

Determinations Committee Decision

Date:	9 July, 2009
Determinations Committee:	EMEA (Europe)
Meeting Date:	9 July, 2009

<b>DC Issue 2009070601:</b>	<b>Has a Failure to Pay Credit Event occurred with respect to Bradford &amp; Bingley plc?</b>
1 <sup>st</sup> Question for vote:	Has a Failure to Pay Credit Event occurred with respect to Bradford & Bingley plc?
Vote result:	Yes
Votes:	<p>15 "Yes" votes - Bank of America / Merrill Lynch</p> <p style="padding-left: 40px;">Barclays Citibank Credit Suisse Deutsche Bank AG Goldman Sachs JPMorgan Chase Bank, N.A. Morgan Stanley The Royal Bank of Scotland UBS Elliott Management Corporation Legal &amp; General Investment Management Limited Pacific Investment Management Company LLC Primus Asset Management, Inc. Rabobank International</p> <p>0 "No" votes</p>
2 <sup>nd</sup> Question for vote:	Was the date of the Failure to Pay Credit Event 30 June 2009?
Vote result:	Yes
Votes:	<p>15 "Yes" votes - Bank of America / Merrill Lynch</p> <p style="padding-left: 40px;">Barclays Citibank Credit Suisse Deutsche Bank AG Goldman Sachs JPMorgan Chase Bank, N.A. Morgan Stanley The Royal Bank of Scotland UBS Elliott Management Corporation Legal &amp; General Investment Management Limited Pacific Investment Management Company LLC</p>

	<p>Primus Asset Management, Inc. Rabobank International</p> <p>0 "No" votes</p>
3 <sup>rd</sup> Question for vote:	Are the press releases attached to this decision valid Publicly Available Information?
Vote result:	Yes
Votes:	<p>15 "Yes" votes - Bank of America / Merrill Lynch</p> <p>Barclays Citibank Credit Suisse Deutsche Bank AG Goldman Sachs JPMorgan Chase Bank, N.A. Morgan Stanley The Royal Bank of Scotland UBS Elliott Management Corporation Legal &amp; General Investment Management Limited Pacific Investment Management Company LLC Primus Asset Management, Inc. Rabobank International</p> <p>0 "No" votes</p>
4th Question for vote:	Is the Credit Event Request Resolution Date 9 July 2009?
Vote result:	Yes
Votes:	<p>15 "Yes" votes - Bank of America / Merrill Lynch</p> <p>Barclays Citibank Credit Suisse Deutsche Bank AG Goldman Sachs JPMorgan Chase Bank, N.A. Morgan Stanley The Royal Bank of Scotland UBS Elliott Management Corporation Legal &amp; General Investment Management Limited Pacific Investment Management Company LLC Primus Asset Management, Inc. Rabobank International</p> <p>0 "No" votes</p>

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Story:

## **Bradford & Bingley poised to trip credit event, bankruptcy trigger likely sidelined**

CDS dealers are poised to trigger a failure to pay credit event on Bradford & Bingley following confirmation the UK mortgage lender did not pay its 16 June coupon before the grace period expired on 30 June. Today, a spokesperson for the nationalised UK mortgage lender confirmed the coupon on its GBP 125m 6.625% notes maturing 16 June 2023 was deferred.

Tripping a failure to pay credit event is expected to overshadow the bankruptcy credit event requested by Legal & General (L&G) on 19 June, according to sources familiar with the matter. The request was deferred with a sole "no vote" from L&G against 14 in favour, as reported. On 6 July, Morgan Stanley requested a failure to pay credit event, which remains under consideration with ISDA's Determinations Committee.

The potential to revisit a bankruptcy trigger remains unclear, with further information required to prove a trip on those terms, commented the sources involved in discussions. A bankruptcy credit event requires proof an entity is unable to pay its debt or has liabilities exceeding its assets. Such events are difficult to prove in the absence of a clear trigger such as Chapter 11 filings.

"[So far] there is not sufficient information to prove a bankruptcy," commented one of the sources.

L&G's decision to seek a bankruptcy credit event could mark an attempt to capture trades from the 20 June roll, the sources familiar speculated. Such trades would be excluded under a failure to pay trigger. Few trades were expected to roll on 20 June, most likely settling on a bilateral basis, one of the sources noted.

An L&G spokesperson declined to comment.

Trading in Bradford & Bingley bonds and CDS stymied following a UK Treasury order on 20 February permitting bond payment deferrals.

In total, roughly USD 413.5m net notional CDS is written off Bradford & Bingley. The mortgage lender pre-announced it would defer the 16 June payment as permitted by the UK Treasury order. Bradford & Bingley also announced intentions to defer coupons on GBP 50m of 11.625% perpetual subordinated bonds and GBP 150m subordinated notes due 2054, payable 20 July and 30 June respectively.

The failure-to-pay argument would be based on ISDA documentation small print permitting a credit event despite government intervention - in this case the Treasury order, as previously reported.

by Irene Chapple

<http://uk.reuters.com/article/idUKL288600420090702>