



**RESTRUCTURING OF DOLLAR-  
DENOMINATED SECURITIES ISSUED  
UNDER ARGENTINE LEGISLATION**

21 DE JULIO DE 2020

On Thursday, July 16, the Executive Branch sent a Bill to the Congress for the restructuring of dollar-denominated securities issued under Argentine legislation. The proposed transaction includes similar terms to the last offer to restructure the bonds under foreign legislation that was submitted earlier this month. More specifically, it maintains the financial structure of the new securities to be issued and the recognition of accrued interest through the delivery of bonds, with an incentive mechanism to favor early acceptance of the offer. The main novelty is the inclusion, for some eligible securities, of the alternative of swapping them for inflation adjustable (CER) bonds. For dollar-denominated securities payable in pesos (USD linked), the only alternative is the swap for CER bonds.

## UNIVERSE OF SECURITIES INCLUDED

The swap offer covers a set of dollar-denominated government securities issued under Argentine legislation, with a total outstanding amount of USD41.717 billion, equivalent to 12.9% of the total debt and 12.5% of GDP (Table 1). Approximately USD14.7 billion (35%) are held by private holders, while the rest is in the portfolio of different government agencies: Central Bank of the Argentine Republic (BCRA), Sustainability Guarantee Fund (FGS), Bank of the Argentine Nation (BNA), among others. Although they are all denominated in dollars, some are paid in dollars and others in Argentine pesos at the official exchange rate (USD linked).

In accordance with the provisions of Necessity and Urgency Decree - DNU 346/2020 of April 5, the interest and amortization payments of the securities eligible for the transaction are currently deferred to December 31, 2020, when USD12 billion mature. Until 2024, eligible securities accumulate USD32.5 billion in maturities (Figure 1).

The Bill leaves out the restructuring of a series of securities denominated in dollars under Argentine legislation with specific characteristics, which had also been excluded from the deferral of DNU 346/2020, with a total outstanding amount of USD63.526 billion. These are instruments without secondary market, placed through direct subscription to address specific situations: Non-transferable Treasury Bills and others placed to the BCRA, bills placed by direct subscription to the FGS and other government agencies, Natural Gas Program Bonds, bills placed to the province of Mendoza and bills in guarantee.<sup>1</sup>

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<sup>1</sup> See Annex I for details of securities not included.

