

SPOTLIGHT

# Debt deal aids Ukraine war effort

The Firm has helped the Ukrainian Ministry of Finance secure a two-year debt deferral that could have a life saving impact. *The Reporter* investigates.

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**O**ne of the cornerstones of a true trusted partnership is being there during times of crisis. Last summer – in the face of soaring costs arising from the war – the Ukrainian Ministry of Finance made the tough but necessary decision to defer debt service on \$20 billion in sovereign Eurobonds, \$1.5 billion in state guaranteed Eurobonds of important state-owned enterprises, and \$2.5 billion of GDP-linked securities issued in Ukraine's last debt restructuring.

The Firm stepped forward to help with the transaction which, if successful, would free up \$6 billion for Ukraine to use in its continued fight against invading forces and to ultimately save lives.

London Partner Ian Clark explains: "Despite the Russian invasion, Ukraine was initially determined to continue servicing its debt until the implications of the war became clearer.

"Over the years, Ukraine had worked hard to develop good relations with its international investors and wanted to treat investors as important and valued partners, not least because it appreciated that their future support would be vital in financing the post-war reconstruction of the country.

"However, last summer, it became clear that the war would not be over quickly. With Ukraine increasingly relying on financial help from around the world, it was impossible for our client to justify continuing to pay financial creditors while receiving huge amounts of budgetary and humanitarian support, so they approached us for support in negotiating a deferral."

**"As a Ukrainian, it has been a true honour and privilege to work with Ian, James and the rest of the White & Case team on these crucial transactions for my country."**

OLGA FEDOSOVA, PARTNER, PARIS



## A vital result

Ian and Paris Partner Olga Fedosova, who is herself a Ukrainian national, assembled a team with the plan of securing a voluntary two-year deferral on Ukraine's debt service obligations.

Olga says: "The transaction was launched in July last year and completed by August 2022.

"We helped Ukraine successfully use the collective action clauses in its outstanding securities to secure super-majority support for the debt deferral and other vital changes to terms of its outstanding debt instruments.

"The response from Ukraine's international private creditors was remarkable, despite the turbulent backdrop to the transaction in the international capital markets. The resulting \$6 billion saving will help Ukraine fight the war and save lives."

In close coordination with this operation, Ukraine's G7 partners agreed a similar deferral of debt service on official loans to Ukraine through to the end of 2023, potentially extendible by a further year.

The transaction was completed by way of four separate but inter-conditional consent solicitations to holders of Ukraine's outstanding 13 series Eurobonds amounting to around US\$20 billion; two series of sovereign-guaranteed bonds issued by state-owned entities Ukravtodor and Ukrenergo amounting to around US\$1.5 billion; and GDP-linked warrants amounting to around US\$3.2 billion.

At the same time, the Firm also made adjustments to the terms of Ukraine's GDP warrants, made during the 2015 debt restructuring, to ensure the state was protected from large fluctuations in GDP as a result of the war.

Finally, a bank finance team led by London Partner James Hardy has been working alongside our client to implement the restructuring of these loans on a bilateral basis.

The White & Case team included partners Ian, Olga, and James and London associates Jessica Oliver, Dimitrios Lyrtzakakis, Juanita Derex-Briggs, Marion Genova and Ally Hammond.



**"Thank you to the many lawyers across our Firm for their remarkable support of Ukraine, not just on this project, but through pro bono matters or other voluntary or humanitarian initiatives."**

IAN CLARK, PARTNER, LONDON

Olga says: "I must say a huge thank you to the whole team and particularly the associates, who have been an incredibly important part of the team.

"As a Ukrainian, it has been a true honour and privilege to work with Ian, James and the rest of the White & Case team on these crucial transactions for my country."

Ian adds: "With the help of Ukraine's G7 partners, the transaction was a complete success. It will enable Ukraine to reallocate billions of dollars in debt service over the next two years to better and higher uses.

"Thank you to the many lawyers across our Firm for their remarkable support of Ukraine, not just on this project, but through pro bono matters or other voluntary or humanitarian initiatives."



## Developing a trusted partnership

The Firm's relationship with Ukraine has developed over several decades. We've been advising the Ministry of Finance since August 1998 when we were first retained at the recommendation of the IMF to assist Ukraine in dealing with the spillover impacts of that summer's Russian domestic debt default and Asian debt crisis.

Ian says: "When the client first contacted me, it was my first day back from holiday. They asked if I'd be willing to fly over to Kyiv the following day and I found out later that I was the only person from any of the firms they called who agreed to come over at such short notice.

"When I arrived, it was clear that they had a big challenge on their hands so, for the next few months, I spent my time in Kyiv helping them get things into order."

At the time, Ukraine had been independent for seven years and White & Case was the first external counsel it had appointed to assist with matters related to debt, but it was a period that set the tone for a long-term, trusted partnership.

"I think they were astonished that I'd spend so much time getting to know them and understand their needs," says Ian. "They were particularly surprised that I did so much work for them without insisting on advance fee retainers or setting tough financial conditions for our services.

"While that may seem unusual or risky, it laid the foundation for the relationship we have today."

**"It's been so humbling to work with the client, particularly as we've sometimes spoken to them as they've worked in underground bunkers during air attacks or using emergency generators and risking their lives."**

OLGA FEDOSOVA, PARTNER, PARIS

### The one constant

Over the past 25 years, the Firm has provided support to Ukraine on many dozens of sovereign bond offerings, commercial and official loan facilities, sovereign guaranteed financings and liability management transactions.

Despite political changes over the years and the turmoil created by the Revolution of Dignity and subsequent Russian intervention in Ukraine in 2014, the Firm has remained trusted external advisors to the Ministry of Finance throughout.

In that time, we've advised Ukraine on two comprehensive and award-winning sovereign debt restructuring transactions, the first in 2000 and the second in 2015.

Ian says: "We were there for them when Russia first annexed Crimea in 2014 and have supported them on two debt restructurings, which were challenging and complex.

"Over the years we've met prime ministers and presidents, advising Ukraine on a range of strategically important matters, so we fully expected they'd turn to us in the wake of the Russian invasion.

"This is more than a client relationship and White & Case's response as an institution to this historic event is a source of enormous pride and reflects so well on our Firm and its values in this turbulent time."

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IAN CLARK

Certainly, people across the Firm have been eager to be involved in such a critically important matter.

Olga says: "It's been so humbling to work with the client, particularly as we've sometimes spoken to them as they've worked in underground bunkers during air attacks or using emergency generators and risking their lives.

"As a Ukrainian, my family says that I was meant to become a lawyer just so I could work on this case. It's given me a sense of incredible national pride and a chance to contribute in some small way to the war effort.

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OLGA FEDOSOVA

"We've come to know our client on a personal level and knowing we've achieved a result that will free up money for the humanitarian response is very emotional.

"The war in Ukraine has caught the attention of the world and it's been a privilege that, because of the Firm's relationship with the Ministry of Finance and our global expertise, we've been in a position to help and fight for a just cause."

Ian concludes: "Our client and their local counsel have shown incredible bravery and resilience in continuing their vitally important work despite high personal risks to themselves and their families. This is a source of continuing inspiration and we are privileged to be their legal partner of choice.

"Going forward, I'm sure our services will continue to be in demand because, while the deferral is a temporary measure to free up funds during the war, as Ukraine moves forward, it's highly likely they will need help permanently restructuring their sovereign debt. We will be there for them again in that case, and for the future reconstruction of the country after the war is won."

