

Americas Credit Derivatives Determinations Committee Meeting Statement – June 1, 2020¹

DC Issue Number 2020052604

1. SUMMARY

1.1 The Americas Credit Derivatives Determinations Committee (the **Americas DC**) met on May 28, 2020 to discuss whether a Failure to Pay Credit Event has occurred with respect to the Argentine Republic (the **Reference Entity**) as a result of its failure to pay USD 503,000,000 in interest amounts in relation to its (a) 6.875% US\$4,497,440,000 bond due April 22, 2021 (ISIN US040114GW47), (b) 7.5% US\$6,497,345,000 bond due April 22, 2026 (ISIN US040114GX20)², and (c) 7.625% US\$2,749,648,000 bond due April 22, 2046 (ISIN US040114GY03) (the **Defaulted Bonds**).

1.2 The Americas DC Resolved on June 1, 2020:

- (a) that a Failure to Pay Credit Event has occurred with respect to the Reference Entity for 2014 Transactions and Updated 2003 Transactions (**Covered Transactions**);
- (b) that the Failure to Pay Credit Event with respect to the Reference Entity and Covered Transactions occurred on May 22, 2020 and that the Potential Failure to Pay with respect to the Reference Entity and Covered Transactions occurred on April 22, 2020;
- (c) that the date on which the DC Secretary first effectively received both a request to convene the Committee and Publicly Available Information that satisfies the requirements of Section 2.1(b) for the Credit Event with respect to the Reference Entity was May 26, 2020; and
- (d) to hold an Auction to settle Covered Transactions.

2. PUBLICLY AVAILABLE INFORMATION

The Americas DC considered that there was sufficient Publicly Available Information in order to determine the occurrence of a Credit Event, on the basis of the Publicly Available Information submitted constituting the Specified Number (two) of Public Sources in accordance with Section 1.35(a)(i) of the 2014 Definitions and Section 3.5(a)(i) of the Updated 2003 Definitions.³

3. FAILURE TO PAY

3.1 The definition of Failure to Pay for purposes of the Definitions states as follows:

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by [the] Reference Entity to make, when and where due, any payments in an aggregate amount of not less

¹ The Coverage Election in respect of the DC Question is for both (a) the 2014 ISDA Credit Derivatives Definitions (the **2014 Definitions**) and (b) the 2003 ISDA Credit Derivatives Definitions, as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement (the **Updated 2003 Definitions**, and together with the 2014 Definitions, the **Definitions**), each as published by the International Swaps and Derivatives Association, Inc. (**ISDA**). Each capitalized term used but not defined in this Statement has the meaning specified in the Credit Derivatives Determinations Committees Rules (September 28, 2018 version, as amended as of the date hereof) (the **DC Rules**).

² The Americas DC understands that this is the Markit RED Preferred™ Reference Obligation for the Reference Entity.

³ Please see the following two Public Sources of Publicly Available Information: <https://www.economist.com/the-americas/2020/05/23/argentina-defaults-yet-again-but-hopes-to-get-off-lightly>, and <https://www.wsj.com/articles/argentina-moves-closer-to-sovereign-debt-default-amid-coronavirus-crisis-11590160035>.

than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

3.2 In Resolving that a Failure to Pay Credit Event has occurred with respect to the Reference Entity for Covered Transactions, the Americas DC reached the following conclusions:

(a) *"Expiration of any applicable Grace Period..."*

The Defaulted Bonds had coupon payments due on April 22, 2020. The terms of the Defaulted Bonds apply a 30 calendar day grace period. The grace period therefore expired on May 22, 2020.

(b) *"payments in an aggregate amount of not less than the Payment Requirement..."*

Based on submitted Publicly Available Information, the Americas DC determined that the relevant payment failure exceeded the Payment Requirement of USD 1,000,000.

(c) *"under one or more Obligations"*

The Americas DC determined that Defaulted Bonds constituted an "Obligation" of the Reference Entity under the Definitions, as discussed below.

4. APPLICABLE OBLIGATION CATEGORY AND OBLIGATION CHARACTERISTICS

4.1 In order to constitute an "Obligation", a Defaulted Bond must be a "Bond" for purposes of the Definitions and either (a) be specified as the Reference Obligation or (b) satisfy the following Obligation Characteristics applicable to the Standard Latin America Sovereign Transaction Type:

- (a) Not Domestic Currency;
- (b) Not Domestic Law;
- (c) Not Domestic Issuance; and
- (d) Not Subordinated.

4.2 The Americas DC determined that each of the Defaulted Bonds satisfied the applicable Obligation Category ("Bond") purposes of the Definitions. Further, each of the Defaulted Bonds satisfied the "Not Domestic Currency" and "Not Domestic Law Obligation" Characteristics, as they are each denominated in US Dollars and governed by New York law. The Americas DC determined that the Defaulted Bonds satisfied the "Not Domestic Issuance" Obligation Characteristic on the basis that all three of the Defaulted Bonds are listed on the Luxembourg Stock Exchange⁴.

4.3 With respect to the "Not Subordinated" Obligation Characteristic, the Listing Memorandum for the Defaulted Bonds describes the status of the Defaulted Bonds in relevant part as follows:

*The New Bonds will constitute direct, general, unconditional and **unsubordinated obligations** of the Republic for which the full faith and credit of the Republic is pledged [emphasis added].*⁵

⁴ See the Prospectus Supplement to the Prospectus dated October 27, 2017 (the **Offering Document**) listed at: <https://www.bourse.lu/security/US040114GW47/250568>

⁵ See the Offering Document at p 6.

4.4 The Americas DC therefore determined that the Defaulted Bonds satisfy the "Not Subordinated" Obligation Characteristic.