

GRAMERCY FUNDS MANAGEMENT APPLAUDS INTERNATIONAL ARBITRATION TRIBUNAL'S FAVORABLE DECISION AGAINST REPUBLIC OF PERU

USA - English ▼

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Gramercy Funds Management LLC →

Dec 14, 2022, 11:00 ET

GREENWICH, Conn., Dec. 14, 2022 /PRNewswire/ -- Gramercy Funds Management LLC and Gramercy Peru Holdings LLC ("Gramercy") issued the following statement in response to the favorable majority decision issued on December 6, 2022 against the Republic of Peru by an arbitration tribunal adjudicating Gramercy's claims under the United States–Peru Trade Promotion Agreement (the "Treaty") with respect to Gramercy's investment in Peruvian agrarian reform bonds.

The arbitration tribunal ruled in Gramercy's favor on its main claim and rejected Peru's objections to the tribunal's jurisdiction and the admissibility of Gramercy's claims. In addition, the tribunal awarded Gramercy approximately \$100 million in damages and costs, which is significantly more than the approximately \$861,000 Peru offered under its 2014 Supreme Decrees. Peru's appointed arbitrator issued a separate dissenting opinion. The base financial award will continue to accrue compound interest at a rate of 7.22% until full payment.

The tribunal found that, despite directions from Peru's highest constitutional court to pay the long-matured bonds at their properly updated value, Peru's Ministry of Economy and Finance established a payment formula and bondholder compensation process that were

arbitrary and unjust, did not comply with the constitutional court's instructions, and were designed to minimize the amounts payable to bondholders. The tribunal also established that several aspects of the Ministry's payment formula had no reasonable justification, that Peru's witnesses and experts could not explain key elements of the formula, and that the Ministry's approach could be explained only by the improper goal of reducing the amounts that bondholders would receive.

Additionally, the tribunal found that the payment process gave the Ministry unfettered discretion over how bondholders would be paid that was not justified by any rational standard, singled out Gramercy for unfair treatment, and improperly curtailed the rights to which all bondholders were entitled under Peruvian law. The tribunal held that Peru had failed to accord Gramercy the minimum standard of treatment required under the Treaty and international law.

The tribunal agreed with Gramercy that the agrarian reform bonds are a protected form of Peruvian public debt; that the Treaty covered U.S. financial investors like Gramercy; that when Gramercy invested in the bonds it could legitimately expect that Peru would honor them without needing to resort to the courts or to arbitration; and that Gramercy's investment in these bonds created a secondary market that contributed to Peru's economic development more generally.

Gramercy stated: "We are pleased that the decision recognized Peru's breach of its Treaty obligations to U.S. investors and awarded significant compensation to Gramercy, whose investors include millions of pensioners, unions, universities, endowments and foundations that have patiently waited many years for this outcome."

Gramercy was represented in this matter by Debevoise & Plimpton. The team was led by partners Mark W. Friedman and Ina Popova and counsel Floriane Lavaud and Carl Riehl and included associates Berglind Halldorsdottir Birkland, Guilherme Recena Costa (who has since left the firm), Julianne Marley, Sarah Lee, Julio Rivera Ríos, Duncan Pickard, and Federico Fragachán. Gramercy was also represented by Luis Bedoya and Francisco Cárdenas of the Peruvian law firm Estudio Rodrigo, Elías y Medrano.

For additional information and materials relating to Gramercy's arbitration claim, please refer 

to the ICSID website <https://icsid.worldbank.org/>.

About Gramercy Funds Management

Gramercy is a dedicated emerging markets investment manager based in Greenwich, Connecticut with offices in London, Buenos Aires and Mexico City, and dedicated lending platforms in Mexico, Turkey, Peru, Pan-Africa, Brazil, and Colombia. The firm, founded in 1998, seeks to provide investors with attractive risk-adjusted returns through a comprehensive approach to emerging markets supported by a transparent and robust institutional platform. Gramercy offers alternative and long-only strategies across emerging markets asset classes including multi-asset, private credit, public credit, and special situations. Gramercy is a Registered Investment Adviser with the SEC and a Signatory of the Principles for Responsible Investment (PRI). Gramercy Ltd, an affiliate, is registered with the FCA.

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