices that reading first. On the 2035 bond the remaining coupons are 32.6 of the 132.6 of contractual cash flow per 100 of face, on the paper's arithmetic from the prospectus schedule, about a quarter of what the holder is owed. In Design A each yearly appropriation buys a five-year vintage of a Model fund with the limited-partner flows of the first paper's Appendix C at a stated gross

multiple. Each is weighted by the market's survival probability at its date, because the appropriation happens only while the state is still performing. Appendix C derives that probability from an intensity of 9.06% a year at a 25% recovery, which Markit's note of September 5, 2014 calls the standard assumption for emerging-market credit default swaps. Class A receives every distribution until it has recovered its issue value, set at the dirty bid of 71.19, after which the classes share pro rata by capital.

Exhibit 15: The holder's decision. Class A's value per 100 of old face on the coupons-only and the full-service appropriations, at gross outcomes of 2x, 3x, 5x and 7x and discount rates of 11.63%, 15% and 20%, against the cable bid of 71.2, the 2005 exchange at 23.2 in present value and 33 to 39 at first prices, and the 2020 exchange at 55.8. Source: Appendix C, models/appendix_c_results.txt.



On the coupons alone, class A is worth 13.9 per 100 of old face at a 2x gross outcome discounted at the bond's own yield of 11.63%, 24.9 at 5x and 32.5 at 7x. At 15% the same cells read 11.1, 20.1 and 26.3, and at 20% they read 8.1, 14.9 and 19.6. Every cell sits below the 33 to 39 per 100 that Argentina's 2005 exchange left at the first prices of its new bonds. Every cell but three sits at or below the 23.2 that exchange was worth in present value on the Cruces-Trebesch measure, which sets the new bonds against the old claim valued at the same exit yield. On the market-haircut measure, which sets the new bonds against the old face as the class A cells do, the exchange was worth about 21.0 per 100, and the same three cells clear it. Principal must be in the package.

With the full former service appropriated, 132.6 per 100 undiscounted, class A is worth 31.5 at 2x and 47.6 at 5x at the bond's own yield, 24.1 and 37.0 at 15%, and 16.5 and 26.0 at 20%. At 7x the three rates give 58.6, 45.7 and 32.4. The full-service unit clears the 2005 present value of 23.2 in every cell at 15% and below, and at 20% only from 5x upward. It reaches the 33 to 39 of the 2005 first prices from 5x discounted at 15%, at 3x and above at the bond's own yield, and in no cell at 20%. It reaches the 55.8 per 100 of eligible face at which the congressional budget office valued the 2020 exchange, at a 10% exit yield, in one cell only, 7x at the bond's own yield. It reaches the bid of 71.2 in none.

The reason is Appendix C's identity. A Model fund pays its investors what a conventional fund pays at half the profit, 2.38x against 3.84x at a 5x gross outcome, because the companies the sleeve finances divide every profit dollar before any distribution. That is the price of the Model, and the paper does not price it away.

Two sensitivities bracket these cells. A closed-end discount of 21.6%, the average Fondul Proprietatea carried in 2022, takes the full-service cells at 15% to 18.9 at 2x and 29.0 at 5x. With no risk that the state stops appropriating, the same cells read 29.5 and 44.7, so in the model that risk costs class A the distance between 37.0 and 44.7 at 5x. A single-class unit that kept all of the fund's distributions would be worth 28 to 51 at 15% across 2x to 5x. Class A shares the upside with the Treasury's class B once it has recovered its issue value, and the paper carries the lower figures.

Design B, the seeded alternative that Part V explores and sets aside, would add to every cell the independently valued seed assets transferred per 100 of face, which is why a creditor reads it as the better claim. Appendix C does not run it, since the paper does not recommend it.

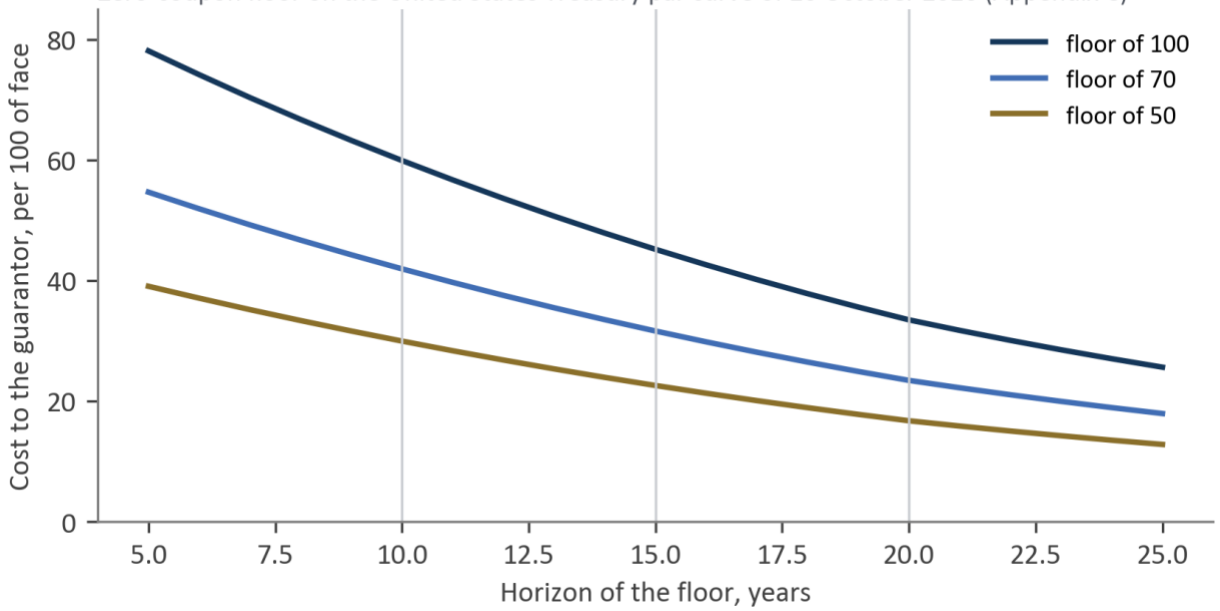
The gap, and who can fill it

At 15% and gross outcomes of 2x to 5x, class A on the coupons alone falls 51 to 60 per 100 of face short of the dirty bid, and on the full service 34 to 47 short, on the paper's arithmetic from the cells above. The state cannot fill that gap from its budget, because every dollar added to the appropriation is service it has not retired. An official lender can. A zero-coupon floor on the debt leg, on the Brady pattern, costs its guarantor the price of a Treasury zero. On the curve of October 20, 2026 a floor of 100 per 100 of face at fifteen years costs 45.2, a floor of 70 costs 31.6 and a floor of 50 costs 22.6 (Appendix C).

Exhibit 16: The guarantor's cost curve. The price of a zero-coupon floor of 100, 70 and 50 per 100 of face at ten, fifteen and twenty years on the United States Treasury par curve of October 20, 2026. Source: Appendix C.

Exhibit 16. The guarantor's cost curve

Zero-coupon floor on the United States Treasury par curve of 20 October 2026 (Appendix C)



The scale is the finding. Privately held foreign-law debt was about US$58.9 billion on June 30, 2026, on the paper's arithmetic from the Ministry's 33.6% foreign-law share of US$175.3 billion of performing private holdings. A 50-cent floor at fifteen years across all of it is about US$13 billion of collateral.

The Corporation's release at the close of Ecuador's 2023 conversion calls it the largest debt conversion for marine conservation. It exchanged US$1.628 billion of bonds for a US$656 million loan, covered by US$656 million of political-risk insurance from the United States International Development Finance Corporation and an US$85 million guarantee from the Inter-American Development Bank, as the release states. The two together are about 1.3% of Argentina's private foreign-law stock, on the paper's arithmetic. The paper therefore prices the enhancement on the senior tranche and the sleeve, never on the whole stock.

Three settings, with the premise as the lead

The holder's case needs the full former service redirected into the fund, and the state's case needs less of it. The paper resolves that tension with three settings. Its premise makes the third the lead: when the restructuring comes, the holder chooses between the traditional exchange and rolling the claim into the Sovereign Fund, and the other two settings extend that choice earlier in time.

When the state can no longer refinance the wall Part I measured, the holder's choice is binary and voluntary: the ordinary exchange, with the recovery the record normally yields, or class A of the fund. At recovery-level prices the bid of 71.2 is history and the record is the benchmark. The package is the debt leg's note with an outside-funded floor, class A units and a value-recovery warrant on audited net asset value. A floor of 50 at fifteen years is worth 22.6 per 100, and beside class A's 37.0 at 5x and 15% it gives 59.6 before any warrant, on the paper's arithmetic from Appendix C. Beside the 28.0 of 3x it gives 50.6, and beside the 24.1 of 2x, 46.7. The two add because the guarantor pays the floor and the redirected service pays the units.

Every such package clears both measures of the 2005 exchange, and clears the 55.8 of 2020 from 5x upward at 15%. None reaches today's bid of 71.2 at that rate. At the bond's own yield, the lowest rate a junior claim on the same sovereign can carry, the same arithmetic gives 70.2 for the 5x package and 81.2 for the 7x. The paper states no expected value and suggests no choice.

The first setting extends the same choice to a buyer who wants the equity. A long-horizon equity investor buys bonds at the cable bid, 65 to 75 per 100 of original face for the three long bonds on October 21, 2026, and tenders them into the fund. The buyer may be a regulated private-equity manager, a pension fund with an equity mandate or a strategic investor. The original holder exits at the bid and never has to be persuaded.

That was the 1980s mechanism, with the one correction the record demands. Chile's Chapter XIX notes were bought abroad at about 60.5% of face and redeemed at about 88%, so investors and intermediaries captured about 70% of the discount, an unallocated rent of US$870 million (Ffrench-Davis 1990). Here the conversion right is auctioned, or priced at the market, so that the discount goes to the country.

Bulow and Rogoff's objection, stated in Part IV, is answered in the same terms. A swap equals an ordinary foreign investment plus a buyback at the debt's average price (Bulow and Rogoff 1988), so the state gains only where the conversion is priced below the market. The design rests the state's relief on the write-down of face at conversion, which the auction sets, and never on paying the market price. The original holder is told plainly that this route is an exit at the bid and never a gain.

The equity buyer carries the political risk inside its own rate, which is where Appendix C's 15% and 20% columns belong. The route opens with the fund, at whatever scale the sleeve of Part VIII can absorb. The second setting is the preemptive conversion with official enhancement, which sits between the other two in time. Across 179 restructurings from 1978 to 2010, deals reached before a payment default cost creditors a mean of 18% in present value and took twelve months, while deals reached after it cost 48% and took sixty (Asonuma and Trebesch 2016, Table 1). A conversion offered before the wall, with a floor the official lenders fund on the senior tranche, is the setting in which the holder, the state and the lender could share the difference between those numbers.

Who holds the bonds, and what their mandates allow

Part I gives the Ministry's breakdown of June 30, 2026, and three of its figures matter here. Private holders owned US$177.7 billion of the stock, their performing holdings of US$175.3 billion were 33.6% under foreign law and 45.6% in dollars, and the 2020 dollar series outstanding were US$55.9 billion of Globales and US$44.5 billion of Bonares, summed from the Ministry's bond table. No holder-by-holder split is published, and the paper estimates none.

The marginal holder, on the paper's reading of the managers' own notes, which put funds benchmarked to the EMBI indices at more than 90% of the active hard-currency universe, is an active manager benchmarked to the dollar sovereign indices, with little room outside them. That room is set by law. A United States registered fund may hold no more than 3% of another investment company's voting stock, put no more than 5% of its assets into one and no more than 10% into all of them (15 U.S.C. §80a-12). It may acquire no illiquid investment that would take its illiquid holdings above 15% of net assets (17 CFR 270.22e-4). A UCITS

fund may not use its 10% basket for fund units: the European Securities and Markets Authority's opinion of November 20, 2012 holds that the derogation of Article 50(2)(a) covers transferable securities and money market instruments and not units of collective investment undertakings, which a UCITS may hold only under Article 50(1)(e) (European Securities and Markets Authority 2012, paragraphs 4 and 5).

For a European insurer under the Solvency II standard formula the capital charge decides. A B-rated dollar sovereign bond of four to five years' duration draws a spread charge of about 31% to 39% on the paper's reading of Article 176. At the bonds' modified durations of October 20 the charge is 37.1% for the 2035 bond, 30.9% for the 2038 and 38.5% for the 2041, on the mapping of B- to credit quality step 5 in the Annex to Commission Implementing Regulation (EU) 2016/1800 (European Commission 2016). Equity draws 39% or 49% plus the symmetric adjustment under Article 169. A bond fully guaranteed by a multilateral development bank draws 0% under Article 180(2). The guarantee is worth more to an insurer than its face cost suggests, which is why the sweetener set sizes a guaranteed senior tranche for insurers.

Exhibit 17: The insurer's capital charge on each tranche under the Solvency II standard formula: the B-rated bond, class A as equity, and the guaranteed senior note. Sources: Commission Delegated Regulation (EU) 2015/35, Articles 169, 176 and 180, as published in EIOPA's rulebook; the paper's arithmetic on the bonds' modified durations.

Tranche	Standard-formula capital charge	Basis
A B-rated dollar sovereign bond of four to five years' duration	a spread charge of about 31% to 39%; at the modified durations of October 20, 37.1% for the 2035 bond, 30.9% for the 2038 and 38.5% for the 2041, on the step 5 mapping of the Annex to Regulation (EU) 2016/1800 (European Commission 2016)	Article 176
Class A units, as equity	39% or 49%, plus the symmetric adjustment	Article 169
A senior note fully guaranteed by a multilateral development bank	0%	Article 180

Rating, credit default swaps and the index

A swap offered now would be rated a selective default, and the paper says so. S&P's criteria treat an exchange as tantamount to default when the holder receives less than the original promise and the offer is distressed: "If the issuer credit rating is 'B-' or lower, the exchange would ordinarily be viewed as distressed" (S&P Global Ratings 2017, 3). S&P raised Argentina to B- from CCC+ in June 2026, as the Buenos Aires Times reported, and a market-data page still showed B- on October 20 (BondTerminal 2026b). The criteria reach every form of consideration: "It does not matter if the entity is offering cash, securities, or common equity, as long as the market value of the offer can reasonably be shown to equate to the accreted value of the original securities (par and any accrued interest)" (S&P Global Ratings 2017, 4).

Moody's treats as default a distressed exchange that offers "a diminished financial obligation relative to the original obligation" (Moody's 2016, 39), and Fitch applies the same two-part logic, as its actions on other sovereigns are reported. A selective-default episode is therefore a cost: it lasts until the agency's

post-default review and, on the paper's reading, forces sales by holders whose mandates are bound to ratings.

Credit default swaps follow a different rule. Under the 2014 ISDA Definitions a Restructuring must bind all holders and result from a deterioration in creditworthiness, as practitioners reproduce §4.7. A voluntary exchange that leaves holdouts whole binds no one who did not tender, so on the paper's reading it is no Restructuring, while one that uses the collective-action clauses to bind a series is the classic trigger. Argentina's 2014 and 2020 credit events were both failures to pay (ISDA 2014b; ISDA Determinations Committee 2020).

The index is mechanical. The EMBI Global Diversified admits only dollar bonds, removes debt retired in an exchange at the next month-end and drops a bond whose outstanding falls below US$500 million (J.P. Morgan 2024). Fund units leave the index universe, and a smaller stock of Globales shrinks Argentina's weight and the passive bid with it. A rated, index-eligible note keeps inside the operation the holders who cannot hold equity. That is why the debt leg exists.

The exit discount and its control

Class A's listed price will sit below its net asset value, and the paper says so before an analyst does. Fondul Proprietatea, the listed Romanian fund that paid claims against the state in its shares, traded at a discount of 2.1% to 39.4% during 2022 and averaged 21.6%, on its own results. The Mexico Fund stood at a 14.24% discount on April 30, 2026 on its own report and adopted a conditional tender for 20% of its shares at 98% of net asset value, as excerpts of its filings report.

The control the design chooses follows the evidence. Fondul Proprietatea spent RON 1,146.6 million on its own shares in 2022 and still averaged a 21.6% discount, below 15% on only 32.3% of trading days, so buybacks are the secondary tool and the conditional tender at 98% of net asset value is the primary one. Lee, Shleifer, and Thaler (1991, abstract) find that discounts on different funds move together and narrow "when small stocks do well". Class A's priority over class B lowers its fundamental downside and leaves that sentiment untouched, whereas a tender near net asset value pays the tendering holder net asset value whatever the sentiment, on the paper's reading. Appendix C shows the 21.6% discount as a sensitivity, and the paper's range for that input is 10% to 40%, the span of the precedents.

Tax

Tax is a frictional cost, and a real one for a United States holder. The exchange of a bond for property is a realisation event, since gain or loss on "the sale or other disposition of property" is recognised under 26 U.S.C. §1001 unless another provision provides otherwise. Units of a foreign fund may make the holding a passive foreign investment company under §1297, whose tests are 75% of gross income or 50% of assets, unless the 25% look-through of §1297(c) reaches the fund's controlled companies. That question is each holder's own.

On the Argentine side, dividends paid to foreign beneficiaries are withheld at 7%, as the tax authority's 2021 circular is reported, while the Republic's bonds are exempt for those beneficiaries outside non-cooperative jurisdictions, as legal commentary reports. Article 12 of the statute in Appendix H, restated in

Appendix B, therefore exempts distributions on class A and class C on the same footing as the bonds surrendered.

The sweetener set, sized against the record

The set that clears the hurdle is a menu, each element priced above. The first element is a senior New York-law amortising note for part of each 100 of face tendered, partly guaranteed by a multilateral or a development-finance insurer, rated, index-eligible and carrying a 0% insurer charge on its guaranteed part. The second is class A units for the rest, whose exposure to the Model sleeve is a separate election into class C, disclosed with its cost. Assembled, the paper's reference package for each 100 of face tendered is the one priced above: the note with an outside-funded floor of 50 at fifteen years, worth 22.6 per 100 on the Treasury curve of October 20, 2026; class A units worth 37.0 at a 5x gross outcome discounted at 15%; and a value-recovery warrant on audited net asset value, left unpriced. That is 59.6 before the warrant: above both measures of the 2005 exchange and the 55.8 of 2020, below today's bid of 71.2 at that rate, and 70.2 at the bond's own yield.

The third is a detachable value-recovery warrant linked to audited net asset value, verified by a third party, capped, and never linked to gross domestic product or any statistic the state compiles. The reason is that the 2013 rebasing of Argentina's GDP-linked units ended in an English judgment of €1.33 billion, upheld on appeal (IMF 2025b, Annex II) and still resisted by the Republic in April 2026, as Infobae reported. The fourth is the conditional tender, and the fifth the tax-neutrality article. The set is sized against Part III's record and never against par.

The holder's test, restated for the two legs

The holder's test changes with the covenant gone. A holder accepts when a sum clears a bar. The sum is the present value of the note at the exit yield, adjusted for its partial enhancement, the present value of the warrant, the distributions and tender proceeds expected on class A, and the expected listed value of class A at the horizon net of its discount. The bar, which Part III built, is the greater of the bond's bid on the day and the record's distribution discounted at the same exit yield. The sum changes in one respect: the note's contractual flows now carry the floor the covenant once carried, so the holder's comfort comes from a guarantor and a ranking and never from a promise by the Republic. Part V states the accounting consequence, that the fund's own statements may show class A as a liability while the statistics treat it as equity.

The ratchet, and the price of adoptability

Two further terms belong in the exchange documents, and each carries a cost. The first is a most-favoured-creditor ratchet: a holder who converts is protected if a later restructuring of the untendered bonds gives their holders better terms, measured on a stated present-value basis, capped and limited in time, as the rights upon future offers in the 2020 bonds were until September 4, 2025. The ratchet buys early participation. It costs the Republic a contingent claim that a statistician may count and a rating agency may price, and it narrows the menu of any later restructuring, which is why it is capped.

The second is the risk Part V's incentive map leaves with the holder. Class A carries the political risk that an appropriation is cut, because the fund's roll-out depends on each year's vote and the design keeps that power with whoever governs. This part prices the risk where it belongs, inside the survival weighting of every appropriation and inside discount rates of 15% and 20% above the bond's own 11.63%. The survival weighting alone accounts for the distance between 44.7 and 37.0 at 5x and 15%. In return the holder gets a feature no earlier conversion had: the fund's beneficiaries are the workers of the companies it finances, paid out of those companies' profit and never out of the budget, which Part V argues no government can cut with a budget line. Whether that protection holds is a claim the pilots will test.

Where the appropriation goes once it is voted, and how fast an economy whose private capital market invested about US$0.5 billion a year in 2020 to 2024 can absorb it, is the question Part VIII answers with a capped sleeve.

Part VIII. Deployment under the Model

Part VII priced the holder's choice against the bid and the record. No unit value it shows reaches today's bid. Once the fund exists, an equity buyer can take the bonds at the bid, so the original holder exits at the bid, and a preemptive conversion needs an official floor that exists only if a lender funds it.

What the holder is buying, under either route, is a share of companies that do not yet exist or have not yet adopted the Model, financed from appropriations that arrive a year at a time. Part VIII sets out where that money goes and how fast. The pace is governed by the economy's capacity to absorb equity capital. Money is the smaller constraint.

Absorption, and the rule that follows from it

The Argentine private sector is thinly financed on each World Bank measure cited here. Bank credit to the private sector was 15.8% of GDP in 2025, against 75.1% in Brazil, 70.1% in Chile, and 27.1% in Mexico, and listed market capitalisation was 8.4% of GDP in 2022, the latest year shown (World Bank 2026). Private capital is smaller still: ARCAP, the industry association, counted US$2,558 million of private capital invested in 2020 to 2024, in 1,384 companies with 61 exits, as reported by Mercado in September 2025. That is about US$0.5 billion a year on the paper's arithmetic. Venture investment was US$270 million in 2025 across 73 rounds, against about US$412 million in 2024, as reported by El Observador from ARCAP and EY data.

Deploying even US$2 billion a year with discipline would be about four times that recent market of about US$0.5 billion a year, on the paper's arithmetic. The binding constraints are manager capacity, the pipeline of companies able to take tickets of US$20 million to US$100 million, exit markets, and the macroeconomic regime. The waterfall rule follows. Cash flow goes first to class A's recovery of its issue value and then to deployment, in a sleeve whose annual commitment is capped and rises only with measured absorption. The cap is published in the fund's investment policy as a multiple of the trailing private-capital investment the industry's own count records, and it moves through gates. Stated as a rule, the year's commitment is a multiple of the private-capital investment the industry's own count recorded over the previous three years: half to one times it in the pilot, one to three times at scale, two to four times when mature, and never past the gate of its phase.

One illustrative schedule, the paper's own with no benchmark behind it, runs in three phases. A pilot phase in years two to five commits US$0.25 billion to US$0.5 billion a year, between half and one times the recent market. It advances only when at least three managers have deployed, the first reports against the Four Tenets have been assured, and at least 70% of committed capital is drawn. A scale phase in years five to ten commits US$0.5 billion to US$1.5 billion a year and advances on realised exits and a discount to net asset value below a set level. A mature phase commits US$1 billion to US$2 billion a year, recycled, once the listed holdings are large enough for the exchange-traded fund of Part V.

Exhibit 18: The sleeve's cap by phase: the paper's illustrative schedule, with no benchmark behind it, and the gate each phase must pass before the next.

Phase	Years	Annual commitment	The gate to the next phase
Pilot	two to five	US$0.25 billion to US$0.5 billion, between half and one times the recent market	at least three managers deployed; the first reports against the Four Tenets assured; at least 70% of committed capital drawn
Scale	five to ten	US$0.5 billion to US$1.5 billion	realised exits, and a discount to net asset value below a set level
Mature	from ten	US$1 billion to US$2 billion, recycled	the listed holdings large enough for the exchange-traded fund of Part V

The vehicles

Deployment uses vehicles Argentina already has. A closed-end Fondo Común de Inversión may hold, under Ley 24.083 art. 1 as amended by Ley 27.440 art. 99, "títulos valores que no tengan oferta pública" and "derechos creditorios de cualquier naturaleza" as well as real assets. Funds reserved to qualified investors are exempt from the law's investment limits as the Comisión Nacional de Valores sets them (art. 7 bis). Financial trusts are the alternative wrapper, and both are tax-transparent for investments made in Argentina, since publicly offered funds and trusts pay income tax "sólo en la proporción a las inversiones no realizadas en la República Argentina" (Ley 27.440 art. 205). Foreign managers come in under a mandate, in the structure the first paper's implementation guide sets out for the Model's funds: a main fund with parallel vehicles and one measurement of the outperformance threshold across them, so that the threshold binds once.

The Model's terms for the companies financed

The companies the sleeve finances adopt The SAVI Capital Model as the first paper specifies it in its Part V and Appendix B, and this paper amends none of its terms. Every dollar of a financed company's net profit, exit gains included, is divided at the top of the waterfall, before the preferred return, the catch-up, and the carry. Half goes to the people who work there, in equal shares per full-time employee through an Employee Trust. Half goes to the capital that financed them, which then runs a conventional waterfall with an 8% hurdle and a 20% carry. The chief executive is an employee, holds one share in the pool, and is paid no more than 15 to 20 times the lowest-paid full-time worker. A stewardship review runs every year, and the terms survive a sale through a single Trust Class Share.

