

Ukraine Debt Default. Kiev Reneges On Its Debt Obligations. Ukraine Parliament’s “Debt Moratorium Authorization”

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Kiev’s parliamentary debt moratorium authorization suggests impending default. MP Viktor Bondar calls it “technical default.”

Henceforth, foreign creditors will be scared off, he said. The IMF remains Kiev’s sole funding source.

Bondar said authorization came without serious parliamentary consideration or debate. Most MPs didn’t understand what they supported, he added.

The measure passed 246 – 4 – a few hours after submission to parliament. A Cabinet of Ministers statement said:

“To protect the interests of Ukrainian people, the Government of Ukraine submits to the Verkhovna Rada today the draft laws, those enabling the Government to suspend payments on certain external public debts and guaranteed by the government debts, as specified in the Annex to the relevant Regulation of the Cabinet of Ministers.”

“And in case of an attack from unscrupulous creditors to Ukraine, the moratorium will protect the assets of the state and of the public sector.”

“It should be noted that granting such a right to the Government of Ukraine will affect neither the stability of the banking system of the country nor the exchange rate of the Ukrainian hryvnia.”

“But by adopting this law we appeal to our foreign lenders with a request to support Ukraine and share the heavy burden with us.”

Ukraine is bankrupt. Its economy is in free-fall. Its Q I 2015 GDP plunged 17.6% year-over-year. It’s a virtual sinkhole of Depression – dependent on outside financial aid to prevent collapse.

Moratorium excludes IMF loans. It reneges its debt obligations with Russia. On May 20, Putin spokesman Dmitry Peskov said Russian officials don’t trust Poroshenko.

“The serious lack of trust is based on the specific facts, specific non-fulfilled obligations and breaking of the clauses of signed documents,” he said.

Peskov called Kiev's debt moratorium "a step toward default."

Russia's lower house State Duma Financial Markets Committee First Deputy Chairman Vladislav Reznik agreed, adding default requires declaring it.

"(S)erious consequences" would follow. Russia expects Kiev to honor its debt obligation - \$3 billion Eurobonds repayment is due in December plus monthly debt service.

Earlier, Russian Deputy Finance Minister Sergey Storchak said Moscow won't participate in Ukraine's debt restructuring. It expects Kiev to make its next payment in June - \$75 million is due.

Otherwise, Russia will sue Ukraine in the International Court of Justice (ICJ), according to Finance Minister Anton Siluanov. Moscow wasn't informed about debt moratorium legislation, he added.

Kiev claiming it needs protection from "unscrupulous" creditors doesn't wash. Nor saying it intends upholding "the rights of the Ukrainian people" it persecutes ruthlessly.

On Tuesday, Ukrainian debt obligations slumped to 45 cents to the dollar. Values look virtually certain to head lower.

According to Bank of America Merrill Lynch, "(t)here is still some way for the bonds to fall if the government takes a tough stance."

A debt restructuring deal is being discussed ahead next month's deadline. London-based Capital Economics William Jackson expects talks to "go right down to the wire, and there is a significant chance of an altogether messier outcome," he said.

Ukraine is holding talks to restructure its sovereign and state-guaranteed debt. It has a \$15 billion funding gap to resolve.

Bondholders reject Ukraine's lack of good faith. Kiev proposed extending maturity on its bonds and reducing the coupon it pays.

"We want to pay, but (only) under the terms proposed by the Ukrainian government," its illegitimate prime minister Arseniy Yatsenyuk blustered.

A creditor committee spokesman declined to comment. According to Deutsche Bank chief emerging markets economist Robert Burgess:

"A lot of the debt that is subject to restructuring discussions is governed by international law rather than domestic, so there are limits as to what the government can do to protect itself. It's a question of jurisdiction."

While approaching default on its debt, Kiev continues spending millions of dollars daily waging war on Donbass. Creditor outrage is justified.

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