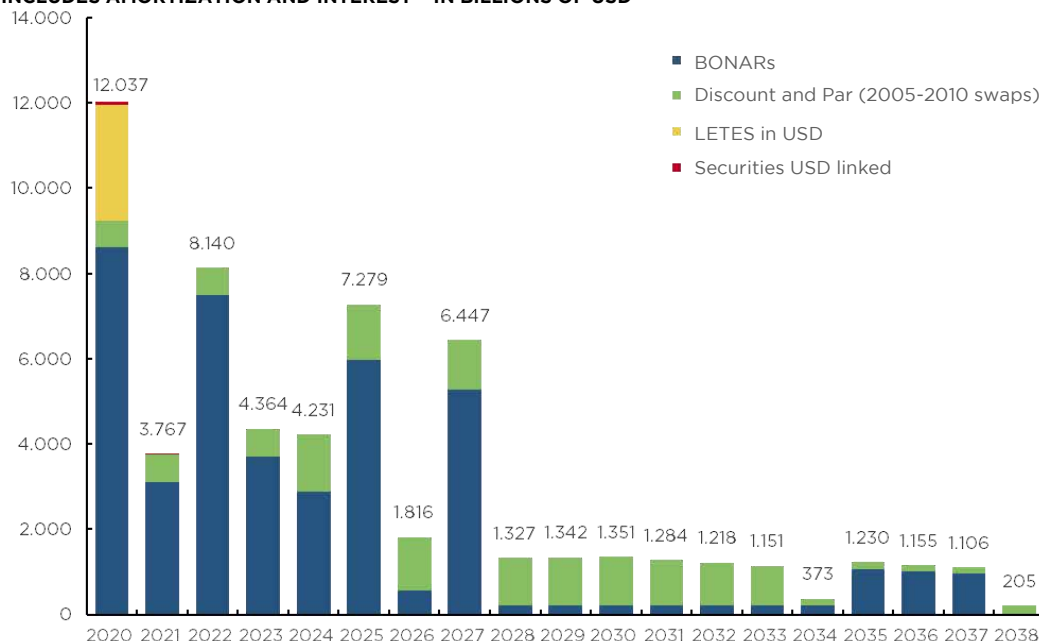
**TABLE 1**  
**ELIGIBLE SECURITIES**

Securities	Coupon rate	Current stock in billions of USD
BONAR 2020 (AY20)	8%	2.120
BONAR 2020 (AO20)	8%	2.948
BONAR 2022 (AD22)	7.75%	4.498
BONAR 2023 (Blanqueo)	1%	695
BONAR 2024 (AY24)	8.75%	6.634
BONAR 2025 (AD25)	7.875%	4.510
BONAR 2025 (AA25)	5.75%	1.536
BONAR 2027 (AD27)	7.875%	4.690
BONAR 2037 (AA37)	7.625%	2.721
DISCOUNT USD (DICA)	8.28%	7.069
DISCOUNT USD (DIA0)	8.28%	184
PAR USD (PARA)	3.75%*	1.230
PAR USD (PAA0)	3.75%*	71
Subtotal Bonds USD		38.907
LETES (U30G9)	Discount	106
LETES (U13S9)	Discount	148
LETES (U27S9)	Discount	501
LETES (U11O9)	Discount	304
LETES (U25O9)	Discount	236
LETES (U15N9)	Discount	374
LETES (U29N9)	Discount	295
LETES (U20D9)	Discount	145
LETES (U17E0)	Discount	108
LETES (U31E0)	Discount	208
LETES (U14F0)	Discount	19
LETES (U28F0)	Discount	282
Subtotal LETES USD		2.726
BONAR DUAL 2020 (AF20)	4.5%	73
BONAD 2021 (TV21)	4%	8
LELINK (V05N9)	4.25%	1
LELINK (V04D9)	4.25%	2
Subtotal Securities USD Linked		84
Total		41.717

\* As of March 2029, the Par bond rate increases to 5.25%.

**SOURCE:** OPC.

**FIGURE 1**  
**CURRENT MATURITY PROFILE OF ELIGIBLE SECURITIES**  
**INCLUDES AMORTIZATION AND INTEREST - IN BILLIONS OF USD**



**SOURCE:** OPC.

**PROPOSAL DESCRIPTION**

For eligible securities payable in dollars (LETES, BONARs, Discount and Par), four new securities in the same currency maturing in 2030, 2035, 2038 and 2041 are offered in exchange, with the same financial structure offered in the swap of debt under foreign legislation. For the LETES and BONARs there is a nominal discount of 3%, while the DISCOUNT and PAR are swapped without discount.

Additionally, holders of eligible securities maturing until 2024 have the option to swap their holdings for new bonds denominated in pesos and inflation adjustable (BONCER), maturing in 2026 and 2028. The BONCER swap option has no nominal discount but is made at a predetermined implicit exchange rate (ARS70.815 per USD), with no expected update as of the settlement date.

On the other hand, holders of eligible USD linked instruments (AF20, TV21 and Lelink bonds) only have the option to swap their holdings for BONCER 2026 (Table 2).

The new bonds begin to accrue interest from their issuance date (09/04/2020). For the bonds in dollars the first coupon is annual, with the first payment scheduled for September 2021, and thereafter they pay interest semiannually in March and September. The new BONCERs pay interest semiannually in May and November, with the first payment in May 2021.

The Bill provides for the recognition of accrued interest on eligible bonds through the delivery of securities<sup>2</sup>:

- those who swap their holdings for bonds in dollars are paid the accrued interest with a new bond in dollars maturing in 2030 with a coupon of 1%.
- On the other hand, those who receive BONCERs will obtain an additional amount for accrued interest from the same BONCER.

Like the swap of bonds under foreign legislation, as an incentive to participate, a differential treatment is established for creditors that enter the swap during the Early Acceptance Period (deadline to be defined), recognizing accrued interest from the last payment date until September 4, 2020. For those creditors that enter the transaction after that date, interest will only be recognized until April 6, 2020.

The maximum issuance limits for each new bond do not impose any restriction on bondholders' choice. In other words, each creditor can opt for the new bond of choice within the respective portfolio without the risk of being assigned another bond in order of priority.

The terms of the proposal include a RUFO (Rights Upon Future Offers) clause, which provides that holders of the new bonds will benefit from any better offer made within the next five years on eligible securities from this transaction or from the swap of bonds under foreign legislation.