The cost of those terms is stated here as plainly as the first paper states it to limited partners, because class C's holders bear it and class B's capital carries the rest. On the same companies and identical fund terms, below the outperformance threshold, a Model fund pays its investors what a conventional fund pays at half the profit. In the first paper's worked example, a US$100 million growth-equity fund held five years at a 2% fee, a portfolio that earns five times its cost returns 3.84 times net to investors in a conventional fund and 2.38 times in a Model fund. In the same example US$200 million reaches the people who work in the companies. The offsetting argument is the first paper's hypothesis that verified sharing lowers political and

default risk, a claim no study tests at this scale. Under the Santiago Principles the sharing is a consideration beyond financial return that "should be clearly set out in the investment policy and be publicly disclosed" (GAPP 19.1), which is how it enters the fund's policy before the first commitment.

The 5.0 times threshold is a term of each Model fund and promises the holders nothing. Measured at fund level on the limited partners' cumulative net distributions against their contributions, it sends every further financial-side dollar, the manager's carry included, to the fund's designated non-profit arm once investors have received five times what they paid in. On the first paper's assumptions it first binds at a gross multiple of about 12.2 times on the underlying companies. At 12 times gross the Model's investors stand at 4.93 times, and at 25 times they stop at 5.0 times while US$640 million passes to the arm. For the Sovereign Fund it is a ceiling in the far tail, and no sweetener is designed against it.

The Model's precondition also fits the economy it enters. The division of profit must be the senior claim on a company's earnings, so the Model is applied through growth equity in companies with little or no acquisition debt, and in an economy whose bank credit to the private sector is 15.8% of GDP, little acquisition debt stands in the way.

The Compact pairing and the fiscal condition

The first of the three pillars is a balanced fiscal policy, and it is the precondition of the other two. The national primary surplus was 1.78% of GDP in 2024 and 1.38% in 2025, and interest absorbed 83% and 88% of it, 81% in January to August 2026, on the Treasury's cash-basis series. The 2025 surplus, about US$9.4 billion at the year's average exchange rate, equals one year of foreign-currency interest, against US$18.5 billion of principal due in 2027. After a conversion the service retired on the converted bonds frees part of that surplus. The class B appropriation is sized so that the primary balance stays at or above zero in every year, a figure published with the budget beside the stress test of Part V. An appropriation financed by borrowing would be the extractive channel reopened under a new name.

The third pillar lands on the same budget, which is why it is sequenced with the fund under one trigger. The first paper's Fifteen Compact replaces the taxes and contributions a Compact Enterprise pays with a single contribution rising in bands to a ceiling of 15% of profit after the workforce's share. On that paper's own Argentine figures the pilot costs about 0.12% of GDP a year for each 1% of the formal private economy it covers, before any formalisation effect. The companies the sleeve finances are natural Compact Enterprises, since they already share half of profit before tax and cap the pay ratio. A Compact Enterprise pays less tax, which narrows the base from which the appropriation is voted. One revenue trigger therefore governs both: the Compact widens, and the appropriation grows, only as published indicators of formal employment and net public revenue are met, two of the four indicators the first paper sets for the Compact's own expansion.

The three pillars stand or fall together, and the paper says so in each place it summarises the design. Without balance the appropriation is borrowed and the extraction resumes. Without the conversion the principal wall returns, US$27.9 billion in 2027 rising to US$36.3 billion in 2032. Without the fiscal-load reform the companies the fund finances carry the load the first paper measured, the load that kept the economy from taking off.

Manager selection and the integrity condition

The managers are chosen by public tender under published criteria, the selection process GAPP 18.2 asks a fund's investment policy to set out. The SAVI Group would not manage the fund or any sleeve of it; it offers the design and the Model's terms. Every manager and every portfolio company carries an integrity programme meeting Ley 27.401. That law applies to private legal persons "con o sin participación estatal", sets fines of 2 to 5 times the undue benefit, and makes an adequate programme a condition for large contracts with the national State. The fund requires that programme whatever the contract size. Each mandate and each portfolio agreement carries the contractual exclusion terms of Part X, applied on final judgment or proven breach after a hearing, and each counterparty discloses its beneficial owners as a condition of contracting.

Class B carries no vote on the appointment or removal of a manager while class A is below its issue value. The record shows why. In 2023 Romania's finance ministry, as a shareholder of Fondul Proprietatea, pressed for one-year renewals of the manager's contract and a new selection, and Franklin Templeton, the manager since 2010, later withdrew from the contest, as QuotedData reported.

Two routes, one investor posture

The sleeve deploys by two routes, both through the private sector. The first finances new companies, founded under the Model's charter from the first day. The second converts existing private companies to the Model at closing: a recapitalisation through the managers' vehicles in which the company adopts the Trust Class Share, the Human Capital Pool Agreement, and the pay ceiling as conditions of the investment. An established business with a workforce and a market thus enters the pool on the day the capital arrives. Constitución Nacional art. 14 bis already directs the laws to secure the worker "participación en las ganancias de las empresas", and a model a company adopts by its own choice implements that programme without compelling anyone.

The posture is the one a private-equity investor takes. The state deploys through regulated managers, as a limited partner with monitoring rights, and never operates a company. The companies the sleeve finances are and remain private companies in which the fund holds equity through the managers' vehicles, and they never become federal or state assets. The Model's own terms presuppose that ownership: an Employee Trust holding a special class of share, a charter that survives a sale, and a fund waterfall running on half the profit have no meaning in a state enterprise. The state's interest in those companies runs only through its class B units of the fund.

The cost rule

The fund's running costs and the managers' fees are borne by the fund out of its own income. Class B's capital is sized to carry them, so that class A's net result is unaffected. The state never reimburses a cost directly, and no line of any budget ever does. The reason is Part V's classification: a reimbursement would pull the fund inside government.

The sleeve's own costs are charged to the sleeve, which class B owns and class C opts into. A converting holder who stays in class A is never charged for the Model, and a holder who elects class C is charged only what the disclosure stated.

The companies the sleeve finances will install machinery, and the duty on every imported machine enters their cost of capital. Part IX sets out what trade policy must do about it: a zero applied duty on capital goods and information-technology goods, legal now, affordable, and in need of a transition for the domestic machinery makers whose output is already contracting.

Part IX. Capital goods at zero duty

The sleeve buys machines, and the border sets their price

The sleeve of Part VIII finances companies, new and converted, at the pace the economy absorbs, through regulated managers under the Model's terms. Those companies buy machines, and the border prices each imported machine before any manager prices the investment. On the applied schedule in the World Tariff Profiles 2026, mechanical, office and computing machinery entered Argentina in 2025 at an average duty of 11.5% and electrical machinery at 13.2% (WTO, ITC, and UNCTAD 2026).

This part argues that a zero applied duty on imported capital goods is legal today, affordable and supported by the growth literature, and that it owes a transition to the domestic machinery industry it exposes.

What the law already permits, and until when

Mercosur has already granted the authority. The recitals of Decreto 513/2025, published in the *Boletín Oficial* on July 29, 2025, record the authority (Argentina 2025c, considerandos). Article 1 of Council Decision 8/21 authorises Argentina "hasta el 31 de diciembre de 2028, a aplicar una alícuota distinta al Arancel Externo Común (A.E.C.), inclusive de CERO POR CIENTO (0 %)". The authority covers the goods the bloc classifies as capital goods and as information-technology and telecommunications goods, the BK and BIT lists. A national decree under article 664 of the Código Aduanero, which in the same recitals empowers the Executive "a desgravar del derecho de importación la importación para consumo de mercadería gravada con este tributo", is enough to zero those lines today.

The authority ends on December 31, 2028, and the fund of Part V plans on ten to twenty years, so the reform needs a Mercosur renewal past 2028 as its first step after the decree.

"Any machinery or technology" is wider than the two lists. Machinery outside them sits under the Common External Tariff, and Argentina's national exception list is capped at 100 tariff codes to 2028 under Council Decision 11/21 (Argentina 2023; Argentina 2025c). In July 2025 the Council agreed to widen national lists temporarily by up to 50 codes, as EFE (2025) reported. The Council's decision is cited here through that report. A blanket zero beyond the two lists therefore needs a Mercosur decision, and the paper confines its decree to the lines the bloc has already freed.

The World Trade Organization is not the constraint. Argentina's bound tariff averages 31.8%, about 34.9% on machinery, against an applied average of 12.4%. An applied rate below the binding is consistent with the General Agreement, whose Article II:1(b) exempts scheduled products from ordinary customs duties "in excess of those set forth and provided therein", a ceiling and never a floor (GATT 1947, Article II). The constraint the Organization does impose is most-favoured-nation treatment, so a zero must go to every member unless it sits inside a free-trade agreement or a customs union. Binding the zero would make it irreversible, so the paper recommends an applied zero and never a bound one.

The large-project version already exists

For projects of US$200 million and above the proposal is already law. The large-investment regime of Ley 27.742, Title VII, covers the imports of new capital goods, spare parts, components, consumables and temporary imports by adhering vehicles. Under article 190 those imports "se encontrarán exentas de

derechos de importación, de la tasa de estadística y comprobación de destino, y de todo régimen de percepción". Article 173 sets the threshold at "al menos doscientos millones de dólares" in computable assets, with sectoral minimums up to US$900 million. Article 201 grants tax, customs and exchange stability "durante los treinta (30) años siguientes de la fecha de adhesión", and Decreto 105/2026 extended the adhesion window to July 8, 2027 (Argentina 2024b, arts. 173, 190, 201).

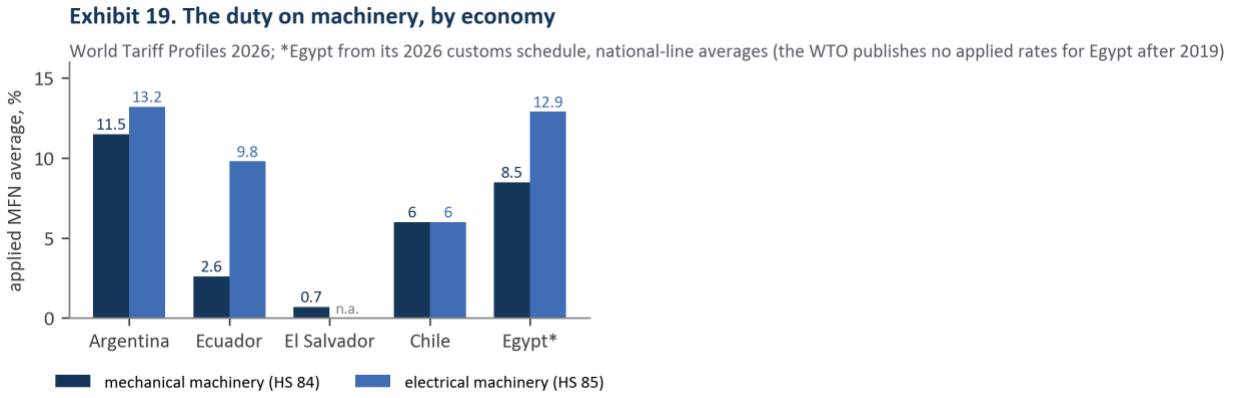
The addition this paper proposes is the extension of that customs treatment to the firms the regime excludes, the investors below US$200 million. In this paper's reading that is where the companies the sleeve finances sit, and where the fiscal cost and the political argument both lie.

What moved in 2025, and where the rate still stands

The 2025 decrees cut; they did not zero. Decreto 513/2025, in force on July 30, 2025, moved 27 capital goods from rates of 20% to 35% down to 12.6%, as Marval O'Farrell Mairal (2025) reported. Decreto 333/2025, published on May 20, 2025, placed positions on the BIT annex on a staged schedule (Argentina 2025b). Mobile phones moved from 16% to 8%, with 0% scheduled from January 15, 2026, as reported by the Buenos Aires Times (2025).

Decreto 273/2025, published on April 16, 2025, replaced the used-goods import certificate with a sworn declaration but kept used machinery of chapters 84 to 90 at double the new-goods duty. Under its article 1 those goods pay a duty whose rates "resultarán de incrementar en un CIENTO POR CIENTO (100 %) el nivel del Derecho de Importación Extrazona" (Argentina 2025a, art. 1). The rate "en ningún caso será superior a TREINTA Y CINCO POR CIENTO (35 %)".

Exhibit 19: Applied most-favoured-nation tariffs on mechanical and on electrical machinery, 2025, Argentina against Brazil, Chile, Ecuador and El Salvador, with the share of lines duty-free in each. Source: WTO, ITC and UNCTAD, World Tariff Profiles 2026.



What a zero costs the Treasury

The cost is the paper's own arithmetic on verified inputs, printed as a range. Import duties yielded ARS 5.63 trillion in 2025, 0.663% of GDP, on the Ministry of Economy's preliminary revenue series (Ministerio de Economía 2026a). At the World Bank's average rate of 1,240.85 pesos per dollar that is about US$4.54 billion, about 6.0% of the US$75.79 billion of goods imported.

Imports under chapters 84, 85 and 90 of the tariff were US$22.57 billion in 2025 on UN Comtrade's figures (United Nations 2026). In 2024 about 13.6% of those chapters came from Brazil, Paraguay and Uruguay, duty-free by origin. That share, applied to 2025, leaves a dutiable base of about US$19.5 billion.

With no published duty by chapter, the paper runs three effective rates on that base. At 4% the forgone revenue is US$0.78 billion, at the economy's 6.0% average US$1.17 billion, at 8% US$1.56 billion. The central estimate is about US$1.2 billion a year, about 0.17% of GDP and about 26% of 2025 import-duty revenue. The statistics fee of 3%, capped and extended to December 31, 2027 by Decreto 1140/2024, adds at most a few hundred million on the same base (KPMG Argentina 2025). Until the customs authority publishes 2025 duty by chapter and by regime, the range stands, and Appendix F carries the method.

Fifty years of industrial decline inside ninety years of falling behind

The hypothesis this paper was handed put the decline of Argentine industry at ninety years. The evidence puts it at fifty. Esteban Maito's reconstruction of manufacturing from 1900 to 2014 shows the sector's share of GDP at constant prices rising persistently to "su punto máximo" in 1974, at 22.9%, then falling to a floor of 15.4% in 2002 (Maito 2016, 74). Industrial wage earners peaked at 2.10 million in 1974 and fell to 1.20 million in 2002. From the 1930s to 1974 Argentina industrialised behind protection, and the manufacturing it has lost since is the manufacturing it built behind the wall.

What is about ninety years old is the relative income decline. On the Maddison Project Database 2023, Argentina's GDP per capita stood at 58% to 62% of the United States level in 1913, in 1929 and 1930 and in 1938 (Bolt and van Zanden 2023). Against Australia it stood at 83% to 87% in 1929 and 1930. In 1980 it stood at 44% of the United States level, in 2002 at 26% and in 2022 at 31%, when it was 35% of Australia's. The decline is relative. In 2011 international dollars the level rose from about 6,500 in 1930 to about 18,300 in 2022, on the paper's own reading of the series.

Alan M. Taylor (2014, 1-2) writes that Argentina's status among the richest economies "reached a peak around 1913, when income convergence stopped". It held its place in that club until 1929 and then faced "a slow and widening relative decline thereafter".

The standard dating is a sequence. Sanz Villarroya's tests find breaks at 1913 and 1950, a break in both level and trend at 1945 ("dicho punto se encuentra en 1945", Sanz Villarroya 2007, 220), and a trend break at 1975, the year of the Rodrigazo. On the Maddison series the steepest relative falls came between 1974 and 1990, from 51% to 28% of United States income, and between 1998 and 2002. The year 2011 was the last relative peak, at 40% of the United States level.

The paper therefore keeps two clocks apart. The country has spent about ninety years, since the 1930s, falling behind the economies it once resembled, and about fifty years, since 1974, losing the manufacturing it built. Taylor's verdict on the first clock is that "the various economic mechanisms in play defy the idea of a monocausal explanation" (Taylor 2014, abstract), and the paper claims for the tariff only the channel the next section documents.

Exhibit 20: Manufacturing's share of GDP, Argentina: the 1974 peak and the 2002 floor at constant prices, and the current-price series for 1998 and 2025; the two bases are not spliced. Sources: Maito (2016); World Bank (2026), NV.IND.MANF.ZS.

Year	Manufacturing's share of GDP	Basis and source
1974	22.9%, the peak	constant prices; Maito (2016)
2002	15.4%, the floor	constant prices; Maito (2016)
1998	17.8%	current prices; World Bank (2026), NV.IND.MANF.ZS
2025	13.6%	current prices; World Bank (2026), NV.IND.MANF.ZS

The capital-goods channel in the literature, with its two caveats

The price of imported equipment is one of the best-supported mechanisms in the literature on Argentina's decline,. Taylor (2014, 8) records Díaz Alejandro's finding that imported farm and industrial machinery "bore domestic prices that were very high indeed compared to world prices". In Taylor's model the country's trade taxes would lower GDP "by roughly 0.200 log points or 20% in the long run steady state", two thirds through dearer intermediates and one third through dearer capital goods (Taylor 2014, 9).

Eaton and Kortum (2001, abstract) "attribute about 25% of cross-country productivity differences to variation in the relative price of equipment, about half of which we ascribe to barriers to trade in equipment". Estevadeordal and Taylor (2008, abstract) find that liberalising tariffs on capital and intermediate goods after 1990 "did lead to faster GDP growth, and by a margin consistent with theory (about 1 percentage point per annum)". At the level of the firm, Amiti and Konings (2007, abstract) find in Indonesian data that "a 10 percentage point fall in input tariffs leads to a productivity gain of 12 percent for firms that import their inputs". Goldberg et al. (2010) find that lower input tariffs account on average for 31% of the new products Indian firms introduced, as their abstract reports.

Two caveats travel with the proposal. In India's reform, De Loecker et al. (2016) find that marginal costs fell with input tariffs but prices fell far less, because firms raised their markups, as their abstract reports. A zero duty should therefore travel with competition policy, or the saving stays in margins.

Hsieh and Klenow (2007, abstract) find that investment goods are not dearer in poor countries. Low real investment rates, in their reading, are "not due to low savings rates or to high tax or tariff rates on investment" and stem from "low efficiency in producing investment goods and in producing exportables to trade for machinery and equipment". In this paper's reading both can hold beside Taylor: tariffs mattered in Argentina's protected decades, and the binding constraint today may be export capacity and foreign exchange. A tariff zero lowers the cost of capital. It does not by itself repair productivity, and the paper claims no more for it.

The 2025 surge, and what it does not prove

Capital-goods imports rose from US$11,050 million in 2023 and US$9,979 million in 2024 to US$15,073 million in 2025, up 51.3% in value and 45.1% in quantity, on INDEC's figures as the foreign ministry's trade

centre republishes them (CEI 2026). Total goods imports rose 24.7% to US$75,791 million, and capital goods' share of them rose from 15.0% in 2023 to 19.9% in 2025. The paper does not read that surge as the tariff cuts' effect.

The same window saw the end of the impuesto PAIS on imports. Article 35 of Ley 27.541, published in the Boletín Oficial on December 23, 2019, had created the tax for five fiscal periods (Argentina 2019c, art. 35). Its text reads: "Establécese con carácter de emergencia, por el término de cinco (5) períodos fiscales a partir del día de entrada en vigencia de la presente ley, un impuesto". The tax was cut from 17.5% to 7.5% on September 3, 2024 (Marval O'Farrell Mairal 2024) and expired in December 2024, at the end of the five fiscal periods the law set. It also saw looser exchange and import-payment controls and the recovery, while Decreto 513 covered 27 lines and took effect only on July 30, 2025.

In January to May 2026 capital-goods imports fell 7.0% in value and 13.7% in volume against the same months of 2025 on INDEC's trade release (INDEC 2026c). The research for this paper found no Argentine study isolating the tariff effect, and the paper claims none.

The machinery makers, and the transition the reform owes them

The domestic machinery industry is contracting as imports open. INDEC's industrial production index for August 2026, published on October 7, 2026, puts "productos de metal, maquinaria y equipo" 18.1% below August 2025 and 13.7% below the first eight months of 2025, against 3.2% and 2.7% for manufacturing as a whole (INDEC 2026f). A zero-duty regime moves the burden of adjustment onto those firms, and the paper writes the transition into the reform in four elements, two of them drawn from regimes already in force.

The zero reaches first the lines for which no equivalent domestic production exists, which is Brazil's test. Gecex Resolution 780 of August 28, 2025 zeroed capital goods "para os quais não foi constatada capacidade de produção nacional equivalente", as reported from the resolution's text (Brazil, Gecex 2025). The remaining lines move on a published staged schedule, as Decreto 333/2025 staged the BIT lines. The makers' own imported parts, components and inputs reach zero on the first day, so that the input-tariff gain Amiti and Konings measured in Indonesia can reach them before their output meets the imported machine. The sleeve's second route, the conversion of existing private companies to the Model that Part VIII sets out, is open to them, with the Human Capital Pool as the term that shares any gain with the workers the adjustment reaches first.

The comparators

The dollarised economies already run near-zero machinery tariffs and de-industrialised anyway. El Salvador applies 0.7% on mechanical machinery with 93.7% of lines duty-free, and Ecuador 2.6% with 73.2% of lines duty-free (WTO, ITC, and UNCTAD 2026). On the World Bank's series, at current prices, their manufacturing shares of GDP fell from 18.6% in 1998 to 12.7% in 2025 and from 19.9% to 13.2% (World Bank 2026). Chile, with its own currency and a flat 6% rate, sits at 9.0%. Argentina fell from 17.8% to 13.6% on the same series, whose price basis differs from Maito's constant-price reconstruction.

Brazil, at 10.4% on mechanical machinery, zeroes capital goods case by case through the ex-tarifário regime. It approved 2,446 capital-goods and 303 information-technology exceptions in August 2025 and 105 more in February 2026, as reported from the Gecex texts (Brazil, Gecex 2025). The comparators bound the claim, and the paper frames the reform as cutting the cost of capital and modernising the stock, never as re-industrialisation by itself.

The bilateral agreement, and the problem a most-favoured-nation zero avoids

The Agreement on Reciprocal Trade and Investment with the United States, signed on February 5, 2026, already moves part of this agenda bilaterally. In Annex III, article 1.1, Argentina "shall exempt additional capital goods, including construction, agricultural and mining equipment and medical devices, by amending regulations related to Decree 273/2025", and it commits to a preferential schedule for United States goods (USTR 2026). Its entry into force has not been verified. Brazil and commentators question its fit with Council Decision 32/00, the rule that members negotiate trade agreements jointly, as de Bolle (2026) reports for the Peterson Institute. A most-favoured-nation zero on the BK and BIT lines, inside the authority the bloc has already granted, raises no such question.

The record of private capital, read as an argument for rule-locks

Whether private operation can take over purposes the state performs badly is the privatisation record's question. The Argentine record is mixed, and the paper reads it as evidence about rules rather than about ownership. Galiani, Gertler and Schargrodsky (2005) find that child mortality fell 8% in the areas whose water services were privatised in the 1990s and 26% in the poorest of them, as their abstract reports. The Aguas Argentinas concession, signed on April 28, 1993 for thirty years, was rescinded "por culpa del concesionario" on March 21, 2006, as later decrees cite Decreto 303/2006 (Argentina 2019b). An ICSID tribunal found in 2010 that Argentina had denied the investors fair and equitable treatment, as the same sources report.

The Mitre and Sarmiento lines ran under concession from May 27, 1995. After the Once crash of February 22, 2012, with 51 dead, the concessions were revoked on May 24, 2012, and a renationalisation law passed the Senate 53 to 2 in 2015, as the International Railway Journal (n.d.) reported. YPF was privatised in the 1990s and 51% of it expropriated in 2012, and the expropriation ended in a US$16.1 billion judgment in New York in 2023 that the Second Circuit reversed on March 27, 2026, as WilmerHale (2026) reports. The 2024 to 2026 programme under Ley 27.742, article 7 and Annex I, shows the same split on a single press account of October 9, 2026 (MDZ Online 2026). The 90% stake in AySA drew a top bid of US$340.2 million, while the Intercargo tender was declared void in July 2026 for want of a valid offer. The fund of Part V takes no asset from the programme.

In this paper's reading private operation improved measurable outcomes where contracts were enforced and failed where the state froze tariffs, renegotiated after the 2002 devaluation or regulated weakly, and each reversal ended in arbitration or litigation against the Treasury. That is an argument for the rule-locks, the independent valuation and the independent audit the fund carries, and never an argument for privatisation as such. Part X writes those locks to the limit of what the Constitution permits: the penalties at the top of every scale the law contains, the structures that remove the opportunity, and the audit and monitoring that find what the first two miss.

Part X. Integrity within the Constitution

Part IX closes on the case for rule-locks, independent valuation and independent audit. A fund holding a yearly appropriation and the equity it buys is a target wherever it sits. The design assumes self-interest and works with it, so the integrity regime is the proposal's credibility. The regime has three legs, and this part proposes each at the limit the Constitution permits. The first is penalty: for the officials, managers and companies in the fund's chain, the top of every scale the law already contains, with the article that sets each.

The second leg is prevention, the structures that remove the opportunity before any penalty is needed. The third is detection, the audit and monitoring that find what the first two miss. Where the Constitution stops a measure, the article that stops it is named and a lawful instrument takes its place. Every legal statement here is the paper's own reading of the texts it cites, and none is legal advice.

The penalties: the top of every scale, cited

The Código Penal already punishes corruption against a public fund severely. The paper proposes that the fund's statute name each offence, bind the fund to pursue the top of each scale in every case where it is the injured party, and add what the scales lack. Peculado, the taking of public funds entrusted to an official, carries "reclusión o prisión de dos a diez años e inhabilitación absoluta perpetua" under article 261. The same penalty falls on an official who uses for private benefit work or services a public administration has paid for. Bribery carries "reclusión o prisión de uno a seis años e inhabilitación especial perpetua" under article 256. An official who takes an interest, directly or through an intermediary, in a contract passing through that office carries the same range under article 265.

