

EMEA DC Meeting Statement – 11 March 2022

The Russian Federation

Issue Number 2022030801

1. The EMEA DC met on Friday 11 March 2022 to discuss whether the “Alternative Payment Currency Event” provisions in the six bonds listed in the DC Question (the **RUB Fallback Bonds**) would result in the RUB Fallback Bonds failing to satisfy the "Not Domestic Currency" or "Specified Currency" characteristics, each as defined in the 2014 Definitions and assuming that Standard Specified Currency applies.
2. The RUB Fallback Bonds are expressed on their face to have US dollar or Euro denominations. However, the contractual terms of each of the RUB Fallback Bonds provides that:

“if, for reasons beyond its control, the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in [U.S. Dollars/Euro]” (an "**Alternative Payment Currency Event**"), the Russian Federation shall make such payments (in whole or in part) in the Alternative Payment Currency on the due date at the Alternative Payment Currency Equivalent of any such [U.S. dollar-denominated/euro-denominated] amount.”
3. The Alternative Payment Currency is defined as:

"Alternative Payment Currency" means [U.S. Dollars/Euros], Pound sterling or Swiss francs or, if for reasons beyond its control the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in any of these currencies, Russian roubles.”
4. The Russian Federation must give notice if the Alternative Payment Currency Event provisions apply. The EMEA DC was not aware of any such notice having been given under the terms of the RUB Fallback Bonds.
5. The relevant provisions of the 2014 Definitions provide that:

"Not Domestic Currency" means any obligation that is payable in any currency other than the applicable Domestic Currency, provided that a Standard Specified Currency shall not constitute a Domestic Currency;

"Domestic Currency" means [...] the lawful currency and any successor currency of the Reference Entity, if the Reference Entity is a Sovereign [...]

"Specified Currency" means an obligation that is payable in [...] any Standard Specified Currency [...]

"Standard Specified Currency" means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).
6. Condition 7(d) of each of the RUB Fallback Bonds (Payments of Alternative Payment Currency Equivalent) provides that if for reasons beyond its control the Russian Federation is unable to make payments of principal or interest (in whole or in part) in respect of the Bonds in (i) [U.S. Dollars/Euro] and (ii) as a first fallback, [Euros/U.S. Dollars], Pound sterling or Swiss francs then the Russian

Federation will make its payments in Russian roubles. Russian roubles is the Domestic Currency of Russia and is not a Standard Specified Currency. As a result, in such circumstances, the RUB Fallback Bonds do not satisfy Not Domestic Currency or Specified Currency.

7. The EMEA DC also considered the position that applies prior to the occurrence of an Alternative Payment Currency Event. The EMEA DC concluded that the position was the same and the RUB Fallback Bonds do not satisfy Not Domestic Currency or Specified Currency. This is because the RUB Fallback Bonds could be discharged by the Russian Federation by payment in Russian roubles in accordance with the terms of the RUB Fallback Bonds in the relevant circumstances set out above. Such circumstances are not within the control of the noteholder.
8. The EMEA DC also considered that the purpose of specifying “Not Domestic Currency” as an Obligation Characteristic and “Specified Currency” as a Deliverable Obligation Characteristic was to ensure that no bonds that could be payable in the Domestic Currency of the Reference Entity (in circumstances where such currency is not a Standard Specified Currency) would (i) be capable of triggering a Credit Event; or (ii) be deliverable into a Credit Derivative Transaction. If the characteristics merely required that one currency in which a bond is payable is not the Domestic Currency and is a Specified Currency, then the protection that the characteristics were intended to provide would be significantly reduced.
9. **The EMEA DC’s determination was based on the contractual terms of the RUB Fallback Bonds. The EMEA DC has not made any determination in respect of the impact on Credit Derivative Transactions of a sovereign Reference Entity choosing to discharge its debts in its Domestic Currency other than in accordance with the contractual terms of its debt obligations.**