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Ukraine to Ask Creditors, Including Russia, For Debt Haircut

By The Moscow Times

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KIEV — Ukraine's external debt restructuring will involve principal write downs as well as maturity extensions and coupon reductions, Finance Minister Natalia Yaresko told a conference call with creditors and media on Friday.

Ukraine is seeking to plug a $15 billion-plus funding gap by restructuring debt held by investors including Franklin Templeton, PIMCO and BlackRock. Until now it has not been clear if creditors would be asked to accept a write down, or haircut, on their initial investments.

The debt deal will "probably involve a combination of maturity extensions, coupon reductions and principle reductions. The proportion of each of these elements will be discussed with creditors," Yaresko said

She said the external debt of some Ukrainian state-owned firms including Oschadbank and Ukreximbank, whose $750 million bond matures on April 27, 2015, will be included in the

restructuring, as will eurobonds issued by the city of Kiev.

Three bond issues of Ukrainian infrastructure fund Fininpro amounting to a total of $1.8 billion maturing in 2017 and 2018 will also be part of the restructuring.

Questions remain over whether Russia, which holds $3 billion of Ukraine bonds maturing in December, will participate in the restructuring, but Yaresko reiterated that Ukraine would treat all of its creditors alike.

One creditor whose fund is invested in Ukraine said the negotiations would be difficult.

"I don't know what the Russian government will say about getting a haircut. Without their agreement on the $3 billion bonds, can Ukrainians do the restructuring?," he said by telephone.

The Finance Ministry hopes to conclude the talks by June, Yaresko said.

Dollar bonds fell across the curve with the 2017 issue down 1.3 cents in the dollar to 44.2 cents and the 2022 issue losing 1.5 cents according to Tradeweb data.

The Ukreximbank bond fell 1.8 cents in the dollar but is still trading at 65 cents or significantly higher than its sovereign counterparts.

The first sovereign debt due for repayment is a five-year $500 million bond maturing on Sept. 23.

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