Illicit enrichment is the unexplained growth of an official's wealth from the day of appointment to two years after leaving. It carries "prisión de dos (2) a seis (6) años, multa de dos (2) a cinco (5) veces del valor del enriquecimiento, e inhabilitación absoluta perpetua" under article 268(2), and the person interposed to hide it receives the same penalty. Fraud "en perjuicio de alguna administración pública" carries two to six years under article 174(5), and an official who commits it "sufrirá además inhabilitación especial perpetua". A malicious omission or falsification of the asset declaration carries fifteen days to two years and perpetual special disqualification under article 268(3). Laundering the proceeds carries "prisión de tres (3) a diez (10) años y multa de dos (2) a diez (10) veces del monto de la operación" under article 303. Every bribery offence carries, beside prison, a fine of "dos (2) a cinco (5) veces del monto o valor del dinero, dádiva, beneficio indebido o ventaja pecuniaria ofrecida o entregada" under article 259 bis.

What the law adds to prison is what a fund most needs. Under article 23 every conviction "decidirá el decomiso de las cosas que han servido para cometer el hecho y de las cosas o ganancias que son el producto o el provecho del delito". That forfeiture is pronounced against the company or principal that benefited and against the gratuitous third party, with precautionary measures available from the first day of the case. Article 29 lets the judgment order "La reposición al estado anterior a la comisión del delito". Article 30 ranks the victim's compensation ahead of forfeiture and the fine, and article 31 makes the duty to repair joint and several among all responsible. Perpetual absolute disqualification under article 19 strips the office held, the vote, the capacity for any public post and the pension.

Time and cooperation favour the fund as well. The limitation period runs for the maximum of the prison term and can never "exceder de doce años ni bajar de dos años" under article 62. Article 67 suspends it for every participant in a crime committed in public office "mientras cualquiera de ellos se encuentre desempeñando un cargo público". Cooperation buys prison time and nothing else. Under article 41 ter "La reducción de pena no procederá respecto de las penas de inhabilitación o multa". A cooperator who gives false information "Será reprimido con prisión de cuatro (4) a diez (10) años y con la pérdida del beneficio concedido" under article 276 bis.

A company in the chain answers for the same conduct under Ley 27.401, which applies to private legal persons "con o sin participación estatal". The court may impose a fine of "dos (2) a cinco (5) veces del beneficio indebido obtenido o que se hubiese podido obtener". It may add a suspension of activities that "en ningún caso podrá exceder de diez (10) años", a suspension from state tenders of the same length, "Disolución y liquidación" and the loss of state benefits. It may order the "Publicación de un extracto de la sentencia condenatoria a costa de la persona jurídica" (article 7). The law exempts a company that reports itself after internal detection, held an adequate programme before the facts and returns the benefit (article 9). The fund keeps that door open on purpose, because a company that reports itself ends a scheme the audit might never have found.

The state's own debarment terms are short, and the fund lengthens them by contract. Under article 28 of Decreto 1023/2001 those "condenados por delitos dolosos" cannot contract with the national administration "por un lapso igual al doble de la condena". Under article 10 an offer of money or "cualquier dádiva" to an official with competence over a tender is cause for rejection "sin más trámite" or for the "rescisión de pleno derecho del contrato". Decreto 1030/2016 suspends a firm for that conduct for "un plazo mayor a UN (1) año y hasta DOS (2) años" (article 106), and Ley 27.401 allows a judicial exclusion from state tenders of up to ten years.

The fund writes the article 10 clause into every mandate and portfolio agreement. It adds an exclusion from its whole chain, longer than the state's, applied on a final judgment or a proven breach after a hearing and never on an indictment alone. The exclusion reaches the managers, suppliers and portfolio companies the state's rule does not.

Exhibit 21: The penalty table: each offence against the fund or its chain, the article, the prison term, the fine, the disqualification, and what the fund's statute and contracts add

Offence	Article	Prison	Fine	Disqualification	What the fund adds
Peculado: taking public funds or effects entrusted to an official	CP art. 261	2 to 10 years	forfeiture and restitution (arts. 23, 29 to 31)	absoluta perpetua	art. 20 ter closed for offences against the fund, prospective, by the criminal judge; exclusion from the chain by contract

Offence	Article	Prison	Fine	Disqualification	What the fund adds
Passive bribery	CP arts. 256, 259 bis	1 to 6 years	2 to 5 times the bribe	especial perpetua	publication of the final judgment; exclusion from the chain
Interest in a contract passing through one's office	CP art. 265	1 to 6 years	2 to 5 times the benefit sought or obtained	especial perpetua	the same; a fairness opinion on every related-party transaction removes the occasion
Transnational bribery	CP arts. 258 bis, 259 bis	1 to 6 years	2 to 5 times the bribe	especial perpetua for public office	the same, extended to foreign counterparties by contract
Use of reserved information for profit	CP art. 268(1)	as art. 256	2 to 5 times the profit	as art. 256	the same
Illicit enrichment, to two years after leaving office	CP art. 268(2)	2 to 6 years	2 to 5 times the enrichment	absoluta perpetua	asset declarations by every director and officer, by statute or by contract; the same penalty for the interposed person
Malicious omission or falsification of the asset declaration	CP art. 268(3)	15 days to 2 years	none in the article	especial perpetua	dismissal and clawback by contract for filers the statute does not reach
Fraud against a public administration	CP art. 174(5)	2 to 6 years	forfeiture and restitution	especial perpetua for an official	value-based forfeiture written into the statute (UNCAC art. 31(1)(a))

Offence	Article	Prison	Fine	Disqualification	What the fund adds
Laundering the proceeds	CP art. 303	3 to 10 years	2 to 10 times the operation	none in the article	beneficial-owner disclosure by every counterparty
A company in the chain	Ley 27.401 art. 7	none (a legal person)	2 to 5 times the undue benefit	suspension of activities and of state tenders up to 10 years; dissolution; loss of state benefits; publication of the judgment	integrity programme whatever the contract size; exclusion from the chain
Every offence	CP arts. 23, 29 to 32, 62, 67, 41 ter, 276 bis	the limitation period suspended while any participant holds public office (art. 67)	forfeiture of instruments and proceeds, reaching the company and the gratuitous third party; restitution ranked first	cooperation never reduces disqualification or the fine; false cooperation 4 to 10 years	the state's debarment ("el doble de la condena") and a longer contractual exclusion

Where the Constitution stops, and the instrument that takes each place

A reader who wants more than the scale above will meet the Constitution at four points. The paper names each, because a regime that overreaches is struck down and leaves nothing behind it. Confiscation of a person's whole estate is closed by article 17: "La confiscación de bienes queda borrada para siempre del Código Penal argentino". The American Convention on Human Rights, of constitutional rank under article 75(22), adds that "La pena no puede trascender de la persona del delincuente" (article 5(3)), so no penalty reaches a family's assets.

Exile is closed by article 22(5) of the Convention, "Nadie puede ser expulsado del territorio del Estado del cual es nacional". Loss of nationality is closed by article 20(3), which article 27(2) places beyond suspension even in an emergency. Public humiliation is closed by article 18 of the Constitution, which abolishes "toda especie de tormento y los azotes", and by article 5(2) of the Convention, which bars "penas o tratos crueles, inhumanos o degradantes".

Each bar has a lawful neighbour. Forfeiture of the proceeds under article 23, with fines of two to five times the gain, takes the place of confiscation. It reaches the company and the gratuitous recipient without reaching the family. Prison takes the place of exile, and disqualification with exclusion from contracting takes the place of loss of nationality.

Publication takes the place of humiliation. Ley 27.401 already orders the extract of a conviction published at the convicted company's cost. The fund extends the rule to every final judgment in its chain and keeps a public register of convictions and debarred firms, never of accusations, since article 8(2) of the Convention presumes innocence until then.

Only a criminal judge can strip the right to hold office. Of the grounds on which article 23(2) of the Convention admits a restriction of political rights, the only sanction is "condena, por juez competente, en proceso penal". The Inter-American Court applied that wording against Venezuela in López Mendoza (2011), finding no "condena" in a "proceso penal". A ban from working for or contracting with the fund restricts no political right, on the paper's reading. That is why the fund's exclusion is contractual, applied after a hearing on a final judgment or a proven breach.

The lifetime bar and recovery without conviction: what each needs from Congress

Two instruments a reader will expect the law to hold exist in a weaker form than expected, and each needs a statute. The first is the lifetime bar. Article 36 of the Constitution reserves "inhabilitados a perpetuidad para ocupar cargos públicos" for the authors of acts of force against the constitutional order. For whoever commits "grave delito doloso contra el Estado que conlleve enriquecimiento" it provides disqualification "por el tiempo que las leyes determinen". The perpetual disqualification for peculado and illicit enrichment therefore lives in the Código Penal. Its article 20 ter allows a person so disqualified to be restored after ten years of good conduct with the damage repaired "en la medida de lo posible".

The fund's statute closes article 20 ter for crimes against the state or the fund. The criminal judge applies the closure to conduct after its enactment, because article 18 requires a "ley anterior al hecho del proceso". Article 30(7) of the United Nations Convention against Corruption asks states to consider disqualifying the convicted from "Holding office in an enterprise owned in whole or in part by the State", which is the fund's case exactly. The paper claims nothing on proportionality or prescription.

The second is recovery without a conviction. Argentina's civil "extinción de dominio" rests on Decreto 62/2019, a necessity-and-urgency decree. Article 99(3) of the Constitution bars such decrees on "materia penal, tributaria, electoral o de régimen de los partidos políticos". The research found no court ruling on its validity, which does not show that none exists.

On Marval O'Farrell Mairal's summary of the annex the state returns the assets on acquittal, and a bill reported by Parlamentario on October 15, 2026 would replace the decree by statute. The fund asks Congress for an adversarial statute limited to the proceeds, with the burden shift article 31(8) of the Convention permits and the acquittal-return rule kept. The value-based forfeiture of article 31(1)(a) is written in, since article 23 of the Código Penal does not state it. Whatever such a statute recovers is upside, never funding.

Prevention: removing the opportunity

A scheme against a fund needs three kinds of discretion, over who is paid, at what price and on whose valuation. The design removes each before any penalty is needed. The board is appointed in its majority outside the Executive on the Auditoría General de la Nación's proposals, as Part V sets out, and class A

approves every related-party transaction by its own vote. Every such transaction is priced at arm's length and proven by an independent fairness opinion. No official or founder receives compensation from the fund outside the published scale, and the managers are chosen by public tender under published criteria, as Part VIII describes.

The exposure ban of Part VI removes the asset a Treasury would most like the fund to buy, its own paper. Net asset value is computed under a methodology frozen in the statute by a valuer who is not an auditor, under the IPEV Valuation Guidelines of 2025, so no official sets the price at which anyone in the chain is paid.

Conflict rules and declarations close the personal side. Officers observe a three-year cooling-off before and after office, mirroring articles 13 to 15 of Ley 25.188, whose article 17 makes acts in breach of its incompatibilities "nulos de nulidad absoluta". Every director and officer files the "declaración jurada patrimonial integral dentro de los treinta días hábiles desde la asunción de sus cargos" that article 4 requires. The declaration is updated yearly and filed again on leaving, covers the spouse, the cohabitant and minor children under article 6, and is public under Ley 26.857, on a university's copy of the law. For the fund's directors the duty is statutory, on the paper's reading of the list of filers in article 5, which reaches the personnel the state appoints to other public-sector entities. For every manager and officer the statute does not reach, the duty is contractual, with dismissal and clawback as the sanction for a false or missing declaration.

Every manager and portfolio company maintains an integrity programme. Ley 27.401 makes an adequate programme "condición necesaria para poder contratar con el Estado nacional" above its thresholds and lists its content in articles 22 and 23. The fund requires the programme of every manager and portfolio company whatever the contract's size. It makes mandatory four elements the law leaves optional: a reporting channel open to third parties, an anti-retaliation policy, due diligence on third parties and a compliance officer. Every counterparty discloses its beneficial owners to a 10% threshold and consents to their publication as a condition of contracting, since the register under Ley 27.739 is open to the authorities only, as secondary sources report.

Ley 25.326 bounds that consent. It must be "libre, expreso e informado", in writing and "en forma expresa y destacada" when bundled with other declarations (article 5). Under article 11 "El consentimiento para la cesión es revocable", so the fund's remedy on withdrawal is to end the relationship and never to keep publishing. The published set follows Directive (EU) 2024/1640: the name, the month and year of birth, the country of residence and nationality, and "the nature and extent of the beneficial interest held", with the percentage and the date of the last update. Never published are an address, an identity number, a full date of birth or the sensitive data of article 7 of Ley 25.326.

The fund's dealings are public by default. It publishes every mandate, fee, procurement and disposal as structured data on the Open Contracting Data Standard, which "enables disclosure of data and documents at all stages of the contracting process". It writes the anti-corruption clause of Decreto 1023/2001 into every mandate, so that a gift to anyone with competence over an award ends the contract. As a state entity created by statute the fund falls, on the paper's reading, within Ley 27.275, which covers "fondos cuya

administración, guarda o conservación esté a cargo del Estado nacional". Bank secrecy is no obstacle, since article 39 of Ley 21.526 binds only "Las entidades comprendidas en esta ley" and covers only "las operaciones pasivas que realicen".

Detection: the audit regime, and why the audit stays long while the review changes every year

The instinctive design, a new auditor every year, would weaken the audit, and no major regime does it. Regulation (EU) 537/2014 caps an engagement at 10 years, which member states may extend to 20 with a public tender or 24 under a joint audit, before a four-year cooling-off. GAO-04-216 is the 2003 study the Sarbanes-Oxley Act ordered. In its survey about 79% of the largest audit firms and Fortune 1000 companies believed that a change of firm raises the risk of audit failure in the early years. More than 83% said it "takes 2 to 3 years or more to become sufficiently familiar" with a client.

Johnson, Khurana and Reynolds (2002) found that "short audit-firm tenures of two to three years are associated with lower-quality financial reports". On the paper's reading, untested because no jurisdiction rotates annually, yearly rotation would put every audit in its weakest years.

The regime, drawn in Exhibit 22, keeps the statutory audit long and gives the yearly change another object. Two firms of comparable size audit jointly, each for at most six years, with terms staggered so that one is replaced every three years. Lead partners rotate at five, the interval the first paper's Appendix B, section B12, sets for its independent verifier. A third firm, drawn by lot each year and never in consecutive years, reviews related-party transactions, procurement and valuations for the audit committee and the Auditoría General de la Nación. That review is the fresh look a yearly change is meant to give. No auditor provides a non-audit service, and an independent audit committee appoints and dismisses every auditor.

Exhibit 22: The audit regime: two firms with staggered terms, partner rotation, the annual forensic review, the draw with its public random value, and the publication rule

Element	Term	Basis
Statutory audit	two firms of comparable size, jointly; six years each at most; one firm replaced every three years; four-year cooling-off	Regulation (EU) 537/2014 art. 17; GAO-04-216; Johnson, Khurana and Reynolds 2002
Partners	lead partners rotate at five years	the first paper's Appendix B, section B12 (five-year rotation of the verifier); Regulation (EU) 537/2014 art. 17(7) sets seven years for key partners
Forensic review	a third firm each year, drawn by lot from a published roster, never in consecutive years, reporting to the audit committee and the Auditoría	Ley 26.861 arts. 24, 26, 27; Decreto 1030/2016 art. 70

Element	Term	Basis
The draw	objective admission criteria set by the audit committee with the Auditoría's opinion; frozen roster published thirty days ahead; a public random value fixed in advance; a published method anyone can recompute; no firm drawn again until every other has served	NIST randomness beacon; Ley 26.861 art. 27
Independence	no non-audit services; appointment and dismissal by an independent audit committee	Regulation (EU) 537/2014 arts. 4, 5; Santiago Principles, GAPP 16
Valuation	every unlisted holding valued by a non-auditor under the IPEV Guidelines (2025)	IPEV
Publication	audit reports, the forensic review, the management letter and the Auditoría's report in full	CN art. 85; Ley 24.156 art. 117; GAPP 11, 12, 17

The draw is the first trip-wire a sceptic will test, because a draw nobody outside can recompute is a formality. Argentina's federal courts assign cases by a computer draw. An audit by the state's internal control body, as La Nación reported it, found that the system "presenta falencias" while finding no evidence of manipulation. Ley 26.861 on judicial hiring is the better model. It publishes the list of the qualified before any draw, runs the draw through an outside body and sends later draws first to those "que no hubieren sido designados el año anterior".

The fund's draw goes one step further, so that an outsider can recompute it. The audit committee, with the Auditoría's opinion, sets objective admission criteria, and every firm that meets them is admitted. The frozen roster is published thirty days ahead with a window to object. The random value is public and fixed in advance, such as the National Institute of Standards and Technology's beacon at a pre-announced minute, run to supply "trusted public randomness". The selection method is published beside it. Capture then moves to the roster's criteria, which is why they are objective and set outside management.

Monitoring: what is published, and who watches

Argentina's control bodies are uneven in independence, and the fund anchors on the one with constitutional rank. Article 85 gives the external control of the national public sector to Congress through the Auditoría General de la Nación, "con autonomía funcional". Its president "será designado a propuesta del partido político de oposición con mayor número de legisladores en el Congreso". The Sindicatura General de la Nación is, under Ley 24.156, "dependiente del Presidente de la Nación", and the Oficina Anticorrupción sits inside the Ministry of Justice, on the secondary sources read. The Auditoría therefore audits the fund under article 117 and publishes its report, and the audit committee answers to a board whose majority is appointed outside the Executive.

What the fund publishes is the monitor anyone can run. The audit reports, the forensic review, the management letter and the Auditoría's report appear in full, beyond the annual audit and disclosure the Santiago Principles ask (GAPP 11, 12 and 17). The governance framework and the management's

independence from the owner are disclosed under GAPP 16. The share of the fund's assets held in any public-sector claim is published quarterly with the audited accounts, as Part VI requires, and is zero. The fund obtains each year an independent assurance report on its compliance with the Principles and publishes it. Its register of final judgments and debarred firms is public, as is the Registro Nacional de Reincidencia's record of corporate convictions under article 25 of Ley 27.401.

Whistleblower rewards, with the safeguards that keep them honest

The Securities and Exchange Commission and the Commodity Futures Trading Commission pay 10% to 30% of the sanctions collected in actions whose sanctions exceed US$1 million. The first had paid "almost $2 billion" to "nearly 400" whistleblowers by the end of fiscal 2023. The paper found no Argentine statute that pays such rewards, so the fund's reward is a contract term: a share of what the fund actually collects from a report, paid after the recovery is final, never from the fund's capital. Five safeguards travel with it from the American rules. The claimant declares "under penalty of perjury" at submission. No award goes to anyone who "knowingly and willfully makes any false, fictitious, or fraudulent statement", to a person convicted in the related case, or to fund staff who learned the facts through their own audit or compliance duties.

Awards are a share of "what has been collected" and nothing else, and identity stays confidential, with an anonymous claimant acting through counsel. Every report is logged with a time-stamped receipt, so that a later claim of priority can be checked, and the fund publishes anonymised statistics of reports and awards each year. Argentine law punishes a false report weakly and an extortionate one heavily, and the design uses the difference. False denunciation of a crime "ante la autoridad" carries two months to one year or a fine last updated in 1993 under article 245 of the Código Penal. Extortion by threatening an accusation carries three to eight years under article 169.

A report made only to the fund is not made "ante la autoridad", on the paper's reading. The reward is therefore paid only if the reporter also files with the federal prosecutor or the Oficina Anticorrupción, which brings articles 245 and 275 into play. Any approach by a reporter to the person reported forfeits the reward. If that reading is wrong, the condition costs nothing and still puts every report before an authority.

The recovery record: what detection recovers, and how slowly

Recovery is slow and partial, and the base case counts none of it. Peru had recovered more than US$174 million by 2007 from the Montesinos network, on the Stolen Asset Recovery Initiative's account. Switzerland returned US$93 million to Peru in 2002 to 2006 and smaller sums in 2020 and 2023. Nigeria's pursuit of the Abacha assets produced a United States forfeiture judgment of about US$500 million in 2014 and a transfer of US$311,797,876.11 on May 4, 2020, twenty-two years after Abacha's death in 1998.

Malaysia's 1MDB, "formerly Malaysia's investment development fund" in the Department of Justice's words, saw "more than $4.5 billion" misappropriated in 2009 to 2015. The department had returned about US$1.4 billion by June 2024. Two to twenty-two years, and a part of what was taken.

The Abacha return is the template for anything the fund ever recovers. The 2020 agreement among the United States, Jersey and Nigeria placed the funds under "administration of the funds and projects by the

Nigeria Sovereign Investment Authority (NSIA), financial review by an independent auditor, and monitoring by an independent civil society organization". It barred spending that benefits the alleged perpetrators. The fund adopts the three elements as written. Article 23 of the Código Penal sends forfeited assets to the state, so routing recoveries to the fund would need a law, and the paper asks for none. No fund of this kind is safe because of who runs it, only because of what its auditors, its draw, its disclosure and its control bodies can see.

The reach of the regime

The fund's own rules extend what the first paper already commits The SAVI Group to: arm's-length pricing, no founder compensation from the fund, and public accounts. The regime binds conduct after its enactment, covers the fund, its managers, its portfolio companies and its counterparties, and reaches back into no contract, concession or sale outside the fund. That limit is Part V's incentive map stated as law. A regime that audited every existing deal of whoever governs would die in Congress, and one that audits only the fund threatens no existing position.

Each constitution draws its own line between forfeiture and confiscation and between a decree and a statute, and the lines drawn here are Argentina's. Part XI asks what of the design survives the crossing to Egypt and Ecuador, where the debt differs in kind and the instrument must change with it.

Part XI. Beyond Argentina: the non-dollarised and the dollarised cases

What travels, and what the currency decides

Part X draws the fund's integrity regime on Argentina's constitutional lines, between forfeiture and confiscation and between a decree and a statute. The conversion's logic does not depend on those lines, and this part asks whether the design of Parts V to VIII travels to two other sovereigns indebted in dollars, one that issues its own currency and one that does not. The hypothesis is that it travels with the instrument adjusted.

A debtor that issues its own currency converts its principal wall under its own currency risk. A dollarised debtor, with no lender of last resort behind its banks or its Treasury, converts the stock itself and needs the enhancement of Part VII more. The two cases are Egypt and Ecuador, chosen in this paper's research from eleven economies with large dollar-denominated public debt, Egypt for the heaviest interest burden and Ecuador as the cleanest dollar case. Pakistan and El Salvador, the alternates, are in note 1, and Appendix G carries the comparator ledgers in full.

Egypt: the heaviest interest burden among the economies compared

Egypt's general-government debt stood at 86.8% of GDP in 2025 in the IMF's October 2026 World Economic Outlook database (IMF 2026c). The Fund reports Egypt on a fiscal year ending June 30, so its "2025" is July 2024 to June 2025, the year every Egyptian fiscal figure here carries unless another is named (IMF 2026d, Tables 1 and 4; 2026c, Table F). In that year a primary surplus of 3.26% of GDP against an overall deficit of 6.55% implies interest of about 9.8% of GDP and about 61% of revenue, the paper's own arithmetic. For the year from July 2025 the Fund's staff report of August 2026 estimates interest at 14.8% of GDP against revenue and grants of 16.6%, about 89% of revenue (IMF 2026d, Table 4).

Public and publicly guaranteed external debt service took 36.2% of exports in 2024, the highest ratio among the economies compared (World Bank 2026). About 30% of the debt was external in 2024 on the paper's proxy, public external debt over gross debt, which understates the foreign-currency share. Reserves covered 4.4 months of imports in 2025. Domestic credit to the private sector stood at 25.8% of GDP on the World Bank's series.

Egypt has not restructured, so a conversion would come, as it would in Argentina, before any default. No EMBI spread for Egypt could be read, so Exhibit 23 quotes a five-year credit-default-swap level, 336.33 basis points on October 21, 2026, from a market-data aggregator (World Government Bonds 2026). A CDS level is a different measure from the EMBI spreads of Argentina and Ecuador, so the three are not ranked.

Egypt also carries a precedent in miniature of a creditor converting a sovereign-side liability into equity-type investment. The Ras El-Hekma agreement of 2024, a US$35 billion deal with the United Arab Emirates, converted US$11 billion of UAE deposits held at the central bank into investment, as the regional press reported from the cabinet's statement (AGBI 2024). In this paper's reading Egypt's burden is mostly domestic-currency interest at high rates, and dollar amortisation is the smaller part, so the conversion logic of Part V reaches a smaller share of its problem than of Argentina's.

What fits Egypt is the equity leg applied to its external principal wall under its own currency risk. The companies a fund finances in Egypt earn pounds, so a class A unit is a claim whose hard-currency value moves with the pound, and the holder prices that risk in the discount rate, as Argentina's holder does with the peso. Egypt's central bank, unlike any authority in a dollarised economy, can act as lender of last resort to its banks in the currency the fund's companies earn. The sweep of realised hard-currency proceeds that Part V writes into class A matters more for a pound fund than for a dollar one, because it carries distributions to a foreign holder in the currency of the bond tendered before any exit through a foreign listing.

