Peruvian Agrarian Reform Bonds

The Republic of Peru is a trusted ally of the United States and a fiscally responsible sovereign. Peru has established and continues to advance a bondholder procedure that provides a global solution for the unique historical issue of agrarian reform bonds.

Status of Bondholder Procedure

Background. The agrarian reform bonds are physical bearer instruments provided almost a half a century ago as compensation for land in Peru, in Peruvian currency and subject to Peruvian law and jurisdiction. Unlike some contemporary bonds, they were not offered publicly, listed on an exchange, issued into the U.S. market or subject to foreign law or courts. Decades of currency changes and hyperinflation resulted in uncertainty as to the legal status and value of the agrarian reform bonds.

Bondholder Procedure. After years of uncertainty, the Peruvian Constitutional Tribunal mandated an administrative procedure and methodology for valuation. Peru correspondingly adopted decrees and established a bondholder procedure for verification, registration, valuation and payment of legitimate agrarian reform bonds. Information on the bondholder procedure was made publicly available including through print and on-line publications and bondholders had the option to participate over a period of years, through January 19, 2019.

Status of Bondholder Procedure. Approximately 13,000 bonds were submitted to the bondholder procedure by over 600 bondholders. As of August 31, 2019, 88% of bonds submitted by bondholders had been verified through the procedure, allowing bondholders to proceed to registration, valuation and payment. The Ministry of Economy and Finance began paying bondholders in 2018 and is continuing to do so.

Status of Separate Arbitration Procedure

Background. A U.S. based fund, Gramercy, has attempted to undermine the duly established bondholder procedure for its own benefit, at prejudice to Peru, Peruvians, and bondholders. Rather than recover value through the bondholder procedure, Gramercy launched a negative campaign against Peru and notified an arbitration under the U.S.-Peru Trade Promotion Agreement seeking to force Peru to make exorbitant and unlawful payments to Gramercy. Peru filed a strong response indicating the grave deficiencies in the case. After Gramercy declined further consultations, and continued its campaign of misinformation, Peru advanced the arbitration to protect the bondholder procedure for the benefit of bondholders. During the arbitration, it has been revealed that Gramercy paid US$ 33 million for the bonds that it now relies upon to seek US$ 1.8 billion, and that these bonds could be valued at US$34 million in Peru’s bondholder procedure. Gramercy instead renounced the procedure and seeks more favorable treatment than what is available to Peruvians and under applicable law.

Status of Arbitration Procedure. The case is pending and the last hearing was held in November 2020. Peru has a diligent and successful record in investment disputes, and has stated that the issue should be addressed through the applicable dispute resolution mechanism with respect to due process. Information on the arbitration proceeding is available on the website of the International Centre for Settlement of Investment Disputes (ICSID).
