



Roublization of Russia's external debt

Our take: The new presidential order of 22 June 2022 that establishes temporary procedures aimed at fulfilling Russia's foreign debt obligations marks the start of the first ever "roublization" of payments to resident and non-resident holders of Russia's offshore bonds and thereby further deoffshorization of the Russian debt market. We believe that this measure lowers uncertainty of holding Eurobonds purchased primarily through Euroclear and should lead to a material drop in the two-fold premium of NSD-services bonds over bonds serviced by Euroclear, especially if they are held by residents of "friendly" jurisdictions. Russian companies and banks are likely to use a similar template to service external debts, as we previously anticipated. We rule out a formal sovereign default since there wouldn't be enough creditors from "unfriendly" countries left short to declare a default in case of non-payments (required threshold is usually holders of 25% of the outstanding bonds).

What happened?

On the eve of the next coupon payment date on sovereign Eurobonds (Russia 27 and Russia 47 are to be paid on June 23), the Russian president "The Executive Order On the Temporary Procedure for Meeting State Debt Obligations in the Form of Government Securities with Nominal Value Denominated in Foreign Currency to Residents and Foreign Lenders by the Russian Federation". The document is fully in line with the government's previously announced plans, namely that payments on sovereign debt will be made in roubles at the exchange rate to accounts at the National Settlement Depository (NSD).

WHAT DOES THIS MEAN FOR HOLDERS OF RUSSIA'S EXTERNAL DEBT?

Local investors will receive payments through their custody accounts. Holders serviced by foreign entities (Euroclear) will be entitled to reach out to the NSD to open an "I" account, which will also be credited with Russian roubles. The Bank of Russia will set the mode of operation of "I" accounts.

Unlike "C" accounts (for payments by companies), the funds received can be used without restrictions. The funds are expected to be sent to a non-designated bank and converted into required currency - such funds may be sent abroad without restrictions (other transactions are capped at \$150,000 per month). Vladimir Putin also instructed the monetary authorities to pick banks for a new scheme within 10 days.

PAYMENTS ON RUSSIA'S EXTERNAL SOVEREIGN BONDS

Issue	Currency	Outstanding amount,		Coupon payment date	Grace period	Coupon payment,		Status
		mln	Date of issue			Coupon, %	mln	
RUSSIA 2 7/8 12/04/25	EUR	1 750	04.12.2018	04.12.2022	30 days	2.875	50	Upcoming
RUSSIA 1 1/8 11/20/27	EUR	1 250	20.11.2020	20.11.2022	30 days	1.125	14	Upcoming
RUSSIA 1.85 11/20/32	EUR	1 250	20.11.2020	20.11.2022	30 days	1.85	23	Upcoming
RUSSIA 2.65 05/27/36	EUR	1 000	27.05.2021	27.05.2022	30 days	2.65	27	Payment blocked
RUSSIA 4 7/8 09/16/23	USD	3 000	16.09.2013	16.09.2022	30 days	4.875	73	Payment in hard currency made to Euroclear in March
RUSSIA 4 3/4 05/27/26	USD	3 000	27.05.2016	27.05.2022	30 days	4.75	71	Payment blocked
RUSSIA 4 1/4 06/23/27	USD	2 405	23.06.2017	23.06.2022	30 days	4.25	51	Upcoming, terms provide for payment in roubles
RUSSIA 12 3/4 06/24/28	USD	2 500	24.06.1998	24.06.2022	15 days	12.75	159	Upcoming
RUSSIA 4 3/8 03/21/29	USD	3 000	21.03.2018	21.09.2022	30 days	4.375	66	Payment in hard currency made to Euroclear in March
RUSSIA 7 1/2 03/31/30	USD	2 334	25.08.2000	30.09.2022	15 days	7.5	88	Payment in hard currency made to Euroclear in March
RUSSIA 5.1 03/28/35	USD	4 000	28.03.2019	28.09.2022	30 days	5.1	102	Payment in hard currency made to Euroclear in March
RUSSIA 5 5/8 04/04/42	USD	3 000	04.04.2012	04.10.2022	30 days	5.625	84	Payment in hard currency made to Euroclear in April
RUSSIA 5 7/8 09/16/43	USD	1 500	16.09.2013	16.09.2022	30 days	5.875	44	Payment in hard currency made to Euroclear in March
RUSSIA 5 1/4 06/23/47	USD	7 000	23.06.2017	23.06.2022	30 days	5.25	184	Upcoming, provide for payment in roubles
		36 988					1 036	

Source: ITI Capital

CONTACT LIST

Trading

Mikhail Durov | Fixed Income Trader | Mikhail.Durov@iticapital.com

Sales

Aleksandr Panfilov | Head of Fixed Income Sales | Aleksandr.Panfilov@iticapital.com

Research

Iskander Lutsko | Head of Research, Chief Investment Strategist | Iskander.Lutsko@iticapital.com

Olga Nikolaeva | Senior Fixed Income Research Analyst | Olga.Nikolaeva@iticapital.com

Stanislav Yudin | Senior analyst, Equity Research | Stanislav.Yudin@iticapital.com

Elizaveta Herne | Research Analyst | Elizaveta.Herne@iticapital.com

Oleg Makarov | Chief Editor | Oleg.Makarov@iticapital.ru

CONTACT DETAILS:

ITI Capital Limited
Level 33 Tower 42,
25 Old Broad Street,
London EC2N 1HQ,
United Kingdom

PHONE:

+44 (0) 20 3889 8333
+44 (0) 20 3889 8331

WEB:

iticapital.com

ITI Capital Ltd. (hereinafter, the "Company") is not responsible for and does not give any warranties in connection with the transfer of marketing materials. This marketing document is for information purposes only. Any information in this document is based on data obtained from sources believed by the Company to be reliable, but no representations, guarantees or warranties are made by the Company with regard to the accuracy, completeness or suitability of the data. The information contained herein does not constitute the provision of investment advice. It is not intended to be nor should it be construed as an offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or offer.

Neither the Company, nor its affiliates, principals, directors, employees or agents accept any liability for any direct or consequential loss arising from any use of this marketing document and any accompanying materials. Investors should make their own investment decisions using their own independent advisors, as they believe necessary and based upon their specific financial situations and investment objectives when investing. This material is not intended for the use of Private Customers as that term is defined under the Financial Services and Markets Act 2000 in the United Kingdom. This material has been approved for publication in the United Kingdom and European Union by ITI Capital Limited, authorised and regulated by the Financial Services Authority and a member firm of the London Stock Exchange.