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Russia Says It Won't Demand Early Payment on Ukrainian Eurobonds

By The Moscow Times

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Russia regards the breach of a covenant on Ukrainian eurobonds purchased by Russia as "force majeure." Deputy Finance Minister Sergei Storchak said on Tuesday, the Interfax news agency reported.

"Everyone walking on the Earth understands what force majeure is. The change in the rate of the hryvna has entirely changed the model of calculation," he said, reiterating that Russia did not intend to demand early redemption of the bonds that mature in December 2015.

"Force majeure" is a phrase often used in contracts to describe situations which relieve parties of obligations because of unforeseen events such as wars and natural catastrophes.

Russia has previously said that it regards Ukraine in breach of the bond covenant because Ukraine's debt has risen above 60 percent of gross domestic product (GDP). Russian Finance Minister Anton Siluanov has said that despite this, Russia does not intend to exercise the right

to early redemption.

Ukraine's hryvna currency has lost around 40 percent of its value this month, significantly increasing the ratio of foreign debt to GDP, which has also risen as a result of a sharp economic contraction.

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