

Russia Debt Payment Due Amid Default Fears Over Ukraine Sanctions

By <u>AFP</u>

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Moscow is due to pay \$117 million on two dollar-denominated bonds. Andrei Nikerichev / Moskva News Agency

Russia is due to make an interest payment on its foreign debt Wednesday, the first since the West hit Moscow with sanctions over Ukraine, which have raised concerns that Russia could default.

Moscow is due to pay \$117 million on two dollar-denominated bonds.

Sanctions over Russia's operation in Ukraine have targeted \$300 billion of its foreign currency reserves held abroad.

Without access to these funds, concern has mounted that Russia could find itself forced to default.

Indicating an intent to pay, the finance ministry announced earlier this week it had sent a

payment order for "a total of \$117.2 million."

Earlier Finance Minister Anton Siluanov denied that Russia would not be able to make the payments.

He said Russia was prepared to service the debt in rubles, according to the exchange rate of Russia's central bank on the day of the payment.

He also accused the West of pushing Russia toward an "artifical default."

If Russia fails to make the bond payment, an automatic 30-day grace period kicks in and after its expiry it would be considered in default on it foreign currency-held debt — a first since 1918, when Russian revolution leader Vladimir Lenin refused to recognize the debts of the tsar that his uprising deposed.

Russia defaulted on domestic, ruble-denominated debt in the late 1990s.

Analysts at JPMorgan have said that U.S. sanctions should not directly restrict Russia's ability to service its debt.

According to the U.S. Treasury, interest payments to American entities "are permissible through May 25," on bonds issued by Russia's Central Bank, Finance Ministry or National Wealth Fund before March 1.

After, they would need authorization to continue receiving these payments.

Western sanctions have crippled the Russian banking sector and financial system and precipitated a collapse of the ruble.

A default automatically cuts a state from the financial markets and compromises a potential return for several years.

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