Considering the variability of the timing of the legislative process, the Bill leaves pending the definition of the deadline for the Early Acceptance Period of the Offer and, consequently, the settlement date. It also establishes that the Executive Branch must submit to Congress a report with the results of the transaction within 90 days of the settlement date.

Contrary to what happens with the restructuring of bonds under foreign legislation, no majority of creditors or minimum acceptance thresholds are required to be reached to carry out this transaction. The Bill provides that the swap will remain open indefinitely. For holders that choose not to participate in the transaction, the deferral of interest and amortization service payments is extended until December 31, 2021. In this respect, the Bill's introduction message refers to opinions of the Supreme Court of Justice of the Nation (CSJN) that validate the power of the Government to

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<sup>2</sup> In accordance with Annex II of the Bill, no accrued interest is recognized for LETES in USD (issued at a discount), the DUAL bond (AF20, with original maturity in February 2020) and the Lelink (with original maturities in November and December 2019). On the other hand, the AY20 (with original maturity in May 2020) benefits from an interest recognition until September.

unilaterally suspend or restructure payments of the public debt in crisis situations.<sup>3</sup>

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**TABLE 2**  
**DESCRIPTION OF THE NEW BONDS OFFERED**

Bond	Eligible bonds	Coupons			Amortization	Maximum amount to be issued (in billions)
		Frequency	Rate ( <i>step up</i> )	First payment		
USDI 2030	BONAR USD DISCOUNT PAR	Semiannual	1%	09/04/2021	8 semiannual payments (2027-2030)	USD 2.325
USD 2030	LETES BONAR 2020-2024	Semiannual	Initial: 0.125% Maximum: 1.75%	09/04/2021	12 semiannual payments (2025-2030)	USD 22.609
USD 2035	LETES BONAR USD	Semiannual	Initial: 0.125% Maximum: 5%	09/04/2021	10 semiannual payments (2031-2035)	USD 35.663
USD 2038	DISCOUNT	Semiannual	Initial: 0.125% Maximum: 5%	09/04/2021	22 semiannual payments (2028-2038)	USD 7.254
USD 2041	LETES BONAR USD DISCOUNT PAR	Semiannual	Initial: 0.125% Maximum: 4.875%	09/04/2021	28 semiannual payments (2028-2041)	USD 44.217
BONCER 2026	LETES BONAR 2020-24 LELINK BONAR USD LINKED	Semiannual	CER + 2%	05/04/2021	4 semiannual payments (2025-2026)	ARS 578.975
BONCER 2028	LETES BONAR 2020-2024	Semiannual	CER + 2.5%	05/04/2021	8 semiannual payment (2025-2028)	ARS 1.727.129

**SOURCE:** OPC.

Considering the eligible bonds payable in dollars, the average coupon currently stands at 6.7% for the term 2021-2038. With the new instruments in dollars (excluding the accrued interest bond), the average coupon of the debt is reduced to 3.7%, with an increasing structure over time (Figure 2).

<sup>3</sup> See CSJN opinions: "Brunicardi, 1996" (319:2886), "Galli, 2005" (328:690) and "Rabolini, 2010" (333:855).

**FIGURE 2**  
**AVERAGE INTEREST COUPON**  
**BONDS PAYABLE IN USD**



Note: Does not include bond 2030 in USD accrued interest

**SOURCE:** OPC

## OFFER VALUATION

Based on exit yield<sup>4</sup> of 11%, the offer of new bonds in dollars has an estimated value as of September 4 of USD48 per USD100 of residual value (RV) for the Par bonds, USD55.9 for the Discount bonds, and between USD49 and USD52.7 for the BONARs and LETES (Table 3). The valuation includes, if applicable, the differential for the recognition of accrued interest that only bondholders that adhere to the transaction in the Early Acceptance Period would receive, which has an estimated average value of USD1.2.

A sensitivity analysis of the valuation versus the discount rate used shows that for any exit yield equal to or greater than 10%, the shortest bonds are the best swap option. As mentioned, given the maximum issuance amounts established by the Bill, there is no risk of receiving a bond with a longer term than the one chosen.

<sup>4</sup> In a restructuring transaction, the exit yield represents the expected yield that the assets involved will have once the transaction is completed. It is used as a discount rate to determine the present value of the new securities.