The legal path, at the level of principle, has the three parts Part VI sets out for Argentina. A statute gives the fund its personality and its bar on any public-sector exposure, the bonds' own documentation supplies the collective-action framework, and a registered security carries the debt leg. The paper asserts nothing about the thresholds in Egypt's bond documentation.

On trade policy the World Trade Organization publishes no applied rates for Egypt after 2019, and the World Tariff Profiles 2026 carry only its bound averages, 16.1% on mechanical, office and computing machinery and 30.0% on electrical machinery (WTO, ITC, and UNCTAD 2026, Egypt profile). Exhibit 23 therefore carries national-line simple averages computed for this paper from the Egyptian Customs Authority's 2026 schedule, with the general rate taken as the most-favoured-nation rate. They are 8.5% across chapter 84, machinery, and 12.9% across chapter 85, electrical equipment, with most machinery lines at 0% to 5% and the 60% lines in household appliances (Egyptian Customs Authority 2026). The zero-duty argument of Part IX is weaker for Egypt than the headline averages suggest, since most of the equipment a fund's companies would import already enters at 0% to 5%. Manufacturing stood at 14.50% of GDP in 2025 at current prices (World Bank 2026).

Ecuador: the dollarised case

Ecuador has used the dollar since 2000. Every dollar of its public debt is foreign-currency debt by construction, and no lender of last resort stands behind its banks or its Treasury, which makes its question, convert or default, the cleanest among the economies compared. General-government debt stood at 54.5% of GDP in 2025 on the IMF's series. The paper's interest ratio for 2025, 3.2% of revenue on the IMF's balances, looks low beside the World Bank's 4.7% for 2022, and the paper carries both. Public and publicly guaranteed external service took 11.6% of exports in 2024, and reserves covered 2.8 months of imports in 2025, the thinnest in the three ledgers. Domestic credit to the private sector stood at 58.9% of GDP, so in this paper's reading the absorption limit Part VIII measures for Argentina binds less tightly there.

Ecuador restructured in 2020 at a net-present-value haircut of 41.2% on the Graf von Luckner, Meyer, Reinhart and Trebesch dataset (Graf von Luckner et al. 2025). Its primary balance in calendar 2025 was a deficit of 1.66% of GDP against an overall deficit of 2.79% on the Fund's October 2026 series (IMF 2026c), so unlike Argentina it does not cover its interest from the primary balance. Its spread, the EMBI country risk the Banco Central del Ecuador publishes daily, stood at 575.05 basis points on October 20, 2026 (Banco Central del Ecuador 2026). J.P. Morgan revised the index's method in September 2026, lifting Ecuador's reported level from 419 to 453.49 points as the press summarised the central bank's statements. Readings before and after the revision are not strictly comparable.

The 2023 Galápagos operation, which the ministry's release calls a "conversion", was a buyback at a discount financed by credit-enhanced new debt, with part of the saving committed to conservation through a dedicated fund (Ecuador MEF 2023, 1-2). The paper reads it as no attempt at this design and uses it for one purpose, the form and the scale of the official enhancement Part VII prices. The tendered 2030, 2035 and 2040 global bonds, US$1,628.8 million of face, were bought by a special-purpose company, GPS Blue Financial Designated Activity Company, at about 40 cents on the dollar as Reuters (2023) reported. That price is consistent with the paper's own division of the loan by the face, 40.3%.

The new blue loan was US$656 million for 18.5 years at 6.975%. The United States International Development Finance Corporation provided US$656 million of political-risk insurance on it, and the Inter-American Development Bank a US$85 million guarantee. The ministry recorded "a reduction of US$972 million in the stock of our external debt". The face retired was about 10.5% of the US$15.6 billion of global bonds then outstanding, by the paper's division of the ministry's own table. The ministry expected the conversion to generate more than US$450 million for marine conservation in the Galápagos, including over US$18 million a year for 18.5 years.

Three lessons from that record govern the dollarised case. The first is sequence: the swap came after a restructuring, as Belize's and Barbados's did, and none of the three replaced one (Graf von Luckner et al. 2025). The second is official guidance: the World Bank's brief on the IMF and World Bank framework of August 2024 states that "Debt swaps tend to work best for countries with moderate or high risk of debt distress, particularly those facing short-term liquidity challenges" (World Bank 2024). A country "where major restructuring is required" "may need instead broader solutions before a debt swap is appropriate", and swaps "need to be anchored in the country's Debt Sustainability Analysis".

The third is price. A buyback at a deep discount is no creditor concession beyond the market: Belize's 2021 operation scores a 0.2% net-present-value haircut against a 45% face reduction on the same dataset, since holders sold at the value a distressed claim already carried. Ecuador therefore shows the form of the official enhancement Part VII prices for Argentina, and its scale so far: about a tenth of one country's global bonds.

What fits Ecuador is the conversion of the stock itself, with the enhancement written in from the first tranche. A dollarised debtor carries no currency risk into the unit, so a class A unit in Ecuador is a dollar claim on dollar-earning companies, and the question Part V answers for Argentina, how dollars leave a peso economy, does not arise in the same form. Ecuador's central bank cannot issue the currency its banks owe, so no authority can hold the banking system through a conversion with new money, and no monetary channel exists through which a conversion could settle. The rule of Part IV, settlement in equity and never in base money, is there a condition of existence and no longer a lesson.

Reserves of 2.8 months of imports leave no room for a failed exchange, which is why the enhancement matters more there. The debt leg of Part V, a New York-law amortising note with an outside-funded partial enhancement, resembles what the Galápagos lenders priced in 2023, a dollar loan behind political-risk insurance and a guarantee. The equity leg sits beside it for the holders who take the longer horizon. The legal path runs through the same statute and indenture mechanics, which the paper states for Argentina's bonds only.

On trade policy Ecuador has already gone much of the way Part IX asks Argentina to go. It applies 2.6% on mechanical machinery with 73.2% of lines duty-free. Andean Community Decision 370 lets members defer the common external tariff to zero for capital goods the subregion does not produce. Resolution 009-2021 of the foreign-trade committee cut tariffs on 667 lines of inputs and capital goods from August 1, 2021, as local counsel reported (NMS Law 2021). Its manufacturing share of GDP fell anyway, from 19.9% in 1998 to 13.2% in 2025 at current prices on the World Bank's series. The manufacturing share depends on more than the tariff, and the paper claims for Part IX exactly what Ecuador's record allows.

The three ledgers

Exhibit 23: Three ledgers side by side, Argentina, Egypt and Ecuador: currency regime; general-government gross debt as a share of GDP in 2025; the foreign-currency or external share of the debt; interest as a share of general-government revenue in 2025; public and publicly guaranteed external debt service as a share of exports in 2024; the primary balance in 2025; reserves in months of imports in 2025; domestic credit to the private sector as a share of GDP in 2025; the sovereign risk measure on a dated quote; manufacturing's share of GDP in 2025; the applied duty on machinery; the last restructuring or conversion event. Sources: IMF, World Economic Outlook and Fiscal Monitor, October 2026, with Egypt's fiscal year labelled; IMF Country Report 26/224 for Egypt's FY2025/26 interest; World Bank, International Debt Statistics and World Development Indicators, updated October 8, 2026; Secretaría de Finanzas for Argentina's currency split; the Ministry of Economy's fiscal series for Argentina's primary balance; Rava Bursátil for Argentina's spread; the Banco Central del Ecuador for Ecuador's spread; a market-data aggregator for Egypt's CDS level; World Tariff Profiles 2026 for the Argentine and Ecuadorian duties and, for Egypt, national-line simple averages computed for this paper from the Egyptian Customs Authority's 2026 schedule, VAT excluded; the Graf von Luckner, Meyer, Reinhart and Trebesch dataset for the 2020 haircut. The draft table below is the exhibit's content.

Measure	Argentina	Egypt	Ecuador
Currency regime	floating peso inside a band	floating pound	dollarised since 2000
General-government gross debt, share of GDP, 2025 (Egypt: fiscal year July 2024 to June 2025)	80.1	86.8	54.5
Foreign-currency or external share of the debt	51% in foreign currency (Treasury, September 2026)	about 30% external (proxy, 2024)	100% dollar, by construction
Interest, share of general-government revenue, 2025 (the paper's ratio on the IMF series; Egypt FY2024/25)	4.8 (national interest to tax revenue 6.2%)	60.9 (about 89 in FY2025/26 on the IMF staff report's estimate)	3.2 (World Bank 2026, series GC.XPN.INTP.RV.ZS, 2022: 4.7)
Public and publicly guaranteed external debt service, share of exports, 2024	13.8	36.2	11.6

Measure	Argentina	Egypt	Ecuador
Primary balance, share of GDP, 2025 (IMF Fiscal Monitor, October 2026)	1.38 surplus (national administration)	3.26 surplus (FY2024/25, July 2024 to June 2025; overall balance 6.55 deficit)	1.66 deficit (calendar 2025; overall balance 2.79 deficit)
Reserves, months of imports, 2025	4.0	4.4	2.8
Domestic credit to the private sector (World Bank), share of GDP, 2025	17.6	25.8	58.9
Manufacturing, share of GDP, 2025 (World Bank, current prices)	13.6	14.50	13.24
Applied duty on machinery, simple average	11.5 mechanical, 13.2 electrical (World Tariff Profiles 2026)	8.5 chapter 84, 12.9 chapter 85 (computed for this paper from the 2026 customs schedule; the WTO publishes no applied rates for Egypt after 2019)	2.6 mechanical, 9.8 electrical (World Tariff Profiles 2026)
Sovereign risk, dated quote	EMBI 672 basis points on October 20, 2026	five-year CDS 336.33 basis points on October 21, 2026 (a CDS level, a different measure from the EMBI)	EMBI 575.05 basis points on October 20, 2026 (Banco Central del Ecuador; J.P. Morgan revised the method in September 2026)
Last restructuring or conversion event	2020 exchange; 2025 Extended Fund Facility	none; Ras El-Hekma 2024	2020 restructuring (41.2% NPV haircut); 2023 Galápagos buyback

What the two cases decide

The design travels as a type, and the instrument changes with the currency. For the debtor that issues its own currency the conversion sits on top of currency risk, and the hard-currency sweep is the holder's protection. For the dollarised debtor the risk is the absence of any lender of last resort, and the enhancement is the condition of the first tranche. In both, the three pillars travel together or not at all.

A balanced fiscal policy comes first, because without it the appropriation that capitalises class B is borrowed and the extraction resumes. The restructuring of the debt through the conversion comes second. The fiscal-load reform of the first paper, the Fifteen Compact, comes third, paired with the class B appropriation under one revenue trigger so that the companies the fund finances do not carry the fiscal load that kept

the worked case from taking off. The first paper calibrated the Compact on Argentine data, and each of the two countries would need its own.

What the record supplies for each country is a precedent in miniature and no more: Ras El-Hekma for a liability turned into investment, the Galápagos operation for a buyback financed by credit-enhanced new debt, the form of enhancement Part VII prices. Neither was an attempt at this design. Part XII takes the strongest objections in the sceptic's own words, beginning with the one every rating desk will raise first: that a conversion at today's prices is a default by another name.

Note 1. Pakistan, the alternate non-dollarised case, carried general-government debt of 72.8% of GDP in 2025, interest at about 49.2% of revenue on the paper's ratio, and public and publicly guaranteed external debt service at 27.2% of exports in 2024. Its reserves covered 3.8 months of imports in 2025, and it entered a 37-month Extended Fund Facility of about US$7 billion in September 2024, as the Pakistani press reported (Profit 2024). Thin reserves and dependence on IMF financing make it the alternate.

El Salvador, dollarised since 2001, carried general-government debt of 87.6% of GDP in 2025 and interest at 17.2% of revenue. Its public and publicly guaranteed external service took 25.8% of exports in 2024, with total external debt service at 96.2%, its reserves covered 2.4 months of imports, and domestic credit to the private sector stood at 64.4% of GDP. In October 2024 it repurchased US$1.03 billion of bonds below par, with political-risk insurance from the Development Finance Corporation and a US$200 million standby letter of credit from CAF, as BNN Bloomberg (2024) reported. The price paid has not been verified. Its policy volatility and the small size of its market make it a weaker template than Ecuador.

Part XII. Objections answered

Part XI closed on the design's reach. A debtor that borrows in dollars without running on them converts its principal wall under its own currency risk, a dollarised debtor converts the stock itself and needs the enhancement more, and the record holds a precedent in miniature for each, neither of them an attempt at this design. Here the firm speaks for itself, because the objections are addressed to the design we offer, and each is put in a hostile reader's words, then answered or conceded.

"This is a default by another name."

Under S&P's criteria it is, and Part VII says so. At B- an exchange that gives less than the original promise is distressed, and the issuer goes to selective default until the agency's review; Moody's and Fitch apply the same two-part logic. What the label does not change is the arithmetic. The record's alternative is a post-default exchange, which cost creditors a mean of 48% and sixty months, against 18% and twelve months when the deal came first (Asonuma and Trebesch 2016, Table 1). The rating word describes the event. The record prices the choice.

"The fund will lend to the Treasury, like the FGS."

The FGS held 77.7% of its portfolio in public debt in June 2026, as reported from the pension agency's data, so the objection has a precedent. The statute answers it with a bar on any exposure to the public sector in any form: no Treasury bill bought in the secondary market, no repo or caución backed by public paper, no unit of a fund that holds it, no derivative on it. The bar is locked by the two-thirds rule of Ley 27.181 and repeated in class A's terms under foreign law. One published number tests it every quarter, the share of fund assets that is any claim on the public sector, and the statute sets it at zero.

"No one has ever done this."

True, and the paper says so in its front matter and at the head of Part IV. No sovereign has converted its bondholders into owners of productive companies under a non-extractive model. Fondul Proprietatea paid claims against the Romanian state in shares of a fund of state stakes and listed in 2011 at about 0.62 of par. Iceland's bank creditors took 87% of Arion and 95% of Íslandsbanki in 2009, as a Yale case study reports, and they were creditors of private banks. Each is a precedent for a listed fund of state stakes or for creditors taking shares, and nothing more. The absence of a precedent is why the design begins with a pilot tranche and a published test.

"Holders will get less than the bid."

Against today's bid they would, on the coupons alone and on the full service, in every cell Part VII shows. Three answers follow from its three settings. Once the fund exists an equity buyer can take the bonds at the bid, so the original holder exits at the bid. A preemptive conversion needs an official floor, and the route exists only if a lender funds it. In the restructuring setting the bid has fallen to recovery levels, and a package of 46.7 to 59.6 per 100 at 2x to 5x and 15% sits above both measures of Argentina's 2005 exchange at every multiple, and above the 55.8 of 2020 at 5x. No holder is told to tender.

"The state will change the metric."

The record says it has. Argentina's GDP-linked units paid close to US$10 billion, as reported. After the 2013 rebasing payment stopped, leaving an English judgment of €1.33 billion, upheld on appeal (IMF 2025b, Annex II) and still resisted by the Republic in April 2026, as Infobae reported. The warrant in this design is linked to audited net asset value, with its methodology and base frozen in the statute and verified by the forensic reviewer of Part X. No link to gross domestic product, revenue or any statistic the state compiles is permitted. Zambia's statement of March 25, 2024 on its restructured eurobonds and Sri Lanka's proposal of April 16, 2024 tie their triggers to the IMF's own scores and baselines and name no independent calculation agent, and ours names one.

"The economy cannot absorb the money."

We concede the constraint and build the sleeve around it. Bank credit to the private sector was 15.8% of GDP in 2025, against 75.1% in Brazil and 70.1% in Chile on the World Bank's series. Private capital invested about US$2,558 million in 2020 to 2024, about US$0.5 billion a year, and venture investment was US$270 million in 2025, as the industry association's figures are reported. Deploying US$2 billion a year would be four times that market, on the paper's arithmetic. So the sleeve is capped and rises with measured absorption, class A is paid before the sleeve, and idle capital is treated as the lesser evil. Mexico's programme, whose swap disbursements were 33.1% of the growth of the monetary base in January to September 1987 before it was suspended, is the warning against forcing the pace (Sanginés 1989).

"The 50/50 split is a tax on the creditor."

Part VII states it in plain words: a Model fund pays its investors what a conventional fund pays at half the profit, 2.38x against 3.84x at a 5x gross outcome. Two answers follow. Converting holders are never charged for the sleeve, whose cost is borne by class B, the Treasury's capital, and by the class A holders who elect class C with the cost disclosed. And the first paper's least-tested claim is the offsetting one: verified sharing lowers political and default risk, the two risks Part VII prices into every cell. GAPP 19.1 of the Santiago Principles asks that a consideration of this kind be set out in the investment policy and publicly disclosed, and the fund's investment policy would carry it.

"The swap does not reduce the debt."

Measured debt falls only for bonds exchanged into class A, and only if class A is equity on the manuals' tests: a residual claim, no predetermined amount, no Republic covenant or guarantee (IMF 2014, paragraphs 7.164 and 7.237). The fund's sector decides the deficit and net worth, never the debt, and the risk there is class B's size, which a published stress test keeps below the majority-of-risks line of the European manual, a test written for defeasance structures and applied here by analogy (Eurostat 2022, section 4.5.3.2.1, paragraph 30). The debt leg reduces debt only by its stated present-value cut. The yearly appropriation is a capital transfer and adds to the deficit unless a sufficient return is expected (Eurostat 2022, section 3.2.2.1), and we say so.

"Congress will not pass it."

Congress owns the debt under article 75, incisos 4 and 7 of the Constitution. It has used that power each time the alternative was worse: Ley 27.544 for the 2020 exchange, the Debt Authorization Law of March

31, 2016 for the holdout settlement, and Ley 27.668 for the 2022 programme with the International Monetary Fund. Part VI lists every consent the design needs. What no Congress has passed is a statute that competes with the deals of whoever governs. That is why the seed-asset design was set aside in Part V, and why the fund takes nothing from the privatisation pipeline.

"The 1980s swaps were a subsidy."

They were. Chile's Chapter XIX gave about 70% of the discount to investors and intermediaries, an unallocated rent of US$870 million (Ffrench-Davis 1990). Argentina's own programmes carried an explicit state subsidy, US$121.6 million on US$394.6 million redeemed in the public-debt programme (Basualdo and Fuchs 1989). Mexico's programme paid in new pesos and was suspended in October 1987, which the World Bank study attributes to its inflationary effects and lack of transparency (Sanginés 1989). The design takes the three lessons: the conversion right is auctioned or priced at the market and never redeemed at a fixed near-par rate, settlement is in equity of the fund and never in base money, and the state's relief comes from the write-down of face. The condition Diwan and Claessens (1989) set, that private rather than public debt be swapped for equity, is answered in Part IV. The holder receives a residual claim on a fund barred from any public exposure, whose assets are private companies, and the public debt leaves and does not return.

"Zero tariffs will destroy what industry is left."

Part of this is conceded. INDEC's manufacturing index for August 2026 shows "productos de metal, maquinaria y equipo" down 18.1% on the year and 13.7% year to date, against a fall of 3.2% for manufacturing as a whole, and a zero regime moves the burden onto those makers. Part IX therefore pairs the zero with a transition for them, keeps it applied and never bound, and prices it at a central estimate of about US$1.2 billion a year, 0.17% of GDP, on the paper's own model. As Part IX shows, a zero lowers the cost of capital and does not by itself restore a manufacturing share.

"Argentina's corruption will eat the fund."

A sovereign fund is itself a target, and the paper faces the worst case by name. 1MDB, "formerly Malaysia's investment development fund" in the United States Department of Justice's words, had more than US$4.5 billion misappropriated between 2009 and 2015. About US$1.4 billion had been returned by the Department by June 2024. Part X's regime is the answer: a joint audit by two firms with staggered terms, an annual forensic review by a third firm chosen by a public draw, bans on non-audit services, control by the Auditoría General de la Nación, whistleblower rewards paid from recoveries, beneficial-owner disclosure by contract, and the integrity programme of Ley 27.401 required of every manager and company. The rest the Constitution bars, and Part X says why.

"No government will adopt a design that audits it."

The design is built for self-interested adopters, and Part V's incentive map says so without moralising. It threatens no existing position: it takes no asset from the privatisation pipeline, it creates new companies, and its integrity regime is prospective and bounded to the fund's chain. The adopter keeps the default avoided on its watch, the power of the purse through the yearly vote, a share of the freed service in the budget, the lawful rents of mandates awarded by tender, and the credit for the workers' pools. Its defence against the next government is its beneficiaries, who are paid by companies out of their profit and never by the budget. Alaska's dividend is set each year in the budget, and the state's Supreme Court upheld in 2017 a veto of about half the 2016 payment (Alaska Supreme Court 2017). The price of that adoptability is the holder's, and Part VII prices it.

Thirteen objections, several conceded in full and the rest answered with a limit stated, leave a design that asks to be tested. Part XIII sets out the sequence of that test, and who takes each step.

Part XIII. Conclusion: a sequence, and an invitation

Part XII leaves the design with its limits stated: a selective default on announcement, no precedent, a split that costs the converting creditor, an absorption ceiling, and a political risk the holder carries. The paper closes on what it asks, and from whom.

The prescription rests on three pillars, and they stand or fall together. The first is a balanced fiscal policy, which Argentina ran in 2025 with a primary surplus of 1.38% of GDP (Part I) and which no appropriation to class B may break. Without it the appropriation is borrowed and the extraction resumes. The second, the restructuring of the debt through the conversion, turns part of the principal wall of Part I into a claim on companies that share their profit, and without it the wall returns on schedule. The third is the fiscal-load reform of the first paper, the Fifteen Compact, built on Argentine data in that paper's Appendix D and paired here with the fund under one revenue trigger in Part VIII. Without it the companies the fund finances carry the load that kept the economy from growing.

The movement the three pillars describe is from extraction to growth, and the sequence that begins it has four steps, each with an actor. The first step is the statute, and its actor is Congress. The statute creates the Sovereign Fund with its own legal personality, bars any exposure to the public sector, fixes the asset rules and the circularity cap, and requires the listing from the first day. It authorises the yearly appropriation to class B and the exchange, and carries the audit regime and the tax-neutrality article. Appendix H drafts its articles.

Congress passed the debt statutes the record required in 2016, 2020 and 2022, and this one commits no future budget, because each appropriation is voted in its own year and may not exceed the service it retires. Legislating now puts the option on the shelf before the day it is needed.

The second step is the term sheet, and its actor is the Finance Ministry with the Republic's own lawyers in Buenos Aires and New York. Appendix B gives the model terms of the two legs, and Appendix D the questions the exchange documents settle: the note's registration on Schedule B, the exemption under which class A reaches qualified purchasers, the governing law the statute may permit for the class A terms, the central bank's rule for dollar distributions to non-residents, and the fund's sector on the statistician's reading. The term sheet fixes the conversion ratio by auction, the menu that keeps the offer uniformly applicable under the indentures, and the extendible for the series that mature later.

The third step is the enhancement, and its actors are the official lenders: the International Monetary Fund, the World Bank, the Inter-American Development Bank and the development-finance insurers. Part VII sizes what they would carry. A floor of 50 per 100 at fifteen years costs 22.6 per 100 of face on the Treasury curve of October 20, 2026 (Part VII), about US$13 billion across the privately held foreign-law stock, while the enhancement behind Ecuador's 2023 conversion, the US$656 million of insurance and the US$85 million guarantee together, comes to about 1.3% of that same Argentine stock. The enhancement is priced on the senior tranche and the sleeve, never on the whole stock, and it is the condition of a preemptive conversion at scale. Without it the design waits for distress.

The fourth step is the pilot tranche, and its actors are the equity buyers and the managers. A first tranche converts at the bid through buyers who want the equity, at a scale the sleeve of Part VIII can absorb, and the managers chosen by tender deploy the appropriations into new companies and into existing private companies converted to the Model at closing. The pilot exists to produce the evidence the paper cannot: the first listed price, the first discount, the first audited net asset value, and the first Human Capital Pool paid by a company the fund financed.

The SAVI Group's role in that sequence is stated once. The firm offers the design, the Model's terms for the deployment sleeve, and advice on request to any ministry, lender or manager that takes a step. It would not manage the fund or any sleeve of it. The managers are chosen by tender, and the paper rests no claim on the firm's own performance. It carries over one commitment of the first paper: any vehicle of its own that takes part opens itself to independent evaluation and publishes the results, favourable or not.

The paper claims no return, no recovery and no precedent. It claims that the debt is principal and the surplus covers only interest. It claims that the record of waiting costs creditors about 40% in present value at the centre and cost Argentina's holders about 77% in 2005 on the Cruces-Trebesch measure, that a fund and a unit exist which the law permits and a holder can price against that record, and that the design needs the two reforms around it. The appendices carry the numbers, the term sheets and the clauses, so that each claim can be checked.

A country that pays its creditors by refinancing its principal is renting time it does not own. Converting that debt into non-extractive ownership, before the lease ends, is the exit the record has never tried, and the only one that leaves both the creditor and the country with an asset.

Appendix A. The Argentine ledger

This appendix sets out the tables behind Part I. Each carries the series behind it, the date it was struck and the label the research gave it. Three conventions govern every figure. The Secretaría de Finanzas classes a dollar-denominated instrument paid in pesos as local-currency debt, so foreign-currency debt in this paper means debt that must be paid in foreign currency, the debt that touches reserves.

Stocks are stated in dollars at the end-of-period official rate. The September 2026 figures are struck at about 1,517 pesos to the dollar, so the dollar value of the peso debt moves with the exchange rate before anything else moves. The service schedule is the Ministry's static profile of June 30, 2026. It takes the commitments, rates and indexation of that date, excludes any payment on the GDP-linked units, and reads the year 2026 as July to December. Where the paper sums the Ministry's rows by creditor or by currency, the sum is the paper's own arithmetic, labelled INFERRED, and it reconciles to the official totals to the dollar.

