

EMEA DC MEETING STATEMENT

1. SUMMARY

- 1.1 The EMEA Credit Derivatives Determinations Committee (the **DC**) met on 19 November 2020 to discuss whether a Failure to Pay Credit Event has occurred with respect to the Republic of Zambia (the **Reference Entity**) as a result of its failure to pay interest in relation to its 2024 Notes.
- 1.2 The DC resolved:
- (a) that a Failure to Pay Credit Event has occurred with respect to the Reference Entity for 2014 Transactions which have as a Reference Obligation the 2024 Notes or a bond that ranks *pari passu* with the 2024 Notes (noting that this includes the 2022 Notes and the 2027 Notes, each of which ranks *pari passu* with the 2024 Notes);
 - (b) that the Failure to Pay Credit Event with respect to the Reference Entity and such transactions occurred on 13 November 2020; and
 - (c) that the Credit Event Resolution Request Date is 16 November 2020.
- 1.3 Note that this Credit Event DC Resolution is limited to Credit Derivative Transactions which have as a Reference Obligation a bond that ranks *pari passu* with the 2024 Notes. This is a result of the application of the Obligation Characteristics applicable to the relevant Transaction Type, as explained below. The DC did not make a determination regarding trades with no Reference Obligation or trades which have a Reference Obligation that does not rank *pari passu* with the 2024 Notes.
- 1.4 Capitalised terms used but not defined in this Meeting Statement have the meanings given to them in the Credit Derivatives Determinations Committees Rules (September 28, 2018 version, as most recently amended on October 3, 2020) (including in the 2014 Definitions as defined therein).

2. USD BONDS ISSUED BY THE REFERENCE ENTITY

The Reference Entity has issued the following bonds:

- (a) US\$750,000,000 5.375 per cent. Notes due 2022 (ISINs: XS0828779594 and US988895AA69) (the **2022 Notes**);
- (b) US\$1,000,000,000 8.500 per cent. Notes due 2024 (ISINs: XS1056386714 and US988895AE81) (the **2024 Notes**); and
- (c) U.S.\$1,250,000,000 8.970 per cent. Amortising Notes due 2027 (ISINs: XS1267081575 and US988895AF56) (the **2027 Notes**).

The prospectus for each of the bonds is available online.

3. PUBLICLY AVAILABLE INFORMATION

- 3.1 The 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 at least the Specified Number (two) of Public Sources in accordance with Section 1.35(a)(i) of the 2014 Definitions.

- 3.2 The interest payment in respect of the 2024 Notes was due on 14 October 2020 and a 30 day grace period applied in respect of interest. Note that business days are determined by reference to New York, London and Lusaka and 14 October 2020 was a business day. Therefore, the grace period expired on 13 November 2020.

4. APPLICATION OF OBLIGATION CHARACTERISTICS AND EFFECT ON CREDIT EVENT RESOLUTION

- 4.1 The Transaction Type applicable to the Reference Entity is Emerging European and Middle Eastern Sovereign. In order to trigger a Credit Event in relation to the 2024 Notes (except for Credit Derivative Transactions where the 2024 Notes are the Reference Obligation), it is necessary for the 2024 Notes to satisfy the following Obligation Characteristics:

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

- 4.2 The 2024 Notes satisfy the Not Domestic Currency and Not Domestic Law Obligation Characteristics, as the 2024 Notes are denominated in US Dollars and governed by English law. The DC determined that the Not Domestic Issuance Obligation Characteristic is satisfied on the basis of the information in the prospectus that states that (i) the prospectus was approved by the UK Financial Conduct Authority (the FCA) and (ii) an application had been made to admit the 2024 Notes to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc. The prospectus also states that (i) the 2024 Notes were being offered, sold or delivered: (a) in the United States to QIBs in reliance on Rule 144A; and (b) outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act of 1933; and (ii) Barclays Bank PLC and Deutsche Bank AG, London Branch were the Joint Lead Managers and Joint Bookrunners.

- 4.3 The Not Subordinated Obligation Characteristic requires that the 2024 Notes are not Subordinated to the Reference Obligation or the Prior Reference Obligation (if applicable) in respect of a given Credit Derivative Transaction. In the context of a Sovereign Reference Entity such as this, the definition of “Subordination” in the 2014 Definitions takes into account priorities arising by operation of law. Therefore, if the 2024 Notes are Subordinated to the Reference Obligation in respect of a given Credit Derivative Transaction as a matter of Zambian law, the 2024 Notes will not satisfy the Not Subordinated Obligation Characteristic in respect of that Credit Derivative Transaction, and the non-payment will not constitute a Credit Event for such transaction.

- 4.4 Condition 1(b) of the terms and conditions in the prospectus for the 2024 Notes provides as follows:

“The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of

general application. The full faith and credit of the Issuer is pledged for the due and punctual payment of the Notes.” [*Emphasis added*]

4.5 Accordingly, the 2024 Notes are potentially Subordinated to obligations of the Reference Entity as provided for in local law. The terms and conditions of the 2024 Notes did not explain how such Subordination might apply. This means that, in order to determine whether the 2024 Notes satisfies the Not Subordinated Obligation Characteristic for a given Credit Derivative Transaction, and hence whether the non-payment triggers a Credit Event in respect of it, it is necessary to consider the seniority level of the Reference Obligation applicable to that Credit Derivative Transaction.

4.6 The DC reviewed the prospectus for each of the 2022 Notes and 2027 Notes on the basis that it understood the common Reference Obligations were likely to be these bonds (or the 2024 Notes themselves). The 2022 Notes contained identical wording to the 2024 Notes. The 2027 Notes provided that:

“The Notes are the direct, unconditional and (subject to Condition 3 (Negative Pledge)) unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined below) of the Issuer; *provided, that* the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.”

As used in such condition:

“External Indebtedness” means any Indebtedness expressed or denominated or payable or which, at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of The Republic of Zambia.

“Indebtedness” means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

4.7 On the basis that each of the 2022 Notes, 2024 Notes and 2027 Notes are USD denominated, each of the 2022 Notes, 2024 Notes and 2027 Notes would qualify as External Indebtedness under the terms and conditions of the 2027 Notes. Therefore, the terms of the 2027 Notes indirectly provide that the 2022 Notes, the 2024 Notes and the 2027 Notes rank *pari passu* with each other.

4.8 Accordingly, the DC determined that (i) it is reasonable to assume that there is no subordination arising by operation of Zambian law that would result in Subordination of the 2024 Notes to either the 2022 Notes or the 2027 Notes; and (ii) the Not Subordinated Obligation Characteristic is satisfied for any Credit Derivative Transaction where either the 2022 Notes or the 2027 Notes are the Reference Obligation. This decision extends to any other Credit Derivative Transaction with another Reference Obligation that ranks *pari passu* with the 2024 Notes.

4.9 For trades that do not have a Reference Obligation, it would be necessary to determine that there are no other Borrowed Money obligations of the Reference Entity preferred to the 2024 Notes as a matter of Zambian law. The DC has not undertaken this investigation.

5. PAYMENT REQUIREMENT

5.1 The DC was comfortable that the U.S.\$1,000,000 Payment Requirement was satisfied. This was on the basis that (i) the principal amount of the 2024 Notes that was originally issued was U.S.\$1,000,000,000; and (ii) the interest rate applicable to the 2024 Notes is 8.5 per cent. per annum.

6. SETTLEMENT

The DC will meet again in due course to discuss settlement of 2014 Transactions referencing the Reference Entity.