**TABLE 3**  
**VALUATION OF THE SWAP PROPOSAL: SECURITIES IN USD OPTION**  
**PRESENT VALUE IN USD PER USD100 OF ELIGIBLE RESIDUAL VALUE**

Eligible securities	Exit yield (USD)						
	8%	9%	10%	11%	12%	13%	14%
LETES	61.8	56.2	52.4	49.2	46.3	43.6	41.1
BONAR 2020 (AO20)	66.1	60.2	56.1	52.7	49.6	46.6	43.9
BONAR 2020 (AY20)	65.4	59.5	55.5	52.1	49.0	46.2	43.5
BONAR 2022 (AD22)	64.9	59.1	55.1	51.7	48.7	45.8	43.1
BONAR 2023 (Blanqueo)	62.2	56.5	52.7	49.5	46.6	43.8	41.3
BONAR 2024 (AY24)	66.1	60.1	56.1	52.7	49.5	46.6	43.9
BONAR 2025 (AD25)	65.0	59.1	53.9	49.2	45.0	41.2	37.9
BONAR 2025 (AA25)	64.8	58.9	53.7	49.0	44.9	41.1	37.7
BONAR 2027 (AD27)	65.0	59.1	53.9	49.2	45.0	41.2	37.9
BONAR 2037 (AA37)	65.8	59.8	54.6	49.8	45.6	41.8	38.4
DISCOUNT USD	72.4	66.2	60.8	55.9	51.5	47.5	44.0
PAR USD	63.6	57.7	52.6	48.0	43.9	40.3	37.1

**SOURCE:** OPC.

With respect to the BONCER swap option, considering an exit yield of 9% (ARS rate + CER), the offer has an estimated value of between ARS5,043 and ARS5,352 per USD100 of eligible bonds, including accrued interest for holders that accept the swap early, ARS130 on average (Table 4).

**TABLE 4**  
**VALUATION OF THE SWAP PROPOSAL: SECURITIES IN ARS OPTION**  
**PRESENT VALUE IN ARS PER USD100 OF ELIGIBLE RESIDUAL VALUE**

Eligible securities	Exit yield (ARS+CER)						
	8%	9%	10%	11%	12%	13%	14%
BONAR 2020 (AO20)	5,668.3	5,408.7	5,163.8	4,932.5	4,714.1	4,507.6	4,312.4
BONAR 2020 (AY20)	5,608.4	5,351.6	5,109.2	4,880.4	4,664.3	4,460.0	4,266.8
BONAD 2021 (TV21)	5,408.2	5,160.5	4,926.8	4,706.2	4,497.7	4,300.7	4,114.4
BONAR 2022 (AD22)	5,563.1	5,308.3	5,067.9	4,840.9	4,626.5	4,423.9	4,232.3
BONAR 2023 (Blanqueo)	5,316.1	5,072.7	4,842.9	4,626.1	4,421.2	4,227.5	4,044.4
BONAR 2024 (AY24)	5,667.0	5,407.4	5,162.6	4,931.4	4,713.0	4,506.5	4,311.3
DUAL 2020 (AF20)	5,285.4	5,043.4	4,815.0	4,599.3	4,395.7	4,203.1	4,021.1
LELINK (V05N9 y V04D9)	5,285.4	5,043.4	4,815.0	4,599.3	4,395.7	4,203.1	4,021.1
LETES	5,285.4	5,043.4	4,815.0	4,599.3	4,395.7	4,203.1	4,021.1

**SOURCE:** OPC.

## MATURITY PROFILE

Assuming that all eligible securities are swapped, the new bonds would generate amortization and accrued interest payments of approximately USD2.2 billion in 2020-2024 and USD32.5 billion in 2020-2030. Compared to the current maturity profile, this implies a reduction in debt service of close to US\$30.4 billion and US\$19.6 billion, respectively.