A1. The stock, and the currency it is payable in

Item (US$ million, end of period)	December 2023	December 2024	December 2025	September 2026	Source and label
Gross debt	370,673	466,921	455,077	486,627	Finanzas monthly bulletin, sheet A.1, VERIFIED
Performing	368,225	464,503	452,551	484,124	Same, VERIFIED
Eligible for the 2005 and 2010 exchanges, never tendered	2,346	2,316	2,420	2,398	Same, VERIFIED
Argentine law	222,005	319,025	290,376	323,364	Sheet A.2, VERIFIED
Foreign law, including the IMF and the other international institutions	148,668	147,896	164,700	163,264	Sheet A.2, VERIFIED
Pesos, not indexed	107,605		fixed 62,603; zero-coupon 18,582; floating 26,420		VERIFIED (sheet A.3)
Pesos, CER-indexed	130,862		zero-coupon 110,696		VERIFIED
United States dollars	182,780		fixed 108,166; floating 68,578; zero-coupon 6,036		VERIFIED
Special Drawing Rights (the IMF)	57,069		floating		VERIFIED

Item (US$ million, end of period)	December 2023	December 2024	December 2025	September 2026	Source and label
Euros, yen and other	5,512, 254 and 42				VERIFIED
Share payable in foreign currency	51%		the bulletin's own statement, page 1		VERIFIED
Global bonds in dollars, foreign law (the 2020 series and others)		54,474			VERIFIED (sheet A.1)
Global bonds in euros		4,200			VERIFIED
Bonares in dollars, local law (the 2020 series)		43,326			VERIFIED
New local-law dollar bonds issued in 2025 and 2026, maturing 2027 to 2029		6,227			VERIFIED
Non-transferable dollar letters held by the central bank		29,101 (52,534 at December 2025)			VERIFIED
Dollar letters in guarantee		3,774			VERIFIED
The IMF		57,069			VERIFIED
World Bank, IDB, CAF and other international institutions		12,692; 18,628; 5,227; 1,941			VERIFIED
Paris Club and other bilateral		533; 1,918			VERIFIED
Commercial banks		3,843			VERIFIED

The rise recorded in 2024 is mostly a revaluation. Peso-denominated debt went from US$103.7 billion to US$209.2 billion in that year as the real exchange rate strengthened and the CER coefficient indexed the stock, which is the paper's reading of the currency table.

Of the performing stock, 51% is payable in foreign currency, and the bulletin says so on its first page: "el 51% restante, en moneda extranjera". The average life of the debt is 4.57 years. Of its principal, 45.7% falls due within two years, the first sign that the burden lies in the maturities. Measured against output, the ratio fell from 154% of GDP at the end of 2023 to 71.4% on June 30, 2026 on the Ministry's series. The IMF's general-government measure puts it at 80.1% for 2025 and 69.3% for 2026.

A2. Who holds it, and under which law

Holder, June 30, 2026	US$ million	Share	Label
Public-sector agencies (the central bank, the pension fund FGS, Banco de la Nación and others)	197,213	41.6%	VERIFIED (presentación gráfica 2T26)
Private holders	177,738	37.5%	VERIFIED
Multilateral and bilateral lenders	99,247	20.9%	VERIFIED
Eligible debt never tendered	2,403	0.5%	VERIFIED
Total	474,198	100%	VERIFIED
Held by non-residents	159,000		VERIFIED (sheet A.4.5)
Held by residents	312,000		VERIFIED
GDP-linked units, outside the stock	12,892		VERIFIED (presentación 2T26)

Private holdings are 45.6% in dollars. The public agencies' holdings are 31.5% in dollars and 98.8% under Argentine law, which matters later, because debt the state owes to its own agencies has been settled in pesos and can be again. A holder-by-holder split of each bond is not published in the Ministry's files, and the paper does not estimate one. The IMF's own consolidated measure nets out the central bank's and the pension fund's holdings and adds the central bank's own debt; it is "generally unchanged at about US$300 billion" in the staff report of May 2026. By governing law, US$163.3 billion of the stock is foreign-law debt and US$323.4 billion is under Argentine law.

A3. The programmes

Programme or facility	Term	Label
The IMF's Extended Fund Facility, approved April 11, 2025	SDR 15.267 billion (about US$20 billion) over 48 months	VERIFIED (IMF Press Release 25/272)
Disbursed after the second review of May 21, 2026	SDR 11.452 billion (about US$15.8 billion) in all	VERIFIED (IMF Press Release 26/165, read on the IMF's page)
IMF claims on the Treasury, September 30, 2026	US$57.1 billion equivalent	VERIFIED (Finanzas, sheet A.1)
The United States facility, signed October 20, 2025	A currency swap between the central bank and the United States Treasury of up to US$20 billion	VERIFIED (the central bank's release)
Its use	US$2.5 billion drawn in October 2025 and repaid in December 2025	VERIFIED-SECONDARY (CRS In Focus IF13200)

The United States facility is no loan to the Treasury. Its counterparty is the central bank, and the Ministry's debt stock carries no line owed to the United States Treasury, which is the paper's reading of the two documents.

A4. The foreign-currency service schedule, 2026 to 2035

Creditor (US$ million)		H2-2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
2020 bonds (Globales and Bonares)	principal	2,707	6,533	8,640	8,640	7,816	11,539	11,539	11,539	11,539	11,539
	interest	1,828	3,622	3,862	3,741	3,671	3,348	2,774	2,200	1,627	1,053
The IMF	principal	1,130	4,407	6,566	8,064	9,531	9,618	8,487	5,210	3,052	1,553
	interest	1,598	3,063	2,741	2,311	1,770	1,181	601	270	121	29
Other international institutions	principal	1,080	2,329	2,656	2,729	2,641	2,728	2,456	2,264	2,207	2,116
	interest	1,010	1,939	1,818	1,671	1,530	1,393	1,257	1,132	1,016	903
New local-law dollar bonds 2027 to 2029	principal	0	2,000	2,000	1,000	0	0	0	0	0	0
	interest	153	285	165	65	0	0	0	0	0	0
Central-bank non-transferable letters	principal	0	0	0	0	0	4	8,445	12,191	9,670	0
	interest	183	367	368	367	367	367	341	205	59	0
Official bilateral	principal	390	766	745	490	178	61	61	40	12	11
	interest	84	134	85	39	14	7	5	2	2	1
Other foreign-currency debt	both	441	2,465	365	367	521	391	380	376	366	446
Total principal		5,707	18,468	20,943	21,258	20,654	24,310	31,343	31,598	26,827	15,651
Total interest		4,896	9,443	9,068	8,227	7,385	6,325	5,004	3,831	2,843	2,001
Total service		10,603	27,911	30,011	29,485	28,039	30,635	36,347	35,429	29,670	17,652

Creditor (US$ million)	H2-2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Service excluding the central bank's letters	10,420	27,544	29,643	29,118	27,672	30,264	27,561	23,033	19,941	17,652

Source: the Ministry's file of June 30, 2026, sheets A.3.6 to A.3.8, read row by row. The creditor sums are the paper's arithmetic and reconcile to the official foreign-currency totals. Between 2027 and 2035 the schedule carries US$211.1 billion of principal and US$54.1 billion of interest, so principal is 79.6% of foreign-currency service. Without the central bank's letters, which are debt of the Treasury to its own monetary authority, the share is 77.8%. For the 2020 bonds alone it is 77.5%, US$89.3 billion of principal against US$25.9 billion of interest, and for the IMF it is 82.4% on US$56.5 billion of principal. The letters that fall due in 2032 to 2034, US$30.3 billion in all, are intra-public and are shaded in Exhibit 1 for that reason.

The IMF's own table, which adds the central bank's obligations and counts calendar years, puts total foreign-currency service at US$24.8 billion in 2026 and US$32.3 billion in 2027.

Coupon and amortisation of the 2020 dollar series	Coupon path	Amortisation	Label
2029 bond	1.000% flat	instalments through 2029	VERIFIED coupon; schedule start as the source states it
2030 bond	0.125% to July 2021; 0.50% to July 2023; 0.75% to July 2027; 1.75% to 2030	13 instalments from July 9, 2024	VERIFIED
2035 bond	0.125%; 1.125%; 1.50%; 3.625%; 4.125% to July 2027; 4.75% to July 2028; 5.00% to 2035	10 instalments from January 9, 2031	VERIFIED
2038 bond	0.125%; 2.00%; 3.875%; 4.25%; 5.00% from July 2024	22 instalments from July 9, 2027	VERIFIED
2041 bond	0.125%; 2.50%; 3.50% to July 2029; 4.875% to 2041	28 instalments from January 9, 2028	VERIFIED
2046 bond	0.125%; 1.125%; 1.50%; 3.625%; 4.125%; 4.375% to July 2028; 5.00% to 2046	44 instalments from January 9, 2025	VERIFIED

The coupons come from the prospectus supplement of August 2020 on the SEC's register. They pay on January 9 and July 9 on a 30/360 basis. The weighted average rate on the dollar debt was 3.31% on June

30, 2026, with the bonds at 3.05% and the international institutions at 5.15%. The Special Drawing Rights debt carried 4.94% and the non-indexed peso debt 33.26%. The Treasury's cash payments show the same shape. In 2025 it paid US$22,582 million of principal and US$7,213 million of interest in foreign currency, and between January and September 2026 US$10,657 million and US$7,786 million.

A5. The surplus and what it pays

National public sector, cash basis (ARS million; share of GDP)	Primary result	Net interest	Financial result	Interest as a share of the primary result	Label
2023	-5,164,637 (-2.66%)	3,253,832 (1.68%)	-8,418,468 (-4.34%)	not applicable	VERIFIED (IMIG)
2024	10,405,810 (1.78%)	8,641,024 (1.48%)	1,764,786 (0.30%)	83%	VERIFIED; the ratio INFERRED
2025	11,769,219 (1.38%)	10,315,400 (1.21%)	1,453,819 (0.17%)	88%	VERIFIED; the ratio INFERRED
January to August 2026	12,277,684	9,941,064		81%	VERIFIED; the ratio INFERRED

The IMIG series exclude interest paid inside the public sector, to the pension fund and the central bank. At the 2025 average official rate of 1,244.26 pesos, a house-derived figure that can be re-derived from the central bank's daily series, 2025 output was about US$683 billion. The primary surplus of 1.38% of GDP was therefore about US$9.4 billion, the size of the foreign-currency interest due in 2027 and half the US$18.5 billion of principal due that year. The IMF's cash measure of the 2025 primary surplus is 1.4% of GDP, and its 2026 performance criterion is the same figure. Its path has the surplus rising to about 2¼% of GDP by 2029, "consistent with the projected increase in the interest bill".

Its financing assumption is explicit. Principal payments on foreign-currency debt to the IMF and to private creditors "are refinanced through the issuance in the markets of foreign-currency debt". Foreign-currency interest payments "are covered mainly by primary surpluses".

A6. Reserves and the two pipes of the drain

Gross reserves of the central bank (US$ million)	Level	Label
December 29, 2023	23,073	VERIFIED (BCRA API, variable 1)
December 30, 2024	29,640	VERIFIED
April 30, 2025 (first IMF disbursement)	38,928	VERIFIED

Gross reserves of the central bank (US$ million)	Level	Label
December 30, 2025	41,095	VERIFIED
June 30, 2026	44,870	VERIFIED
September 30, 2026	46,092	VERIFIED
October 16, 2026	50,244	VERIFIED
Net reserves on the programme definition	negative at the end of 2025; up about US$4.8 billion by the second review	VERIFIED (CR 26/105); no current level published
Against them: foreign-currency obligations of the Treasury and the central bank due in 2026 and 2027, on the IMF's table	US$57.1 billion; US$45.6 billion net of expected official disbursements	VERIFIED (CR 26/105)

Net reserves on the programme definition "declined by about US$9 billion during the year" 2025. In early 2026 the central bank bought about US$7.5 billion, and net reserves rose by about US$4.8 billion from a level the IMF still calls negative. Gross reserves stood at about 40% of the IMF's adequacy metric at the end of 2025, with 85% targeted by 2029. The drain runs through two pipes. Payments to non-residents drain reserves one for one, and the Treasury buys the dollars from the central bank with its peso surplus: US$1.7 billion on May 18, 2026 and about US$0.6 billion in June ahead of the July 9 payment of about US$4.35 billion on the Globales and Bonares, as La Nación reported. Peso debt rolled at auction drains credit instead, on the paper's reading, because a shallow banking system that absorbs the Treasury's paper lends less to firms, and the IMF ties the rebound in bank credit to "reduced public borrowing".

Debt the Treasury owes to the central bank is neither. In May 2026 the Treasury cancelled US$22,284 million of the bank's dollar letters for an effective ARS 18.4 trillion. That is about US$13.2 billion at the May average rate on the paper's arithmetic, about 59% of nominal, and no dollar left reserves.

A7. Credit, poverty, employers and work

Measure	Argentina	Peers	Label
Bank loans to the private sector, share of GDP: 2024; 2025; latest stock against annualised second-quarter 2026 output	11.3%; 14.0%; 13.1%		INFERRED (BCRA variable 26 over INDEC GDP)
World Bank domestic credit to the private sector, 2025	17.6%	Brazil 75.1; Chile 102.1; Mexico 35.5; Ecuador 58.9; El Salvador 64.4; Panama 75.5	VERIFIED (WDI, updated October 8, 2026)

Measure	Argentina	Peers	Label
IMF bank credit to the private sector	about 5.5% of GDP in early 2024 to about 10% in 2025		VERIFIED (CR 26/105)
First half of 2024	52.9%	18.1%	VERIFIED (informe of September 24, 2026, cuadro 1)
Second half of 2024	38.1%	8.2%	VERIFIED
First half of 2025	31.6%	6.9%	VERIFIED
Second half of 2025	28.2%	6.3%	VERIFIED
First half of 2026	32.3% (9.729 million persons)	7.5% (2.249 million)	VERIFIED
First half of 2026, households	24.4%	5.6%	VERIFIED
First half of 2026, ages 0 to 14	44.5%		VERIFIED
1 worker	181,390	167,567	-13,823
2 workers	85,309	77,067	-8,242
3 to 5 workers	100,278	95,686	-4,592
6 to 10 workers	58,706	55,708	-2,998
11 to 25 workers	46,343	44,906	-1,437
26 to 100 workers	29,700	28,803	-897
101 to 500 workers	8,826	8,612	-214
More than 500 workers	1,805	1,718	-87
Total	512,357	480,067	-32,290 (-6.3%)
Private wage earners (thousand)	6,385.8	6,082.3	-303.5 (-4.8%)	VERIFIED (datos.gob.ar 151.1)

Measure	Argentina		Peers	Label
Public wage earners (thousand)	3,484.3	3,384.8	-99.5	VERIFIED
Monotributo, self-employed (thousand)	2,037.8	2,214.9	+177.1	VERIFIED
Labour informality (INDEC)	43.2% (second quarter 2025)	45.0% (second quarter 2026)	+1.8 points	VERIFIED
Real registered private wage (index)	100	96.6	-3.4%	INFERRED from VERIFIED series
Real registered public wage (index)	100	84.2	-15.8%	INFERRED

Three measures of credit differ by definition, so the paper names the one it uses in each sentence: the central bank's loan stock against output, the World Bank's wider measure of domestic credit, and the IMF's bank-credit series. The poverty series answers a claim the research tested. The figure of 45.0% is INDEC's labour informality rate for the second quarter of 2026, and also its employment rate. That figure is not a poverty rate, and the last half-year in which poverty exceeded it was the first half of 2024. INDEC attributes the rise in the first half of 2026 to family income per head growing 11.5% over the semester while the poverty basket grew 19.6% and the food basket 21.4%.

The employer series counts employers with insured, declared workers, net of entries and exits. A fall is never a count of closures, and some firms may have moved workers to self-employed contracts. The bands of 26 to 100 workers and of more than 500 are the paper's sums of the published bands. The non-registered wage index is not used, because it runs five months behind and its swings are implausible for this comparison.

A8. The market

JP Morgan EMBI spread for Argentina, basis points (Rava, as republished)	Spread
December 27, 2024	627
September 25, 2025	977
October 27, 2025 (after the mid-term election)	652
December 27, 2025	580
January 27, 2026	494
May 27, 2026 (the IMF's "around 500-525 bps" at the second review)	500
June 26, 2026 (the low)	437
August 27, 2026	509
September 28, 2026	628

JP Morgan EMBI spread for Argentina, basis points (Rava, as republished)	Spread
October 16, 2026	648
October 20, 2026	672
Central bank survey (REM), December 2025	3.5%	VERIFIED (REM historical file)
REM, March; June; August 2026	3.3%; 3.0%; 2.1%	VERIFIED
REM, September 2026 (published October 6)	1.5%; 2027 2.47%; 2028 2.95%	VERIFIED
IMF staff report, May 2026	about 3.5%	VERIFIED (CR 26/105)
IMF World Economic Outlook, October 2026	2.1%; 2027 3.5%; 2028 4.2%	VERIFIED (DataMapper, vintage in the metadata)
EMBI spread of 672 basis points, zero recovery (a lower bound on the intensity)	6.7%	28.5%	48.9%	INFERRED (R1)
EMBI spread of 672 basis points, 40% recovery (the CDS pricing convention, not a recovery finding)	11.2%	42.9%	67.4%	INFERRED (R1)
The four Globales at their cable prices, 20% to 30% recovery inputs	8.1% to 10.4%	33% to 41%	55% to 65%	INFERRED (R5 follow-up)
2030 bond, on 64% residual face	53.54	11.20%	VERIFIED-SECONDARY (one feed)
2035 bond	70.01	11.63%	VERIFIED-SECONDARY
2038 bond	74.61	11.41%	VERIFIED-SECONDARY

JP Morgan EMBI spread for Argentina, basis points (Rava, as republished)			Spread
2041 bond	65.12	11.61%	VERIFIED-SECONDARY

The spread rose 235 basis points from the June low; JP Morgan does not publish the series openly, so the paper carries Rava's republished closes and says so. The default probabilities are the paper's own arithmetic: for a spread s and a recovery R, the constant risk-neutral intensity is about s divided by one minus R, and the cumulative probability to a horizon T is one minus the exponential of minus the intensity times T. Because the paper assumes no recovery figure, the first two rows show the zero-recovery case, a lower bound that any positive recovery raises, and the 40% convention, labelled as a convention. The last row is Part VII's reduced-form solution on the cable prices and cash flows of the four Globales, at recovery inputs of 20% to 30%. Risk-neutral probabilities include risk and liquidity premia and overstate real-world probabilities. The index blends local-law and foreign-law bonds, and the 2027 presidential election falls inside the five-year horizon.

The bond prices are those of Part VII and Appendix C, in the offshore cable settlement that pays foreign holders and whose yields match the published country risk. The same bonds trade about 5.5% to 5.9% higher in the local-dollar settlement, and Part I states that gap once. Real national tax revenue fell 3.0% between January and September 2026 against the same months of 2025, on the paper's deflation of the Ministry's monthly series by the national consumer price index. Part of that fall is policy: the PAIS tax expired in December 2024 and export duties were cut at the end of September 2025.

Appendix B. The term sheets of the two legs

This appendix sets out, in plain English, the terms of the instruments the paper proposes: the equity leg, which is the Sovereign Fund's own units, and the debt leg, which is a note the Republic issues beside it. They are model terms for discussion, the paper's own drafting on the texts it cites, and not legal advice. They promise no return, no multiple and no recovery to anyone. Every number in them is either a parameter the statute would set, shown here with the value the paper's Appendix C uses, or a figure from the record named in the paper.

B0. Four documents, each carrying what it can enforce

A term binds only the parties to the document that holds it, so each term sits where its holder can enforce it. The statute carries what must survive a change of government and binds the Republic. The fund's constitutional documents carry the classes and the waterfall and bind the fund to its unit holders. The exchange documents carry the offer and the collective-action mechanics and bind the Republic to each series of bondholders. The note's indenture carries the debt leg under New York law.

Document	Parties	Terms it carries
The fund statute (Appendix H)	The Republic, enacted by Congress	The fund's legal personality and mandate; the classes; the ban on any exposure to the public sector; the circularity cap; the listing; the yearly appropriation; the audit regime; the tax-neutrality article (B10, B11)
The fund's constitutional documents and the class A terms, governed by the law the statute names for the fund and, for the class A terms, by New York or English law where the statute permits	The Sovereign Fund and its unit holders	Class A, class B and class C (B2 to B4); the waterfall (B5); governance and entrenchment (B9); the exit stages and discount control (B8)
The exchange offer and the indenture amendments	The Republic and the holders of each series	The menu; the conversion ratio set by auction; the collective-action mechanics; the extendible (B7)
The note indenture and the warrant terms, New York law	The Republic, the trustee and the noteholders; the guarantor where one exists	The debt leg (B6)

B1. Defined terms

The *Fund* is the Sovereign Fund created by the statute, with separate legal personality. *Class A* is the senior class of the Fund's units, issued to holders who roll a bond claim into the Fund and to investors who tender bonds they have bought. *Class B* is the junior class, held by the national Treasury alone. *Class C* is the class

through which a class A holder may elect exposure to the Model sleeve. The *Issue Value* of a class A unit is the value recorded at its issue, which is the price the conversion ratio implied for the bond surrendered against it on the day of the exchange, in the offshore settlement of the dollar. The *Appropriation* is the sum Congress votes in a budget year into class B. The *Sleeve* is the part of the Fund's capital deployed through regulated managers into companies that adopt The SAVI Capital Model, whether new companies or existing private companies converted at closing. *Net Asset Value* is the Fund's audited net assets, valued under the methodology the statute freezes, divided by the units in issue. The *Record* is the distribution of creditor losses in sovereign restructurings the paper's Part III sets out, which the stress test of B3 uses.

B2. Class A units

Class A is a residual, pro-rata claim on the Fund's net assets. It carries no par face, no maturity, no fixed redemption amount, no coupon, no guarantee by the Republic and no covenant by the Republic to pay anything to its holders. Its only priority is the one B5 gives it over class B.

The units list on the domestic exchange from the first day, enter the international settlement systems, and list abroad in depositary-receipt form within eighteen months (B8). Class A carries the governance rights of B9. Its holders bear the political risk that an Appropriation is not voted, and the offering documents say so in those words. Nothing in these terms, and nothing a government says, may be read as a promise of the Issue Value or of any amount.

B3. Class B units and the Appropriation

Class B is held by the Treasury alone and takes the first loss up to the cap in this clause. Its capital is the Appropriation, voted each year in the budget under the authorisation the statute gives and recorded as a capital transfer. No Appropriation is a liability to any holder, and the statute says that each one depends on the vote of its year.

Class B's capital is sized by a published stress test against the Record. The Treasury's capital stays below the class A Issue Value in aggregate, so that the Treasury never holds the majority of the capital or of the upside. Its first loss is capped at a share of total capital that keeps the Treasury at or below one half of the loss in every scenario of the Record. On the Record's lowest-quartile loss, that cap is about 8.0% of total capital when class B holds a tenth of the capital and about 5.1% when it holds three tenths (Appendix C). Losses beyond the cap fall on the classes pro rata by capital. The stress test, its inputs and the resulting cap are published with each budget.

B4. Class C

A class A holder may elect, at the exchange or at any later window the Fund opens, to exchange part of its class A units for class C units of equal Net Asset Value. Class C holds the Sleeve's exposure and bears the Sleeve's economics: the companies the Sleeve finances divide every profit dollar before any distribution, half to the people who work in them and half to the capital that financed them, and the limited partners of each Model fund are capped at 5.0 times their contributions to that fund, as the first paper's Appendix B sets out. The election is voluntary, irrevocable for the window's term, and preceded by a disclosure that states the cost in the form the first paper's Appendix C gives: a Model fund pays its investors what a conventional fund pays at half the profit. No holder is charged for the Sleeve without that election.

B5. The waterfall

Every distribution the Fund makes goes first to class A until class A has received, in cash and in tenders at Net Asset Value, its aggregate Issue Value. Thereafter distributions are shared pro rata by capital among class A, class B and class C, class C taking the Sleeve's share. Recovery of the face of the bonds surrendered is what this waterfall and the listed price may deliver. No term promises it. The Fund pays its own costs and the managers' fees from its own income, with class B's capital sized to carry them, and the Republic reimburses no cost directly.

B6. The debt leg: the note and the warrant

For the holders who want debt, the Republic issues a dollar note under New York law, registered on Schedule B of the Securities Act and exempt from the Trust Indenture Act, amortising, rated, eligible for the dollar bond indices, with collective-action clauses in the aggregated form of the 2016 indenture, and with the submission to New York jurisdiction and the waiver of immunity in the form the 2020 exchange used. The note is debt in every statistic and its present-value reduction against the bond surrendered is stated in the exchange documents. Where an official lender provides it, part of the note's principal is enhanced by a zero-coupon collateral or a guarantee on the Brady pattern; the paper's Appendix C prices a floor of 50 per 100 of face at fifteen years at about 22.6 per 100 on the Treasury curve of October 20, 2026. A detachable warrant accompanies the note. The warrant pays, after a stated date and up to a stated cap, a share of the excess of the Fund's audited Net Asset Value per class A unit over a stated base, verified by the forensic reviewer of Part X. The warrant is never linked to gross domestic product, to tax revenue or to any statistic the Republic compiles, and the methodology and base of Net Asset Value are frozen in the statute.

