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# Vulture Funds Target Venezuela

By Daisy Franco, J.D. Candidate 2020 | November 18, 2017

In light of Venezuela's social and political unrest, bonds have plunged in value due to fear that the government will finally default on its bond payments. Venezuelan bonds have been popular amongst foreign investors due to the country's oversees assets and stream of foreign exchange earnings. However, the country's current state threatens their value, and increases the risk of owning these bonds.

The conditions for default have been developing quickly. Venezuela has missed about $350 million in interest payments over the past month, and defaulted on a power company's bonds. The price of bonds has reached a low of 20 cents on the dollar.

These conditions create the ideal climate for funds, known as vulture investors, that specialize in the debts of near-bankrupt nations. These funds buy bonds from struggling countries at low rates and then pressure the countries through lengthy litigation into paying the bonds in full. Vulture investors have profited from past debt disasters, including the Argentina and Greece debt crisis. These vulture funds wait for the price of bonds to hit a certain price, usually 20 cents on the dollar, and then commit seriously to purchasing bonds.

The Maduro government is demanding that bond investors agree to a debt deal, but this will not be easy because of the country's unpopular government and stalled legislatures. Furthermore, because of sanctions, Venezuela is unable to hire bankers and lawyers to help reach an agreement with creditors. However, investors hope that Venezuela's wealth in natural resources will pull the country out of debt.