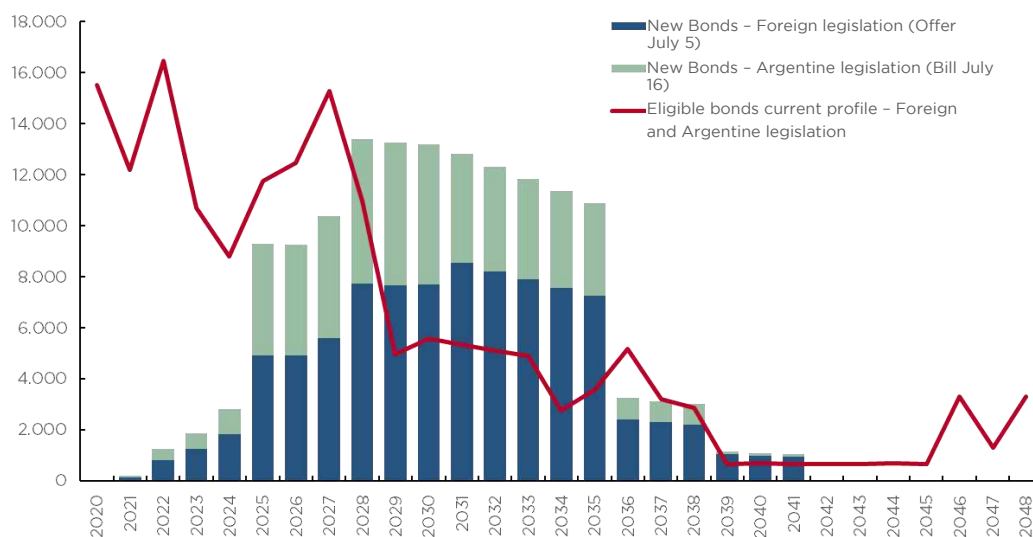
On the other hand, if in addition to the transaction proposed in the Bill, we consider the restructuring of the bonds under foreign legislation in accordance with the terms of the last Argentine offer announced last July 5, the payment obligations would decrease by approximately USD57.5 billion in 2020-2024 and USD49.8 billion in 2020-2030 (Table 5 and Figure 3).

**TABLE 5**  
**RESTRUCTURING MATURITY PROFILE**  
**IN MILLIONS OF USD, INCLUDES RECOGNITION OF ACCRUED INTEREST AS OF 09/04/2020**

	2020-2024	2020-2030	Total Profile 2020-2117		
	Total Services	Total Services	Principal	Interest	Total Services
Eligible securities current profile	63,664	124,642	108,034	78,173	186,207
Foreign Legislation	31,127	72,541	66,316	60,068	126,385
Argentine Legislation	32,538	52,101	41,717	18,105	59,822
New profile with last official proposals	6,116	74,886	110,885	35,814	146,699
Foreign Legislation - July 15 offer	3,959	42,405	67,866	23,798	91,664
Argentine Legislation - July 16 Bill	2,158	32,481	43,018	12,017	55,035
Differences (I-II)	57,548	49,756	-2,851	42,359	39,508
Foreign Legislation	27,168	30,136	-1,550	36,271	34,721
Argentine Legislation	30,380	19,620	-1,301	6,088	4,787

SORUCE: OPC.

**FIGURE 3**  
**MATURITY PROFILE**  
**INCLUDES AMORTIZATION AND INTEREST, IN BILLIONS OF USD**



Note: current profile accrued maturities include for the term 2049-2117 services for the BIRAD 2117 (Century) bond, for USD13.422 billion in interest and USD2.75 billion in amortization.

SOURCE: OPC.

## ANNEX I

### SECURITIES IN DOLLARS UNDER ARGENTINE LEGISLATION NOT INCLUDED IN THE BILL IN MILLIONS OF USD

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Securities	Current stock
Plan Gas Bonds	634
<b>Subtotal USD linked Bonds</b>	<b>634</b>
BCRA bills FDA 2021	7,504
BCRA bills FOI 2021	2,121
BCRA bills FDA 2022	5,674
BCRA bills FOI 2022	2,084
BCRA bills FOI 2023	2,292
BCRA bills FDA 2023	7,133
BCRA bills FDA 2024	7,897
BCRA bills FOI 2024	3,043
BCRA bills FDA 2025	10,563
BCRA bills 2026	376
BCRA bills 2029	4,571
BCRA bills 2030	64
<b>Subtotal BCRA bills</b>	<b>53,321</b>
Bills in USD FGS 03-12-2021	207
Bills in USD FGS 04-01-2021	59
Bills in USD FGS 10-14-2020	691
Bills in USD within public sector	91
<b>Subtotal bills within public sector</b>	<b>1,048</b>
CMEA bills (Joint resolution 17/2018)	168
Bills in USD Mendoza (Joint resolution 57/2019)	986
Bills as guarantee (FODER)	7,368
<b>Subtotal Other bills in USD</b>	<b>8,523</b>
<b>Total securities in USD under Argentine legislation not included in the Bill</b>	<b>63,526</b>

**SOURCE:** OPC.



# OPC

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