B7. The extendible

For bonds that mature after the exchange, each series may carry an extendible: at maturity a holder elects either payment on the existing terms or conversion into class A at the ratio the exchange documents fix. A holder who makes no election is extended on its existing terms and never converted. Where an objective trigger named in the indenture is breached, the Republic may launch a conversion within the collective-action framework of the series, and the amendment carrying the extendible is itself adopted by that framework.

B8. The exit stages and discount control

Class A lists on the domestic exchange from the first day, as the closed-end fund statute requires. Within eighteen months the Fund lists its units abroad in depositary-receipt form and secures eligibility in the international settlement systems. As the companies the Sleeve finances list, the Fund's listed stakes may be packaged into an exchange-traded fund. The Fund controls its discount with a conditional tender at 98% of Net Asset Value, funded only from realised proceeds, suspended only by a supermajority of class A, with buybacks as a secondary tool; tender proceeds count toward class A's recovery of its Issue Value under B5.

B9. Governance and entrenchment

The Fund's board is appointed in its majority outside the executive and anchored on the national audit office, whose president the opposition proposes under article 85 of the Constitution, and on bodies outside

the executive. Class A holds, by its own vote, approval rights over related-party transactions, over any leverage at the Fund level, over any change in the investment policy, and over any exposure to the public sector, and the right to remove the independent directors. The class A terms are enforceable by their holders under the law the statute permits for them, with international arbitration for contractual claims and a waiver of immunity limited to the Fund's own assets, so that the protections hold in practice and not on paper alone. The foreign law governs the contract with class A holders; the Fund's public-law regime stays under Argentine law. The Fund is separate from the Republic in fact: the Republic appoints no majority, instructs no decision and guarantees nothing, which is the separation the alter-ego cases require.

B10. The exposure ban and the circularity cap

The Fund may hold no claim on the public sector in any form: no Treasury bill bought in the secondary market, no repo or caución backed by public paper, no unit of a fund that holds it, no derivative on it. The statute carries the ban, the two-thirds rule of the pension-fund law locks it, and the class A terms repeat it under foreign law. The share of the Fund's assets that is any claim on the public sector, which the ban sets at zero, is published quarterly with the audited accounts.

B11. Tax and settlement

The statute exempts distributions on class A and class C from the dividend withholding that applies to foreign beneficiaries, so that a holder moves from an exempt instrument to an exempt instrument; it exempts the exchange itself from stamp and turnover taxes; and it asks the central bank for a rule treating units received in the exchange as compliant for dollar distributions to non-resident holders, with an offshore issuer of class A as the alternative where that rule is not given.

B12. What remains before anyone signs

These terms are the paper's own drafting, not legal advice. Before an exchange is launched, the Republic's documents settle what these terms leave to them: the note's registration on Schedule B and the exemption under which class A reaches qualified institutional buyers and qualified purchasers; the statute's text, the class A governing law the statute permits, the central-bank rule and the tax articles; the Fund's sector and the classes' classification, ruled by the statistical authority on the conditions Part V states; and the presentation of class A in the Fund's own accounts, where a limited-life fund's units that rank above another class may show as a liability under international accounting standards even though the statistics treat them as equity. The inferred facts in these terms are the parameters Appendix C uses for the stress test and the conversion ratio, which the exchange documents fix on the day. An offering document also carries the risk factors these terms only name: the yearly vote on the Appropriation, convertibility and transfer, immunity and alter-ego litigation, the illiquidity and discount of class A, the absence of an operating history, conflicts of interest, and the untested Model.

Appendix C. The holder's decision model

This appendix sets out the arithmetic behind Part VII: what a holder of the Republic's 2035 dollar bond would hold after rolling the claim into the Sovereign Fund, against what the holder can get today and what the record says a restructuring yields. Every figure here is the paper's own arithmetic on inputs named in the text, computed by the script that accompanies the paper, and none of it is a projection, a promise or a representation of any return. The model is illustrative: it exists so that a reader can see the shape of the choice and recompute it with other inputs.

Inputs and method

The reference bond is the 2035 Global, whose cash flows the 2020 prospectus supplement fixes: coupons stepping up to 5% and ten equal amortisations from 2031. Its price is the offshore cable settlement on October 21, 2026, 70.01 per 100 of original face, which with accrued interest of 1.180 gives a dirty price of 71.19; the paper uses cable throughout because foreign holders are paid offshore and only cable yields match the published country risk. The United States Treasury par curve of October 20, 2026 discounts the riskless legs. A reduced-form model solves the default intensity the price implies at a 25% recovery: 9.06% a year, a cumulative probability of 36% over five years and 60% over ten.

The Sovereign Fund's capital in Design A is the state's yearly appropriation of the service it no longer pays on the converted bond. Two streams are run. On the first, the appropriation is the coupons the bond would have paid, 32.6 per 100 of face undiscounted. On the second, it is the full former service, coupons and amortisation, 132.6 per 100. Each appropriation buys, on the day it is made, a five-year vintage of a Model fund whose limited-partner flows are those of the first paper's Appendix C at a gross multiple G, fees included, and the appropriation happens only while the state is still performing, so each one is weighted by the market's survival probability at its date.

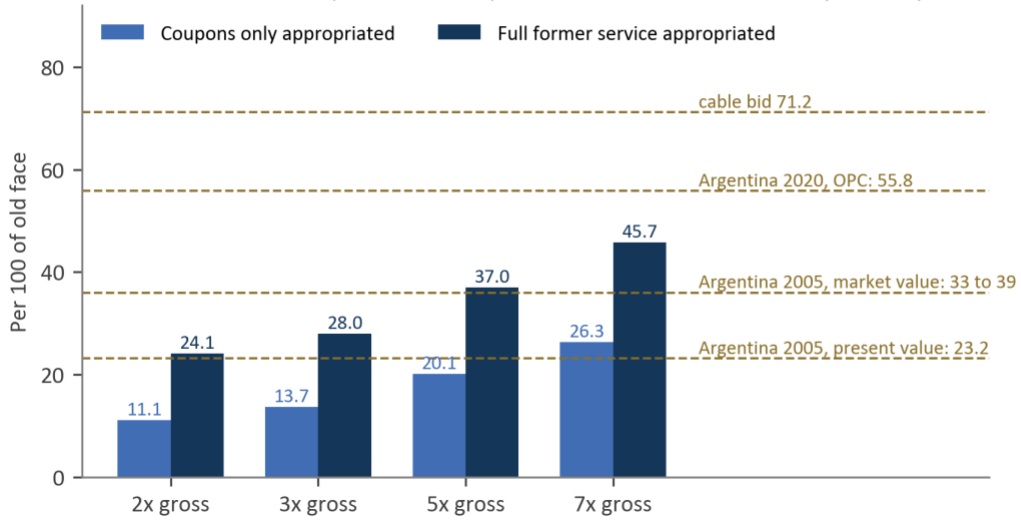
The fund's distributions flow to the classes through the waterfall of Appendix B: class A receives everything until it has recovered its issue value, which the model sets at the dirty price, 71.19, and the classes then share pro rata by capital. Class A's value is the present value of its receipts at a discount rate k, with and without a discount of 21.6% for the closed-end form, the average Fondul Proprietatea carried in 2022.

What class A is worth

Exhibit 15: class A per 100 of old face against the bid and the record

Exhibit 15. What class A is worth, against the bid and the record

2035 Global at cable 70.01 (21 October 2026); 15% discount rate; default intensity 9.06% a year at 25% recovery; Appendix C



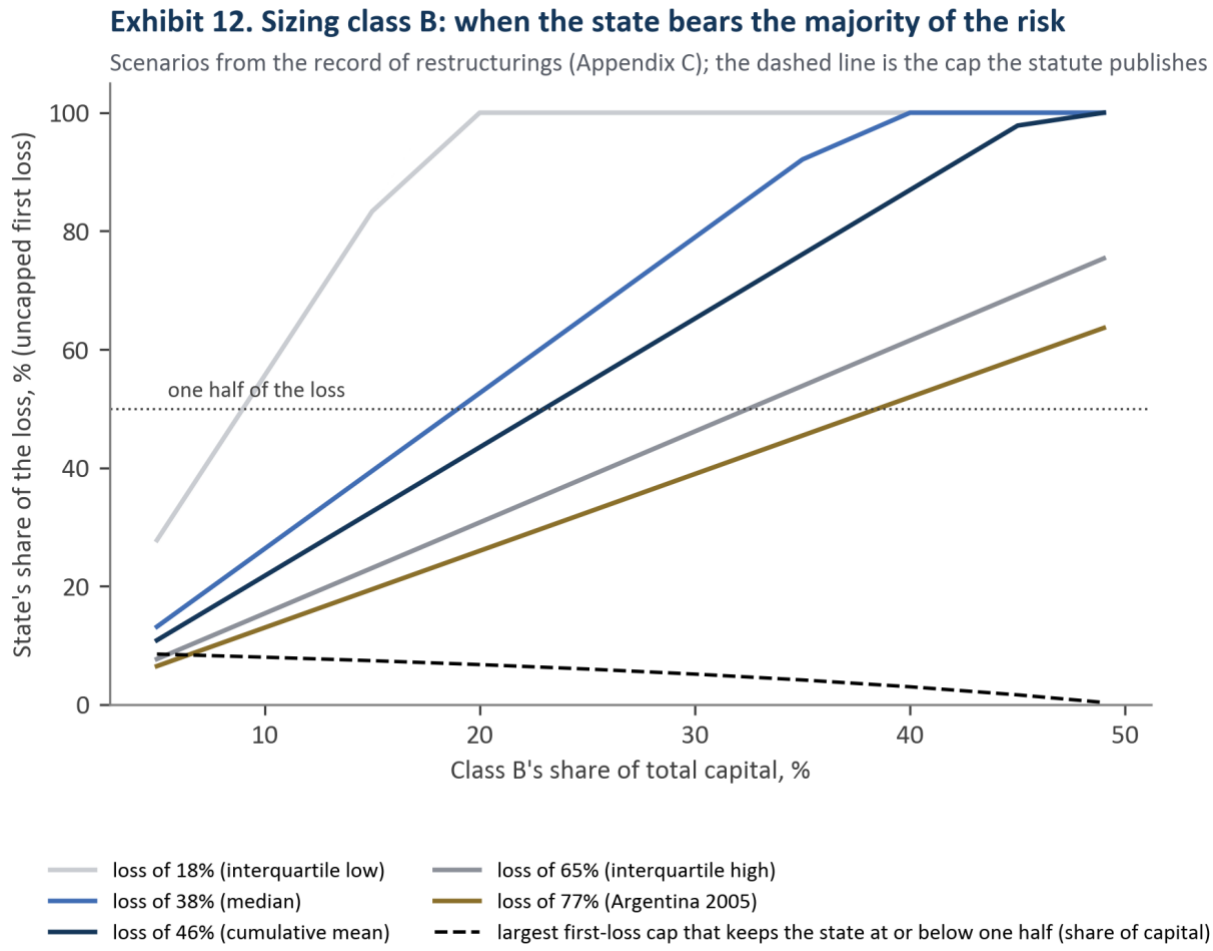
Gross multiple of the financed companies	Coupons only, k = 11.63%	Coupons only, k = 15%	Coupons only, k = 20%	Full service, k = 11.63%	Full service, k = 15%	Full service, k = 20%
2x	13.9	11.1	8.1	31.5	24.1	16.5
3x	17.1	13.7	10.1	36.4	28.0	19.4
5x	24.9	20.1	14.9	47.6	37.0	26.0
7x	32.5	26.3	19.6	58.6	45.7	32.4

With the 21.6% closed-end discount at k = 15%, the coupons-only values run from 8.7 to 20.6 and the full-service values from 18.9 to 35.9. With no risk that the state stops appropriating, at k = 15%, the coupons-only values run from 14.3 to 32.1 and the full-service values from 29.5 to 54.8. The benchmarks are the cable bid of 71.2; Argentina's 2005 exchange, worth about 23.2 per 100 in present value on the Cruces-Trebesch measure, about 21.0 per 100 of old face on the same authors' market-haircut measure (79.0%), which is the measure the class A cells use, and about 33 to 39 per 100 in market value at the first prices of the new bonds; and the 2020 exchange, which the congressional budget office valued at 55.8 per 100 at a 10% exit yield.

The reading is the one Part VII gives. On the coupons alone, class A sits at or below the outcome of Argentina's harshest restructuring in nine of the twelve cells; it exceeds the 23.2 present-value figure only at a gross multiple of seven at the two lower discount rates and at a multiple of five at the lowest rate. With the full former service appropriated, class A reaches the range of the 2020 exchange only at gross multiples of five and above and at the lower discount rates, and it reaches the bid in no case shown. The model therefore states what closes the gap, as Part VII does: the full former service for the first years, an official floor on the debt leg, or a long-horizon equity buyer who bought at the bid and values the political risk inside its own rate.

Sizing class B

Exhibit 12: the Treasury's share of a loss, by its share of capital and the scenario

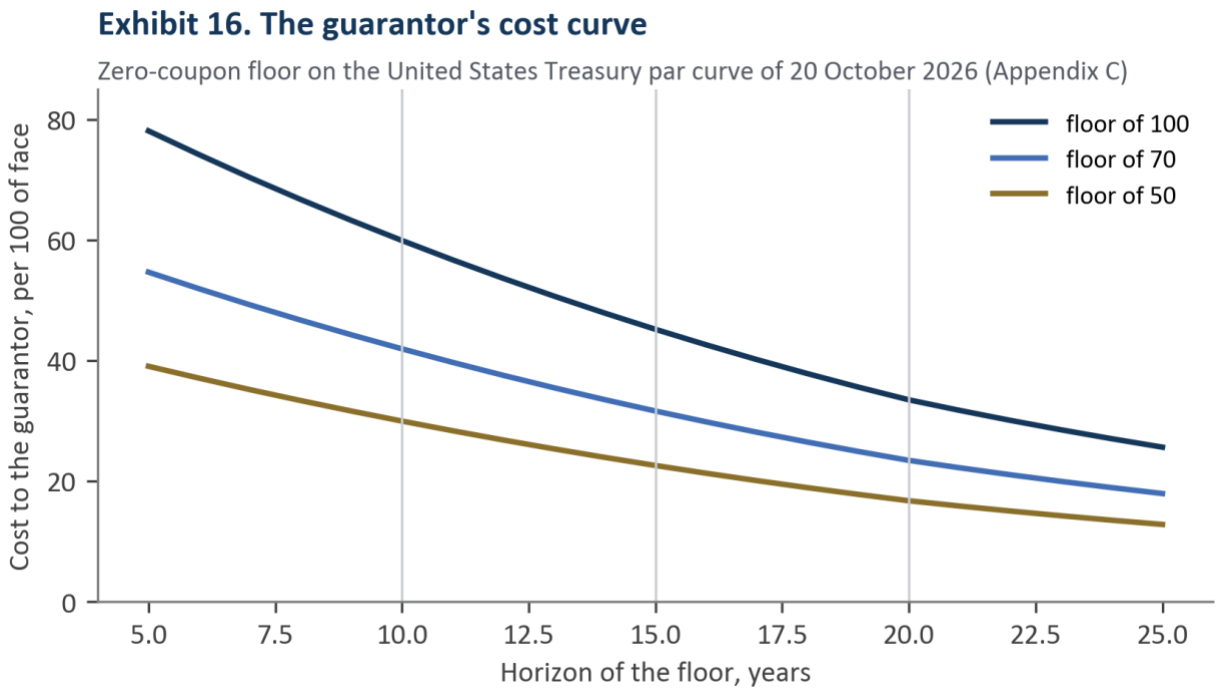


The Treasury's class B takes the first loss. The larger its cushion, the closer the state comes to bearing the majority of the fund's risk, which is the condition that pulls a fund inside general government on the European manual's reading Part V sets out. The model tests the Treasury's share of a loss against five scenarios drawn from the record of sovereign restructurings: the lower quartile loss of 18%, the median of 38%, the cumulative mean of 46%, the upper quartile of 65% and Argentina's 2005 loss of 77%. With an uncapped first loss, a Treasury holding a tenth of the capital bears 56% of the smallest loss and 13% of the largest; one holding three tenths bears all of the smallest, 79% of the median and 39% of the largest; one holding half bears all of every loss up to the upper quartile.

The first loss is therefore capped. The largest cap that keeps the Treasury at or below one half of the loss in every scenario is 8.0% of total capital when class B holds a tenth of the capital, 6.7% at two tenths, 5.1% at three tenths and 3.0% at four tenths, and no cap exists once class B holds half, because the state then holds the majority of the upside by construction. The statute publishes the test, its inputs and the cap with each budget.

The debt leg

Exhibit 16: the guarantor's cost curve



For the holders who want debt, the cost to an official guarantor of a zero-coupon floor per 100 of face on the Treasury curve of October 20, 2026 is 59.9 for a floor of 100 at ten years, 45.2 at fifteen and 33.5 at twenty; a floor of 50 costs 30.0, 22.6 and 16.7 at the same horizons. Part VII sets these against the scale of the privately held foreign-law stock and against the enhancement the largest debt-for-nature conversion used.

Tests

The script runs its own tests before it writes a result: the present value of a vintage's distributions per dollar contributed equals the first paper's limited-partner multiple at a zero discount rate; with no appropriation there is no fund and class A receives nothing; class A never receives more than the fund distributes and receives all of it while below its issue value; at a high gross multiple class A shares the upside with class B; with no class B capital the state bears no loss; the published cap holds in every scenario and a cap one point above it fails. The script, its inputs and its output file accompany the paper.

Appendix D. The legal path

This appendix carries the consents table of Exhibit 13, the collective-action thresholds of Exhibit 14 series by series, and the questions the exchange documents settle, each with the paper's reading. Everything in it is the paper's own analysis, read on the texts named for each item and labelled as each was read. None of it is legal advice. The Spanish texts are quoted as InfoLEG and the official versions carry them, and the New York texts as the Republic's filings on the SEC's register carry them.

D1. Who must consent, and under what rule

Instrument or act	Law	Threshold	Who decides	Label
The fund statute and the conversion authorisation	Constitución Nacional arts. 4, 75 incs. 4 and 7; Ley 24.156 arts. 60, 64 and 65	A simple majority of each chamber for an ordinary law; no special majority found in the texts read	Congress	VERIFIED texts; the majority INFERRED
Foreign-currency, foreign-law issuance above the budget cap	Ley 27.612 art. 1	A "ley especial"	Congress	VERIFIED
Any change to the IMF programme	Ley 27.612 art. 2	A law	Congress	VERIFIED
Opinion on external debt	Ley 24.156 art. 61	An opinion, non-binding on the text	The central bank	VERIFIED
Transfer of the pension fund's share stakes	Ley 27.181 arts. 1 and 20	Two thirds of the members of Congress	Congress	VERIFIED
Transfer of the state's YPF shares	Ley 26.741 art. 10	Two thirds of the members of Congress; 49% of the stake belongs to the producing provinces	Congress and the provinces	VERIFIED
An earmark of a co-participated tax to the fund	Constitución Nacional art. 75 incs. 2 and 3; Ley 23.548 art. 2	A time-limited special law by an absolute majority of all members of each chamber, with provincial adherence	Congress and the provincial legislatures	VERIFIED texts; the reading INFERRED

Instrument or act	Law	Threshold	Who decides	Label
Hydrocarbon, mining and hydroelectric royalties	Constitución Nacional art. 124; Ley 17.319 arts. 1 and 59; Código de Minería art. 7; Ley 15.336 art. 43	A province's own contribution for units; a federal fund cannot redirect them	The provinces	VERIFIED texts; the route INFERRED
2016-indenture bonds (2029, 2030, 2035, 2046), reserve matter, one series	New York law, 2016 Indenture	More than 75% of the series	The holders of the series, the Republic's holdings disregarded	VERIFIED
The same, cross-series, single limb	New York law	More than 75% in aggregate, if "uniformly applicable"	The holders of all designated series	VERIFIED
The same, cross-series, two limbs	New York law	More than 66⅔% in aggregate and more than 50% of each series	The holders	VERIFIED
The same, non-reserved matter	New York law	More than 50% of the series	The holders	VERIFIED
2005-indenture bonds (2038, 2041), reserve matter, one series	New York law, 2005 Indenture	At least 75% of the series	The holders	VERIFIED
The same, several series	New York law	At least 85% in aggregate and at least 66⅔% of each series	The holders	VERIFIED
The same, non-reserved matter	New York law	At least 66⅔% of the series	The holders	VERIFIED
The lock after a two-limb vote or a "restructuring exchange offer" (2016-indenture bonds)	New York law	No single-limb vote for 36 months unless the prior operation exceeded 75%		VERIFIED
Euro GDP-linked securities (2035)	English law, 2005 trust indenture	outside the perimeter; voluntary tender only	The holders through the trustee	not relied on

Instrument or act	Law	Threshold	Who decides	Label
Untendered Par 2038 bonds II and III (New York and English law), excluded from the 2020 modification	The 2005 Indenture as it applied to them	outside the perimeter; voluntary tender only	The holders	not relied on
Argentine-law dollar bonds (Ley 27.556 series)	Argentine law	outside the perimeter; voluntary tender only	The holders	not relied on
Closed-end fund units (the domestic vehicle)	Ley 24.083 art. 1 as amended by Ley 27.440 art. 99	Public-offer authorisation by the CNV and a listing	The CNV and the market	VERIFIED
Fund units to United States holders	Investment Company Act §7(d); Rule 144A; §3(c)(7)	No public offer without an SEC order; a private route to qualified institutional buyers who are also qualified purchasers	The SEC, or the investors	VERIFIED
Dollar distributions to non-resident unit holders	The central bank's ordered text *Exterior y Cambios* as at September 14, 2026 (last amended by Comunicación A 8481), point 3.13.1	The central bank's prior approval; the only portfolio exception, 3.13.1.13, does not reach units received for bonds	The central bank	VERIFIED (the text); the reach to exchanged units INFERRED

Congress owns the debt. Article 75 of the Constitution gives it the power to "Contraer empréstitos sobre el crédito de la Nación" and to "Arreglar el pago de la deuda interior y exterior de la Nación". The three operations the record offers as precedent were each authorised by a statute: the 2020 exchange under Ley 27.544, the 2016 settlement under the Debt Authorization Law and the 2022 IMF programme under Ley 27.668. The Executive's own restructuring power under article 65 of Ley 24.156 is tied to an improvement in "los montos, plazos y/o intereses de las operaciones originales". Article 66 declares operations in breach of these rules "nulas y sin efecto, sin perjuicio de la responsabilidad personal de quienes las realicen", so the liability falls on those who carry the operation out.

An exchange of bonds for fund units extinguishes debt, which arguably improves the amount. Units are not debt, though, and a statute written for the conversion of debt into debt is a contestable base for a conversion into equity; the sound path is a specific law. DNU 846/2024 reaches only exchanges paid with "instrumentos de deuda pública cualquiera sea su moneda de pago", so it does not cover this swap, and its congressional status is not established on the public record read. Ley 27.612 remains in force. Its article 1

requires a "ley especial" for foreign-currency, foreign-law issuance above the budget's cap, which a dollar-denominated New York-law instrument plausibly triggers in any event.

The budget form follows from the same statute. Appropriations are "el límite máximo de las autorizaciones disponibles para gastar", and the fiscal year is the calendar year. The only lawful form of multi-year funding is therefore a permanent fund statute paired with an appropriation voted each year to subscribe the junior class, and the holders are told that each year's funding depends on that vote. Article 15 allows multi-year commitments only for works and procurement whose full cost and schedule the budget shows; those authorisations lapse at the close of the following year if no contract is signed. A binding multi-year transfer to a private beneficiary outside the budget would be public credit under articles 57 and 60, or a guarantee needing a law under article 64. The design carries no such term.

D2. The thresholds by series, and what the indentures already allow

Both 2020 indentures list among their reserve matters the power to "authorize the Trustee, on behalf of all holders" to "exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Republic or any other person". In contract terms a collective-action vote can therefore bind a series into units of a separate fund, which no court has tested for equity. Governing law, jurisdiction, immunity waivers and ranking are reserve matters too, so the classic exit-consent lever is mostly closed and the tool is the clause itself. "Uniformly applicable" means the same consideration per unit of principal and accrued interest for every holder, or the same menu. A design that gives some holders cash and others units therefore cannot use single-limb voting unless every holder is offered the same menu. Bonds held by the Republic, a public-sector instrumentality or an entity it controls "will be disregarded and deemed not to be outstanding" under both indentures.

The lock deserves its own reading. It follows a two-limb modification or a "restructuring exchange offer", a term defined as an offer to exchange "for new debt securities" and excluding offers made when the bonds trade above 90% of par and the new package is worth at least 90% in present value. At the prices of October 21, 2026 the exclusion is not met. An exchange into a Republic-issued fund-linked debt security is therefore a restructuring exchange offer, and the 36-month bar on single-limb voting follows it unless participation exceeds 75%. An exchange into fund units is arguably outside the defined term, and the lock is written into the 2016-indenture terms only.

The rights-upon-future-offers clause ran "until the fifth anniversary of the Settlement Date". The Republic's 2025 annual report on Form 18-K gives that date as September 4, 2020, so the clause expired on September 4, 2025, and nothing in the texts read supports a later date. Pari passu has been neutralised for the 2016-indenture bonds, whose text "will not be construed so as to require the Republic to make payments" ratably. The 2038 and 2041 bonds keep the older wording.

The negative pledge binds the Republic not to "create or permit to subsist any security interest" or "preferential arrangement that has the practical effect of constituting a security interest" in its revenues or assets to secure its public external indebtedness, unless the bonds are secured "equally and ratably" or the holders approve. "Public external indebtedness" is external indebtedness "of, or guaranteed by, the

Republic" in securities form that is publicly offered or privately placed and listed or traded. Four consequences follow, each the paper's reading.

A security interest or an offshore trust of federal receivables backing a Republic-issued dollar security breaches the pledge for the bonds left outstanding, unless those bonds are equally secured, the holders approve, or the project-finance exception fits. Units of a separate fund that the Republic does not guarantee are not its indebtedness, so a lien the fund grants over its own assets sits outside the clause. An outright transfer of assets to the fund is not a security interest, though a transfer earmarked to pay unit holders could be argued to be a preferential arrangement. Local-law instruments settled in Argentina fall outside external indebtedness altogether.

D3. Separation, delegation and the provinces

Under Bancec a duly created instrumentality of a foreign state is "accorded a presumption of independent status". The presumption yields where the entity is "so extensively controlled by its owner that a relationship of principal and agent is created", or where respecting the form would work fraud or injustice. The Second Circuit set out five indicia of extensive control in EM Limited against the Argentine central bank in 2015: the sovereign uses the instrumentality's property as its own, ignores its separate status or formalities, deprives it of independence from close political control, requires political approval for ordinary business decisions, or issues directives that make it act directly on the sovereign's behalf. The touchstone is whether the sovereign "exercises significant and repeated control over the instrumentality's day-to-day operations". The English court in Kensington against Congo pierced intermediary companies that were "a façade behind which Cotrade, SNPC and the Congo have attempted to hide".

The statutory separation set the paper derives from those texts has seven parts. The fund has legal personality of its own and a board with fixed terms, removable only for cause. It takes no instruction from the Executive. It neither borrows from nor lends to the Treasury, on the pattern of the central bank's charter. It keeps separate audited accounts and deals with the state at arm's length. No transfer is timed to defeat a judgment creditor.

Article 76 forbids the delegation of legislative power to the Executive except "en materias determinadas de administración o de emergencia pública, con plazo fijado" and within the bases Congress sets. A statute creating an autonomous body is a different technique. The central bank is "una entidad autárquica del Estado nacional" that "no estará sujeto a órdenes, indicaciones o instrucciones del Poder Ejecutivo nacional", and the national audit office is "una entidad con personería jurídica propia, e independencia funcional". A fund statute that itself fixes the mandate, the investment limits, the governance and the rules for selling is a lawful creation of such a body. One that leaves a board free to dispose of unnamed state assets invites the article 76 attack, and the objection under article 75, inciso 5, that the disposal of national land is a power of Congress.

Natural resources belong to the provinces. Article 124 provides that "Corresponde a las provincias el dominio originario de los recursos naturales existentes en su territorio". Hydrocarbon deposits are provincial onshore and to twelve nautical miles, and royalties are paid "al concedente" as the "único mecanismo de ingreso sobre la producción de hidrocarburos que percibirán las jurisdicciones titulares del

dominio". Mines are "bienes privados de la Nación o de las Provincias, según el territorio en que se encuentren", and hydroelectric royalties of 12% go to the provinces where the sources sit. A national fund can receive those streams only by a province's own contribution, so the paper's asset discussion names federal streams alone. The spectrum, whose management is "responsabilidad indelegable del Estado nacional", is poor collateral because its permits are precarious.

D4. The questions the exchange documents settle, with the paper's reading

Number	Question	The paper's reading	Lane
1	Is a specific law required, or does article 65 of Ley 24.156 suffice for an exchange into non-debt consideration?	A law; article 65 is a contestable base for a conversion into equity	R2-BL2, R2-BL20
2	Does Ley 27.612 art. 1 reach fund units, or only a Republic-issued fund-linked security?	Plausibly both if dollar-denominated under New York law	R2-BL4
3	Can a collective-action vote under the 2016 and 2005 indentures bind holdouts into equity of "any other person" under New York law, and what valuation evidence makes a menu "uniformly applicable"?	Possible on the text; untested for equity; expect good-faith and uniformity claims	R2-BL6 to BL8
4	Which series keep older terms: the untendered Par 2038 bonds excluded from the 2020 modification, and the pre-2005 untendered debt with no usable clause?	Outside the perimeter; the pre-2005 remainder cannot be bound	R2-S10b, R2 question 4
5	Is the fund an "investment company" under the Investment Company Act, and does §3(c)(7) take class A outside it?	A foreign fund may not offer publicly without an SEC order; the private route is Rule 144A to qualified purchasers	R2-BL15, R2-S20, R2-S21
6	Can the fund use Schedule B, or only the Republic?	Schedule B and the Trust Indenture Act exemption belong to the Republic's own securities	R2-BL16, R2-S18
7	Does any state payment to the fund, or a preferred tranche, trigger the negative pledge or cross-default?	A lien by the fund over its own assets is outside the pledge; a Republic-backed security interest is inside it	R2 follow-up F8

Number	Question	The paper's reading	Lane
8	Alter-ego and fraudulent-transfer exposure while untendered-debt judgments, the GDP-linked judgment and ICSID awards remain unpaid; whether a settlement should precede the swap	The Bancec presumption, the EM Ltd. indicia and the Kensington fact pattern set the test	R2-BL12, R2 follow-up F6
9	AIFMD and Prospectus Regulation treatment of units offered to EU holders; the UK public-offer regime for the English-law holders	The UK regime in force since January 19, 2026 carries qualified-investor exemptions; for EU holders the paper assumes the same qualified-investor route and states nothing on the EU texts	R2-BL17, R2-S27
10	Consistency with the IMF programme, and the Ley 27.612 art. 2 law if the programme changes	Outside the paper's reading; the programme's own documents govern it	R2 question 10
11	The 7% withholding on dividends to foreign beneficiaries against exempt sovereign bonds, and the tax-neutrality article	A statutory exemption is required	R5-BL15; Appendix B, B11
12	Whether the abusive-exit-consent doctrine of Assénagon limits a consent solicitation on English-law instruments	Outside the perimeter; this design solicits no consent on the English-law instruments	R2 question 12
13	Whether a menu offer that includes the debt leg counts as a "restructuring exchange offer" under the 2020 bonds' definition, so that the equity leg's advantage on the 36-month bar holds only for an offer of units alone	An offer of units alone is arguably outside, since the definition names "new debt securities"; a menu with the debt leg is, on the same reading, inside, and a two-limb vote triggers the bar whatever the consideration	R2 follow-up F7; Part VI, "The indentures already contemplate conversion"

Number	Question	The paper's reading	Lane
14	Whether the yearly appropriation to class B is the only lawful budget form, and how the statute states that each year's funding depends on the vote	Yes on arts. 10, 15, 20 and 29 of Ley 24.156	R2 follow-up F5
15	Whether a province may contribute royalty streams for units, and on what instrument	By provincial law or agreement; the federal statute cannot redirect them	R2 follow-up F1
16	The central bank's sub-point treating units received in the exchange as compliant for dollar distributions, or an offshore class A issuer as the alternative	Point 3.13.1 of the ordered text as last amended by Comunicación A 8481 requires prior approval today	R3 follow-up, F-43 and F-44
17	How class A presents in the fund's own accounts under IAS 32, where units that rank above another class in a limited-life fund may show as a liability	Likely a liability in the accounts; unchanged in the statistics	R3 follow-up; Appendix B, B12
18	What the congressional status of DNU 846/2024 is under the Ley 26.122 procedure	Not established on the public record the paper read; on the paper's reading the decree does not reach an exchange into equity in any case	R2 follow-up F9; Part VI, "Why the Executive cannot do it alone"
19	How one "uniformly applicable" menu reaches United States holders who cannot receive units, when retail holders are limited to the debt leg or to cash	Untested; the uniformity test is most exposed at this point	R2-BL8, R2-BL15; Part VI, "United States securities law and the two legs' forms"
20	Whether an ordinary statute can bind a later Congress to the two-thirds threshold it borrows from Ley 27.181 for any amendment of the exposure ban	A statute alone binds no future Congress, which is why class A's foreign-law terms repeat the ban as a contract claim	R3 follow-up; D24; Part VI, "The fund's statute: autonomy, the yearly vote and the exposure ban"

Number	Question	The paper's reading	Lane
21	Whether a statute closing article 20 ter of the Código Penal for crimes against the state or the fund would survive a proportionality challenge	The paper claims nothing on proportionality; the regime uses the Código Penal's existing scales (Part X)	R7-BL5; Part X, "The lifetime bar and recovery without conviction: what each needs from Congress"
22	Whether Ley 27.275 reaches the fund as one of the "fondos cuya administración, guarda o conservación esté a cargo del Estado nacional"	Yes if the fund is a state entity, on the paper's reading (INFERRED)	R7 follow-up F-11; Part X, "Prevention: removing the opportunity"

Two findings close the appendix. A voluntary exchange with collective-action aggregation is the only defensible route for the local-law bonds as well. The Supreme Court in Galli upheld the pesification and deferral of Argentine-law bonds under emergency doctrine, as a Marval O'Farrell Mairal note records, and a compulsory statutory conversion of those bonds into equity would face article 17 property challenges. The domestic vehicle exists in law: a closed-end fund may hold "títulos valores que no tengan oferta pública", "derechos creditorios de cualquier naturaleza" and real assets, and its units "deberán tener oferta pública autorizada por la Comisión Nacional de Valores" and be listed. Publicly offered funds are tax-transparent for investments made in Argentina under Ley 27.440 art. 205. A closed-end fund lacks legal personality, so the Sovereign Fund itself needs its own statute and uses closed-end funds as its deployment layer.

Appendix E. The integrity instruments

This appendix carries the instruments behind the penalty table of Exhibit 21 and the terms of the audit regime of Exhibit 22. Every instrument rests on a text the research read on InfoLEG, in the official gazette, on the issuing body's own site or in a labelled copy. Each design element that the law does not already contain is labelled as the paper's own and carries the evidence it rests on.

E1. The constitutional frame

Article 17 of the Constitution reads "La confiscación de bienes queda borrada para siempre del Código Penal argentino". The American Convention, which holds constitutional rank under article 75, inciso 22, adds in article 5(3) that "La pena no puede trascender de la persona del delincuente", which bars reaching a convict's family. Exile is barred by article 22(5) of the Convention: "Nadie puede ser expulsado del territorio del Estado del cual es nacional, ni ser privado del derecho a ingresar en el mismo". Article 36 of the Constitution gives lifetime disqualification to the authors of coups. For corruption it says only that whoever commits "grave delito doloso contra el Estado que conlleve enriquecimiento" is disqualified "por el tiempo que las leyes determinen". The lifetime bar lives in the Código Penal, and article 20 ter provides that a person under perpetual absolute disqualification "puede ser restituido" after ten years of good conduct with the damage repaired, so restoration is permitted and never automatic.

Only a criminal judge can strip the right to hold office. Article 23(2) of the Convention limits restrictions on political rights to, among other grounds, "condena, por juez competente, en proceso penal". The Inter-American Court applied that wording in López Mendoza against Venezuela on September 1, 2011, at paragraph 107. A ban from contracting with the fund is a different thing, since it touches no political right, and can be contractual.

Non-conviction forfeiture rests on DNU 62/2019, a necessity-and-urgency decree. Article 99(3) allows such decrees only where "no se trate de normas que regulen materia penal". A bill reported on October 15, 2026 would replace the decree by statute, as Parlamentario reports it, and the fund's design depends on neither.

E2. The instruments table

Instrument	Legal basis	What it does	Precedent	Trip-wire
Forfeiture (decomiso)	Código Penal art. 23	Takes the instruments and "las cosas o ganancias que son el producto o el provecho del delito" from the offender, the company and gratuitous recipients; freezing from the first day of the case	Peru's returns from Switzerland, 2002 to 2006	A conviction is needed outside Title XIII and arts. 213 ter and quáter; article 17 bars going beyond the proceeds

Instrument	Legal basis	What it does	Precedent	Trip-wire
Restitution and damages	Código Penal arts. 29 to 32	Restores the prior state; the victim's compensation ranks ahead of forfeiture and the fine	Brazil's Lei 12.846 art. 16 §3: leniency never excuses full repair	Proof of damage; collection against hidden assets
Multiple fines	Código Penal arts. 259 bis, 265, 268(1) and (2); Ley 27.401 art. 7(1)	Two to five times the bribe, the benefit or the enrichment	Odebrecht: a US$4.5 billion fine agreed and an ability to pay of about US$2.6 billion	Ability to pay; the confiscatory-fine argument (case law not surveyed)
Illicit enrichment	Código Penal art. 268(2); UNCAC art. 20	Two to six years' prison, a fine of two to five times the enrichment and "inhabilitación absoluta perpetua"	none recorded	The accused must justify the wealth once "debidamente requerido"; doctrinal challenges exist, not surveyed here
Civil forfeiture (extinción de dominio)	DNU 62/2019	Forfeiture of assets linked to listed offences without a conviction; a 20-year limit; return on acquittal	Peru's Swiss return of 2023	Article 99(3); a replacement bill pending
Disqualification	Código Penal arts. 19, 20 and 20 ter; Constitución art. 36; UNCAC art. 30(7)	Removes and bars from public office, perpetual for peculation and enrichment	López Mendoza, as the case not to repeat	Only a criminal judge; restoration may be granted after ten or five years
Asset declarations	Ley 25.188 arts. 4 to 6 and 10; Ley 26.857; Código Penal art. 268(3)	Declarations on entry, each year and on exit, public, family assets included	The Oficina Anticorrupción's online register	Privacy of the reserved annex; enforcement capacity

Instrument	Legal basis	What it does	Precedent	Trip-wire
Corporate liability and integrity programmes	Ley 27.401 arts. 1, 2, 7 to 9, 16 to 18 and 22 to 24	Companies liable for bribery and enrichment schemes; fines; a ten-year tender ban; publication; a programme required for large state contracts	Odebrecht and Braskem, 2016	Exemption on self-report with a prior programme and return of the benefit (art. 9), so self-reporting must stay attractive
Cooperating defendant (arrepentido)	Código Penal art. 41 ter; art. 276 bis	Prison reduction for precise, verifiable information	Brazil's Lava Jato agreements	Never reduces disqualification or the fine; false information carries four to ten years
Administrative debarment	Decreto 1023/2001 arts. 10, 28 and 29; Decreto 1030/2016 art. 106	Rejection, rescission and suspension; one to two years for bribery; convicts barred "por un lapso igual al doble de la condena"	none recorded	Short terms; article 28(e) reaches persons merely "procesadas"
Whistleblower rewards	15 U.S.C. §78u-6 and 7 U.S.C. §26 as models	10% to 30% of sanctions collected above US$1 million; anti-retaliation	The SEC's "almost $2 billion" to "nearly 400" people by fiscal 2023	No Argentine equivalent found; a fund contract or a new law
Beneficial-ownership disclosure	Ley 27.739 chapter III; AFIP RG 5529/2024; UNCAC art. 52	A register open to authorities	none recorded	The European Court of Justice's 2022 ruling on public access; Ley 25.326 (section E5)
External and internal audit	Constitución art. 85; Ley 24.156 arts. 96, 97, 116 and 117; GAPP 11 and 12	The national audit office's external control of state companies; internal control by SIGEN	Norway's and New Zealand's funds, audited annually under the Santiago Principles	SIGEN is "dependiente del Presidente de la Nación"

Instrument	Legal basis	What it does	Precedent	Trip-wire
Recovered-asset administration	The United States, Jersey and Nigeria agreement of February 3, 2020	Recovered funds run by a national investment authority under an independent auditor and a civil-society monitor	Nigeria's authority, US$311.8 million in 2020	The destination of forfeited assets needs a law, since article 23 sends them to the state
International cooperation	UNCAC chapter V (arts. 51 to 57); the OECD Convention under Ley 25.319; mutual legal assistance	Return of embezzled funds on a final judgment; civil action abroad by the victim state	Abacha (Switzerland and the United States); 1MDB (the United States)	The requested state may require a final judgment; years of delay

E3. The constitutional limit at each measure, and the lawful instrument in its place

Measure a reader may propose	The lawful instrument	Existing basis	Trip-wire
Confiscate all personal assets	Forfeiture of instruments and proceeds, including those held by a company or a gratuitous recipient; value-based forfeiture by statute	Código Penal art. 23; Ley 27.401 art. 10; UNCAC art. 31(1)(a)	Article 17; forfeiture tracks proceeds, never the whole estate; good-faith third parties are protected
Restitution in full	Full restitution and damages, joint and several, ranked first; fines of two to five times the benefit	Código Penal arts. 29 to 32, 259 bis, 265 and 268(2); Ley 27.401 art. 7(1)	A fine that absorbs the estate risks being read as confiscation (case law not surveyed); fines go to the state and damages to the victim
Exile	Prison under the existing penalties; travel bans only as judicial precautionary measures	The Código Penal and the procedural codes	Convention art. 22(5); Constitución art. 14
Loss of nationality	Disqualification from office and from contracting	Código Penal arts. 19 and 20; Decreto 1023/2001 art. 28	Convention art. 20(3), which cannot be suspended even in an emergency
Public humiliation	Publication of final judgments and a public register of convicted persons and debarred firms	Ley 27.401 arts. 7(6) and 25	Constitución art. 18; Convention arts. 5(2) and 11; only final judgments, never accusations

Measure a reader may propose	The lawful instrument	Existing basis	Trip-wire
A lifetime ban from office	"Inhabilitación absoluta perpetua" on conviction; a statute removing the article 20 ter rehabilitation for crimes against the state or the fund	Código Penal arts. 261, 268(2) and 20 ter; Constitución art. 36; UNCAC art. 30(7)	A criminal judge only; prospective only under article 18 and Convention art. 9; proportionality
Debarment from the state and the fund	The statutory bars, plus a fund-wide contractual exclusion list longer than one or two years for managers, suppliers and portfolio companies	Decreto 1023/2001; Decreto 1030/2016 art. 106; Ley 27.401 art. 7(3)	Exclusion on a final judgment or a proven breach, with a hearing, never on an indictment alone
Recovery without a conviction	A statute, not the decree, on civil forfeiture of proceeds, adversarial, with the burden shift stated and return on acquittal	DNU 62/2019 today; Código Penal art. 23 on Title XIII; UNCAC arts. 54(1)(c) and 31(8)	Article 99(3); the presumption of innocence; no retroactivity
Annual auditor rotation	The joint audit and the forensic draw of section E4	Regulation (EU) 537/2014 art. 17; GAO-04-216	Annual rotation would put every audit in its weakest year
Cooperation incentives	The cooperating-defendant regime for individuals; effective collaboration for companies	Código Penal art. 41 ter and art. 276 bis; Ley 27.401 arts. 16 to 18	Never reduces disqualification or the fine for individuals; agreements can be reopened, as Brazil's were in 2023 and 2024

E4. The audit regime and its terms

Element	Term	Evidence or rule it rests on
Statutory audit	A joint audit by two firms of comparable size; each firm serves at most six years; terms staggered so that one firm is replaced every three years; a four-year cooling-off	Regulation (EU) 537/2014 art. 17; GAO-04-216 and Johnson, Khurana and Reynolds 2002 on the weak early years; Deng, Lu, Simunic and Ye 2014 against pairing a large firm with a small one
Partner rotation	Lead partners rotate at five years and stay out three	Regulation (EU) 537/2014 art. 17(7); the first paper's Appendix B, clause B12

Element	Term	Evidence or rule it rests on
Fresh eyes each year	An annual forensic review of related-party transactions, procurement and valuations by a third firm, drawn by lot from a pre-qualified roster, never in consecutive years, reporting to the audit committee and the national audit office	The paper's own design, which keeps the purpose of annual rotation without making the statutory audit a first-year audit
The roster	Objective admission criteria set by the audit committee with the national audit office's opinion; every firm that meets them admitted; the frozen roster published thirty days before the draw with time to object	Ley 26.861 arts. 24, 26 and 27 on judicial hiring
The draw	A public random value fixed in advance, such as a published randomness beacon at a pre-announced minute, and a published selection method, so that anyone can recompute the result; a firm drawn is not drawn again until every other eligible firm has served	NIST's beacon, which exists to supply "trusted public randomness"; Ley 26.861 art. 27 on later draws
Independence	No non-audit services from any auditor of the fund or its network; fee caps; appointment and dismissal by an independent audit committee, never by management or the Treasury	Regulation (EU) 537/2014 arts. 4 and 5; GAPP 16
External public control	The national audit office audits the fund under Ley 24.156 art. 117 and publishes the report	Constitución art. 85
Valuation	Independent valuation of every unlisted holding under the IPEV guidelines of December 11, 2025, by a valuer who is not an auditor of the fund	The IPEV site; the separation is the paper's own rule
Publication	The audit reports, the forensic review, the management letter and the audit office's report published in full	GAPP 11, 12 and 17

No major regime rotates audit firms every year. The European regulation caps an engagement at ten years, twenty with a public tender and twenty-four with a joint audit, and then requires a four-year cooling-off.

The study that Sarbanes-Oxley ordered found three things. About 79% of the largest audit firms and of Fortune 1000 companies believed that a change of auditor raises the risk of audit failure in the early years. More than 83% said that familiarity generally "takes 2 to 3 years or more". Nearly all the largest audit firms put first-year costs more than 20% above later years. Johnson, Khurana and Reynolds found that "short

audit-firm tenures of two to three years are associated with lower-quality financial reports". Annual rotation would put every audit in its weakest year, which is the paper's inference from that evidence.

The draw must be verifiable from outside, and Argentina's own courts show why. The federal courts assign cases by a computer draw. An audit by SIGEN found the system "presenta falencias", as La Nación reported, while finding no evidence of manipulation.

Ley 26.861 gets the roster right. The list of qualified candidates is published before any draw, the draw is run through a third party, "a través de la Lotería Nacional S.E.", the list is valid for two years, and later draws go first to those "que no hubieren sido designados el año anterior". The procurement rule adds the presence of interested parties, "en presencia de los interesados, si asistieran", and minutes. Neither makes the result recomputable afterwards, so the fund's draw adds the public seed and the published method. The residual risk moves to the roster's admission criteria. That is why the audit committee sets them with the audit office's opinion and management sets nothing.

E5. Rewards, disclosure and recovery

The reward follows the United States pattern, with its safeguards. The SEC and the CFTC pay between 10% and 30% of sanctions collected when they exceed US$1 million. The SEC had paid "almost $2 billion" to "nearly 400" whistleblowers by the end of fiscal 2023. A claimant declares "under penalty of perjury" at submission. No award goes to anyone who "knowingly and willfully makes any false, fictitious, or fraudulent statement", awards are paid only as a share of "what has been collected", and no award goes to a person convicted in the related case. Anonymous claimants act through counsel and disclose their identity before payment.

Argentine law punishes false reports weakly and extortion heavily. False denunciation "ante la autoridad" carries two months to one year or a fine of 750 to 12,500 pesos, last updated in 1993. Blackmail by threat of accusation carries three to eight years under article 169. A report made only to the fund is probably not made "ante la autoridad", which is the paper's reading. The reward is therefore paid only when the reporter also files with the Ministerio Público Fiscal or the Oficina Anticorrupción, and any approach to the person reported forfeits it.

Beneficial owners can be published with consent, and the consent is bounded. Ley 25.326 requires "consentimiento libre, expreso e informado" in writing, given "en forma expresa y destacada" when bundled with other declarations, and data that are "adecuados, pertinentes y no excesivos" for the stated purpose. The law also says that "El consentimiento para la cesión es revocable", so the fund's remedy on withdrawal is to end the contract, never to keep publishing. The published set mirrors the European access rule of 2024. It lists "the name of the beneficial owner", "the month and year of birth", "the country of residence and nationality" and "the nature and extent of the beneficial interest held", with the date of the last update, and never an address, an identity number, a full date of birth or any sensitive data.

Bank secrecy does not bind the fund. Article 39 of Ley 21.526 binds only "Las entidades comprendidas en esta ley" and only "las operaciones pasivas que realicen". If the fund is a state entity, Ley 27.275 makes the contracting data of "fondos cuya administración, guarda o conservación esté a cargo del Estado nacional" public by statute.

Recovery is a long tail and never the base case. Peru had recovered over US$174 million by 2007, and Switzerland returned US$93 million between 2002 and 2006. The Abacha funds reached Nigeria in May 2020: US$311,797,876.11 under "administration of the funds and projects by the Nigeria Sovereign Investment Authority (NSIA), financial review by an independent auditor, and monitoring by an independent civil society organization", with spending that benefits the alleged perpetrators barred. That is the template the fund adopts for any recovered asset. 1MDB is the warning: more than US$4.5 billion was taken from a state investment fund between 2009 and 2015, and about US$1.4 billion had been returned by the United States by June 2024. Its more than US$1.7 billion of seizures were "the largest recovery to date under the department's Kleptocracy Asset Recovery Initiative".

Appendix F. The tariff model

This appendix sets out the method and the inputs behind the fiscal cost of a zero applied duty on chapters 84, 85 and 90, the range of US$0.8 billion to US$1.6 billion a year that Part IX carries. The estimate is the paper's own and is labelled INFERRED.

F1. The regime

Regime	Rate	Scope	Legal basis	Label
WTO bound	31.8% on average; machinery about 34.9%; maximum 35%	All lines, fully bound	Argentina's WTO schedule	VERIFIED
Applied, all goods	12.4% simple; 12.3% trade-weighted (2025)	All lines	Decreto 557/2023 and amendments	VERIFIED
Applied, mechanical, office and computing machinery	11.5% on average; 14.7% of lines duty-free; maximum 35%	Mainly chapter 84	The same	VERIFIED
Applied, electrical machinery and electronics	13.2% on average; 19.6% of lines duty-free	Mainly chapter 85	The same	VERIFIED
Capital goods and information-technology goods	Any rate, including zero	Goods classified BK and BIT	CMC Decision 8/21 to December 31, 2028; Decreto 557/2023 annexes III and IV	VERIFIED
The 27 capital goods cut in 2025	From 20% to 35% down to 12.6%	27 tariff lines	Decreto 513/2025	VERIFIED text; the rates VERIFIED-SECONDARY
Used goods, chapters 84 to 90	Twice the new-goods duty, capped at 35%	Used machinery not exempt elsewhere	Decreto 273/2025	VERIFIED
Mercosur origin	Zero	Originating goods	The customs union	VERIFIED

Regime	Rate	Scope	Legal basis	Label
RIGI	Zero duty, zero statistics fee, no perceptions	New capital goods, parts, components and consumables for projects of at least US$200 million	Ley 27.742 arts. 173, 190 and 201	VERIFIED
Statistics fee	3%, capped; Mercosur exempt	Definitive imports for consumption	Decreto 1140/2024, to December 31, 2027	VERIFIED-SECONDARY

The authority already exists. Decision 8/21 of the Common Market Council authorises Argentina "hasta el 31 de diciembre de 2028" to apply a rate different from the common external tariff, "inclusive de CERO POR CIENTO (0 %)", to goods classified as capital goods and information-technology goods. A national decree under article 664 of the Código Aduanero is enough to zero them today. Machinery outside those lists sits under the common tariff. The national exception list is capped at 100 tariff codes to 2028, so a blanket zero beyond the two lists needs a Mercosur decision rather than a decree.

The large-project version of the proposal is in force. RIGI exempts from import duties, the statistics fee and every perception regime the new capital goods, spare parts, components and consumables of projects of "al menos doscientos millones de dólares", with "treinta (30) años" of tax, customs and exchange stability. Its adhesion window was extended to July 8, 2027. Used machinery still pays double, since Decreto 273/2025 orders the authority to "incrementar en un CIENTO POR CIENTO (100 %)" the extra-zone duty, "en ningún caso" above "TREINTA Y CINCO POR CIENTO (35 %)". The paper asks for an applied zero and never a bound one. The WTO constraint is most-favoured-nation treatment, and a binding at zero would be irreversible.

F2. The inputs

Input, 2025	Value	Source	Label
Import duties collected	ARS 5,633,491 million; 0.663% of GDP	Ministerio de Economía, DNIAF, preliminary 2025 series	VERIFIED
Statistics fee on imports	ARS 1,073,214 million; 0.126% of GDP	The same	VERIFIED
Export duties, for scale	ARS 7,191,591 million; 0.846% of GDP	The same	VERIFIED
Average official exchange rate	1,240.85 pesos per dollar	World Bank WDI	VERIFIED
GDP	US$683.1 billion	World Bank WDI	VERIFIED

Input, 2025	Value	Source	Label
Goods imports	US$75,791 million	INDEC, as the Cancillería's CEI republishes it	VERIFIED-SECONDARY
Imports of chapters 84, 85 and 90	US$12,473 million; US$7,830 million; US$2,270 million; US$22,574 million in all, 29.8% of imports	UN Comtrade, Argentina as reporter	VERIFIED
Share of those chapters supplied by Brazil, Paraguay and Uruguay, 2024	13.6% (US$2,396 million of the three chapters' 2024 imports)	UN Comtrade	VERIFIED; the share INFERRED

F3. The estimate, step by step

Step	Arithmetic	Result
Import duties in dollars	ARS 5,633,491 million at 1,240.85	about US$4.54 billion, which 0.663% of US$683.1 billion confirms
Average duty collected on all imports	US$4.54 billion over US$75.79 billion	about 6.0% of import value
Dutiable base for the three chapters	US$22.57 billion less the 13.6% Mercosur share of 2024	about US$19.5 billion
Effective rate scenarios on that base	4%; 6%, the economy-wide average; 8%	US$0.78 billion; US$1.17 billion; US$1.56 billion
Ceiling check	the full 12% applied average with no exemptions	about US$2.3 billion, more than half of all import-duty revenue, which the exemptions make implausible
Central estimate	the 6% scenario	about US$1.2 billion a year, 0.17% of GDP, 26% of 2025 import-duty revenue
Statistics fee on the same base	3%, capped, Mercosur exempt	a ceiling of about US$0.58 billion, realistically lower

The average duty collected, about 6.0% of import value, sits well below the 12.3% trade-weighted applied average. Mercosur origin, RIGI, the capital-goods reductions, temporary imports and the other exemptions already remove much of the base. The effective rate collected on the three chapters is not published, so the estimate runs three scenarios around the economy-wide average and prints the range. The 4% case assumes the chapters already carry more exemptions than the average line; the 8% case assumes fewer.

F4. What the estimate omits

Perceptions of value-added tax and income tax charged at customs are credits against later liabilities, never final revenue. They are a timing effect and not a cost. Two offsets are not quantified. A larger import base raises the value-added tax collected at customs, and a lower cost of investment may raise future income-tax and payroll bases, which under the Model would also widen the base of the Human Capital Pool. The statistics fee adds at most a few hundred million dollars a year and expires on December 31, 2027 on its current decree.

The gap in the estimate is one number: the duty collected in 2025 by tariff chapter and by regime, which the customs authority holds and INDEC's trade database can approach by origin. Until that number is read, the paper prints the range and never a point.

Appendix G. The comparator ledgers

Part XI asks whether the design travels, and this appendix carries the ledgers behind its two cases. Egypt borrows in dollars and runs on its own currency, while Ecuador runs on the dollar and has no lender of last resort. The choice is the research's own, made on four grounds for each case and labelled INFERRED. The figures come from the IMF's World Economic Outlook and Fiscal Monitor of October 2026, read through the Fund's data interface with the vintage taken from the indicator metadata, and from the World Bank's development and debt databases, updated October 8, 2026. For Egypt the IMF's 2025 column is the fiscal year July 2024 to June 2025, and the table labels it so. The derived columns are the paper's arithmetic.

G1. Three ledgers side by side

Measure	Argentina	Egypt	Ecuador	Source and label
Monetary regime	A floating peso inside a band	A floating pound	The United States dollar since 2000	R1 comparison table
General-government gross debt, share of GDP, 2025	80.1%	86.8% (FY2024/25)	54.5%	IMF WEO, October 2026, VERIFIED
Share of the debt in foreign currency or external	51% payable in foreign currency (the Treasury, September 2026)	about 30% external, a proxy from external public debt over total debt	100% in dollars, by construction	Finanzas, VERIFIED; the proxies INFERRED from WB IDS and IMF series
Interest as a share of general-government revenue, 2025	4.8 (the national interest bill is 6.2% of tax revenue)	60.9 (FY2024/25)	3.2 (the World Bank's 2022 reading is 4.7%)	INFERRED from IMF primary and overall balances over revenue
Interest as a share of GDP, 2025	1.21% (national net interest, cash basis)	about 9.8% (FY2024/25)	about 1.13%	INFERRED from the IMF Fiscal Monitor; IMIG for Argentina, VERIFIED
External public and publicly guaranteed debt service, share of exports, 2024	13.8	36.2	11.6	World Bank IDS, VERIFIED

Measure	Argentina	Egypt	Ecuador	Source and label
Reserves in months of imports, 2025	4.0	4.4	2.8	World Bank WDI, VERIFIED
Domestic credit to the private sector, share of GDP, 2025	17.6	25.8	58.9	World Bank WDI, VERIFIED
Primary balance, share of GDP, 2025	1.38%, national, cash basis	+3.26%, general government, FY2024/25 (overall balance -6.55%)	-1.66%, general government (overall balance -2.79%)	IMIG for Argentina; IMF Fiscal Monitor, October 2026, GGXONLB and GGXCNL, for Egypt and Ecuador; VERIFIED
Sovereign risk, dated	EMBI spread 672 basis points, October 20, 2026	Five-year CDS 336.33 basis points, October 21, 2026: a CDS level, not an EMBI spread	EMBI spread 575.05 basis points, October 20, 2026	Rava for Argentina, VERIFIED-SECONDARY; worldgovernmentbonds.com for Egypt, VERIFIED-SECONDARY; Banco Central del Ecuador, VERIFIED
Latest restructuring	The 2020 exchange; the 2005 and 2010 exchanges	None	The 2020 restructuring, a 41.2% haircut in present value on the dataset	R1 and R4, VERIFIED
A conversion precedent	The May 2026 cancellation of the central bank's dollar letters for pesos	Ras El-Hekma, 2024: US$35 billion, of which US$11 billion of UAE central-bank deposits converted into investment	The Galápagos conversion of 2023	R1 and R4; Ras El-Hekma VERIFIED-SECONDARY

The interest ratio is the paper's own: the primary balance less the overall balance, divided by revenue, on the IMF's general-government series for 2025. The external-share proxy divides the World Bank's public and publicly guaranteed external debt, which excludes IMF credit, by the IMF's debt ratio times GDP. It understates the foreign-currency share where domestic dollar debt or IMF credit is large, as it is for Argentina, whose Treasury figure is used instead. Egypt carries the heaviest interest burden in the set, about 61% of general-government revenue and about 9.8% of GDP in FY2024/25, with debt at 86.8% of

GDP and external service at 36.2% of exports, the highest ratio in the set. The IMF's staff report of August 2026 estimates its interest at 14.8% of GDP in FY2025/26 against revenue and grants of 16.6%, about 89% of revenue on the paper's arithmetic. It has not restructured, so a conversion there would be preemptive, as it would be for Argentina.

Ecuador's primary deficit means it covers none of its interest from the primary balance. The spreads are not one measure: JP Morgan revised the EMBI method in September 2026, which raised Ecuador's reported level as press reports of the central bank's statements record, and Egypt's figure is a CDS level, so the table does not rank Egypt against the other two.

The Ras El-Hekma deal of 2024 converted US$11 billion of United Arab Emirates central-bank deposits into investment inside a US$35 billion transaction, as Bloomberg and AGBI reported the cabinet's statement. That is a creditor converting a sovereign-side liability into equity-type investment, the paper's mechanism in miniature. The weakness of the case is that Egypt's burden is mostly domestic-currency interest at high rates rather than dollar amortisation, so the dollar-conversion logic covers a smaller share of its problem.

G2. Ecuador

The Galápagos conversion, May 2023	Term	Label
Bonds retired	US$1,628.8 million of face across the 2030, 2035 and 2040 global bonds	VERIFIED (the finance ministry's release)
Price paid	about 40 cents, as the press reported; the loan over the face retired is 40.3% on the paper's arithmetic	VERIFIED-SECONDARY; INFERRED
New financing	A US$656 million loan over 18.5 years at 6.975%	VERIFIED
Enhancement	Political-risk insurance of US$656 million from the United States Development Finance Corporation; a US$85 million guarantee from the Inter-American Development Bank; eleven private reinsurers	VERIFIED
Stated effect	"a reduction of US$972 million in the stock of our external debt"	VERIFIED, verbatim
Scale against the stock	about 10.5% of the US$15,563.4 million of global bonds then outstanding	INFERRED from the ministry's table
Commitments	over US$450 million for marine conservation, including over US$18 million a year for 18.5 years, and an endowment of over US$227 million by 2041	VERIFIED

Ecuador has used the dollar since 2000 and has no lender of last resort, so for it the question is whether to convert or to default, with no monetary channel in between. Its 2020 restructuring carried a haircut of 41.2% in present value on the dataset of Graf von Luckner and his co-authors, and the IMF's 2025

stocktaking reads about 43% off its chart. The restructured stock was US$18.38 billion. Investors who held through its 2008 default broke even about five years later, against fifteen for Argentina's 2001 default.

The 2023 conversion is the largest of its kind and the one the paper measures its own enhancement against. The United States insurance alone covered the whole loan, and the operation retired about a tenth of the global bonds outstanding, which the ministry put at a US$972 million reduction in external debt. The World Bank's guidance says that countries whose debt is unsustainable "may need instead broader solutions before a debt swap is appropriate". Ecuador's deeper credit market, at 58.9% of GDP against Argentina's 17.6%, means that absorption binds less there. Its thin reserves, 2.8 months of imports, and its oil dependence are the weaknesses the research recorded.

G3. The tariff position

Economy	Applied average, all goods	Mechanical machinery: average; share of lines duty-free; share of imports duty-free	Electrical machinery: average; share of lines duty-free	Bound average	Manufacturing, share of GDP, 1998 and 2025
Argentina	12.4%	11.5%; 14.7%; 14.5%	13.2%; 19.6%	31.8%	17.8% and 13.6%
Ecuador	10.9% (6.5% trade-weighted)	2.6%; 73.2%; 83.4%	9.8%; 47.2%	21.7%	19.9% and 13.2%
Egypt	No applied rates in the 2026 profiles; the World Bank's 2019 simple mean on manufactured products is 12.62%	Chapter 84, 2026 customs schedule: 8.5%; 17.2% of lines duty-free; import share not computed	Chapter 85, 2026 customs schedule: 12.9%; 20.0%	Machinery only: 16.1% mechanical and 30.0% electrical	16.98 and 14.50% (2025)

The tariff figures are the WTO's 2026 profiles for applied rates in 2025, read for Argentina and Ecuador, and the manufacturing shares are the World Bank's series. The profiles publish no applied rates for Egypt, so its machinery cells are the paper's simple averages of the national lines in the Egyptian Customs Authority's 2026 schedule, VAT excluded, and chapters 84 and 85 match the profiles' machinery groups only approximately. For Ecuador, Andean Decision 370 lets members defer the common tariff to zero for capital goods not produced in the subregion, and COMEX resolution 009-2021 cut tariffs on 667 lines of inputs and capital goods from August 1, 2021, as a law firm's note reports. Ecuador's manufacturing share fell anyway, from 19.9% of GDP in 1998 to 13.2% in 2025.

The lesson the research draws, and labels as its own, is that low or zero machinery duties are standard in the dollarised cases and did not stop their de-industrialisation. A zero lowers the cost of capital and modernises the stock, and the paper frames it so rather than as a re-industrialisation policy by itself. Most of Egypt's machinery lines already pay 0% to 5%, so the argument for a zero is weaker there.

G4. What the ledgers leave out

Egypt's all-goods bound tariff average is not stated. Three further items sit outside the ledgers and are not used: Ecuador's 2008 default beyond the break-even finding, Egypt's domestic legal path to a conversion, and Ecuador's bond indenture terms, which the design's legal path would need series by series as Appendix D gives them for Argentina.

Appendix H. Draft statutory articles

This appendix sets out, in English and in plain terms, the articles a statute of Congress would need to carry for the Sovereign Fund the paper proposes. They are the paper's own drafting, for discussion, on the constitutional and statutory texts it cites, and not legal advice. Where an article turns on a constitutional or statutory text the paper verified, the Spanish term of art is given in quotation marks. The articles are written so that the design survives a change of government by the force of its beneficiaries and its locks, and never by the assumption that any future Congress will keep a promise it did not make.

Article 1. Creation and legal personality.

The Sovereign Fund is created as a public entity with its own legal personality and its own assets, separate from the national Treasury, and governed by this statute and by the constitutional documents it adopts under it. The Fund is not a fund of the national administration, it does not form part of the budget's consolidated accounts except as this statute provides, and no asset of the Fund is an asset of the Republic. The Fund sits outside the national administration's internal-control system; the external control of the national audit office under Article 10 and this statute's integrity regime take its place, and no body of the national administration instructs the Fund.

Article 2. Object.

The Fund invests, as a private-equity investor would, through managers regulated by the securities commission and chosen by public tender, in new companies and in existing private companies converted at closing to the terms of The SAVI Capital Model, and it holds and realises the equity those investments create. The Fund operates no company. Nothing in this statute authorises the Fund to acquire, hold or manage any company or asset of the national state, and no company the Fund finances becomes a state asset by reason of its financing.

Article 3. The classes.

The Fund issues three classes of units. Class A is a residual, pro-rata claim on the Fund's net assets, carrying no par value, no maturity, no fixed redemption amount, no coupon and no guarantee or covenant of the Republic, and is issued only against bond claims surrendered in an exchange authorised under Article 13 or bonds tendered by an investor who has acquired them. Class B is held by the national Treasury alone and receives no distribution until class A has received, in cash and in tenders at net asset value, its aggregate issue value; thereafter the classes share pro rata by capital. Class C is issued only to a class A holder who elects it and carries the economics of the companies financed under the Model. No person other than the Treasury may hold class B, and no unit of any class may be issued to any public-sector entity other than the Treasury's class B. On winding up at the end of the Fund's term, the Fund's assets are realised and distributed in the order this article sets; the Republic assumes no liability of the Fund and acquires no asset of it except by purchase at a price set under Article 9.

Article 4. Ban on exposure to the public sector.

The Fund may hold no claim on the national state, a province, a municipality, the central bank or any public-sector entity in any form: no security, loan, deposit, repurchase agreement, "caución", unit of a fund that holds such claims, or derivative on them, whether acquired at issue or in a secondary market. The only

exception is cash and placements held for the Fund's own liquidity in instruments of not more than one year, within a limit fixed in the Fund's published investment policy and reported quarterly. The share of the Fund's assets that is any other such claim is published quarterly with the audited accounts and is zero. Balances that arise in the course of clearing, custody and settlement through the central bank or a public bank, held no longer than settlement requires, are not exposure for this article.

Article 5. Separation in fact.

The Republic appoints no majority of the Fund's board, instructs no decision of the Fund, guarantees no obligation of the Fund and receives no distribution except on its class B units. The Fund answers for its own obligations with its own assets alone, and no obligation of the Fund is an obligation of the Republic.

Article 6. Governance.

The board is appointed in its majority outside the national executive, on proposals from the national audit office ("Auditoría General de la Nación"), whose president the largest opposition party proposes under article 85 of the Constitution, and from bodies outside the executive named in the constitutional documents, for staggered terms that no government can replace at once. Class A holds, by its own vote, approval rights over related-party transactions, over any borrowing by the Fund, over any change in the investment policy and over any proposed exception to Article 4, and may remove an independent director. The constitutional documents may be governed, for the class A terms, by the foreign law this statute permits, and may provide for international arbitration of contractual claims with a waiver of immunity limited to the Fund's own assets. The Fund's public-law regime, this statute, its audit, its integrity rules and the public's access to its records stay under Argentine law; the foreign law governs the contract between the Fund and the holders of class A and nothing else.

Article 7. The yearly appropriation.

This statute authorises the budget of each year to appropriate into class B a sum not exceeding the service the Republic no longer pays on bonds exchanged under Article 13 in that year, and it binds no future year: each appropriation depends on the vote of its budget, is recorded as a capital transfer, and creates no right in any unit holder. The Treasury's capital in the Fund stays below the aggregate issue value of class A, and its first loss is capped at the share of total capital that a published stress test against the record of sovereign restructurings shows keeps the Treasury at or below one half of the loss in every scenario; the test, its inputs and the cap are published with each budget. No appropriation is voted in a year in which it would carry the primary balance below zero.

Article 8. Listing and settlement.

Class A units are admitted to public offering by the securities commission and listed on an authorised domestic market from the first day of issue, and the Fund obtains their admission to the international settlement systems and a foreign listing in depositary-receipt form within eighteen months. The Fund requests from the central bank, whose charter leaves the rule to its board, a rule under which distributions on units received in an exchange under Article 13 are paid to non-resident holders in foreign currency, and until that rule is given the Fund may issue class A through a foreign issuer under the constitutional documents.

Article 9. Valuation.

The Fund's net asset value is determined under a methodology fixed in the constitutional documents, with a frozen base, by an independent valuer, and may be changed only by the vote of class A under Article 6. No distribution, warrant or tender is linked to gross domestic product, to tax revenue or to any statistic compiled by the Republic.

Article 10. Audit.

The Fund's accounts are audited jointly by two firms of comparable size with staggered terms, no firm serving more than six years and none returning within four; the key partners rotate at five years; a third firm, drawn each year from a published roster under a public random value fixed in advance and a published method, conducts a forensic review and is not drawn in consecutive years; the firms provide no non-audit services; and the national audit office exercises external control over the Fund. The appointment of the auditors and the admission criteria of the roster are decided by an audit committee of independent directors with the audit office's opinion.

Article 11. Integrity.

Every manager and every company the Fund finances maintains an integrity programme of the kind the corporate-liability law requires of large state contractors ("programa de integridad", Ley 27.401), whatever the size of the contract. The officers of the Fund file the asset declarations the public-ethics law requires. Every counterparty of the Fund discloses its beneficial owners as a condition of contracting and consents to the publication of the data this statute permits within the data-protection law, the publication covering the name, the nationality, the country of residence, the nature and size of the interest held and the date of the record, and nothing more, for interests above the threshold the regulations set. The Fund pays a reward, from amounts it recovers, to a person whose report leads to a recovery, under a procedure the regulations set that leaves the rights of the person reported untouched, on the conditions that the report is also filed with the federal prosecutor or the anti-corruption office, that the reward is a share of the amount collected, that no reward is paid for a knowingly false report, and that any approach to the person reported forfeits it.

For an offence against the Fund or its chain committed after this statute enters into force, the rehabilitation that article 20 ter of the penal code allows does not apply to the perpetual disqualification the criminal judge imposes. Forfeiture under the penal code extends to property of a value corresponding to the proceeds where the proceeds themselves cannot be reached. Every final judgment against a person or company in the Fund's chain is published at the convicted party's cost, and no accusation is. Every mandate and portfolio agreement carries the anti-corruption clause of the national procurement regime and an exclusion from the Fund's chain, longer than that regime's own terms, applied on a final judgment or a proven breach after a hearing. Nothing in this statute authorises a penalty the Constitution bars.

Article 12. Tax neutrality.

Distributions on class A and class C units to foreign beneficiaries are exempt from the withholding that applies to dividends, on the same footing as interest on the Republic's bonds; the exchange under Article 13 and the issue of units are exempt from stamp and turnover taxes; and the Fund and the vehicles it uses

are fiscally transparent for investments made in the Republic, as the capital-markets law provides for publicly offered funds.

Article 13. Authorisation of the exchange.

Congress, in the exercise of the power to "arreglar el pago de la deuda interior y exterior de la Nación", authorises the national executive to offer to the holders of the Republic's foreign-currency bonds, on a voluntary basis and within the collective-action provisions of each series, an exchange of their bonds for class A units at a conversion ratio set by auction, together with the note under Article 14, on terms that are uniformly applicable within each series. No holder is compelled to exchange, and the Republic may not use any power of this statute to modify the terms of a bond held by a non-tendering holder except as the collective-action provisions of its series allow. The authorisation lapses five years after this statute enters into force unless Congress renews it, and the executive reports each exchange to Congress within thirty days of its settlement.

Article 14. The debt leg.

Congress authorises the issue, under foreign law, of a dollar note of the Republic to be offered in the exchange beside class A, with collective-action clauses in aggregated form, and authorises the Republic to accept, for part of its principal, the enhancement of an official lender on terms that give the enhanced part priority only over the note itself and that create no security over any asset of the Republic for the benefit of the note. A warrant linked to the Fund's net asset value under Article 9 may accompany the note.

Article 15. The fiscal condition and the Compact.

The appropriation under Article 7 and the contribution under the law that enacts the Fifteen Compact share one revenue trigger, set in the budget, so that neither is voted in a year in which the trigger is not met.

Article 16. Locks.

Articles 3, 4, 5, 7 and 9 may be amended only by the vote of two thirds of the members of each chamber, in the form the pension-fund law uses for its reserve, and the constitutional documents repeat Articles 3, 4 and 5 under the foreign law they adopt so that a change of the statute does not change the terms class A holds. The two-thirds form is a rule of procedure for Congress and gives the design political protection and not constitutional protection: a later Congress that amends this article amends what it locks. The protection a class A holder can enforce is the one the constitutional documents carry under the foreign law they adopt.

Article 17. Entry into force.

Before an exchange is launched under Article 13, the national statistical office is asked for its opinion on the sector of the Fund and the classification of its units under the international standards, and the opinion, or the fact that none was given within ninety days of the request, is published with the exchange documents. No exchange is launched until the securities commission has admitted class A to public offering and the audit committee has appointed the auditors under Article 10.

Article 18. Transitional provisions.

Until the first exchange settles, the Fund is administered by a first board appointed under Article 6 for a term that ends at the first meeting of class A, which confirms or replaces it. The first constitutional documents are approved by that board and published with the exchange documents. The Fund's costs before the first appropriation are advanced by the Treasury, counted against its class B capital, and never reimbursed otherwise.

What the bill adds

The liquidity limit under Article 4 is a figure for the bill, not for this paper. Article 7 sits in the Fund's own statute and not in a budget law because Ley 24.156 article 20 bars a budget law from carrying provisions of a permanent character.

The drafting rests on the Constitution and the statutes the paper names, in particular the budget law's rules on commitments beyond the year, the pension-fund law's two-thirds form, the capital-markets law's transparency rule and the data-protection law's limits, each read on its text in Part VI and Appendix D. Two steps precede the debate: the central bank states the form of the rule Article 8 asks for, and the statistical office is asked for its opinion under Article 17 before the debate, so that the classification, or the absence of an opinion, is on the record when Congress votes.

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