



Greek PSI: The Results

- **Total participation in the PSI of EUR 172bn, or 83.7%**
- **Total Greek-law bond participation of EUR 152bn, or 85.8%, enough to activate CACs**
- **Total foreign-law bond participation of EUR 20bn, or 69%, extension of invitation period to 23 March**

Early this morning, Greek Finance Minister Evangelos Venizelos announced a total participation rate in the PSI of about **EUR 172bn, or 83.7%**. By participation, we mean the amount of bonds issued or guaranteed by Greece that have been tendered for exchange *or* whose bondholders have consented to proposed amendments in response to the invitation and consent solicitations. Please see our previous research for explanations of the five pools of bonds of the Greek PSI (Table 1).

Of the Greek-law “eligible titles” totalling EUR 177bn, participation totalled **EUR 152bn, or 85.8%**. Holders of 5.3%, or EUR 9.4bn, of this outstanding amount participated in the consent solicitation and opposed the proposed amendments. This meant a quorum of 91.1%, of which a vast majority, 94.2%, voted in favour of the proposed amendments, giving Greece the option to activate collective action clauses (CACs), as the minimum requirements of a 50% quorum and a two-thirds majority had been met. According to the official announcement, Greece intends to accept the consents received and amend the terms of all of its Greek-law government bonds (CAC activation), including those not tendered for exchange. This would lead to 100% participation of Greek-law bonds, or EUR 177bn.

With respect to the other four categories, including foreign-law government bonds, foreign-law guaranteed bonds, exchange-designated securities and the CHF bond, Greece received tenders for exchange and consents to the proposed amendments from holders of about **EUR 20bn, or 69%**. The fourth category of “exchange-designated securities”, totalling EUR 7.9bn, includes bonds that are mostly held by Greek banks, which most likely responded positively to the invitation. Assuming that almost 100% of this fourth group participated, this means that of the remaining EUR 20bn of foreign-law bonds, EUR 12-13bn participated, or 60-65%.

The total participation of these EUR 20bn of foreign-law bonds could end up at more than EUR 12-13bn. This will depend on the distribution of the participation across the various series of bonds. Most of these bonds have CAC thresholds of either 66% or 75%. For example, if there were a 75% participation rate for each and everyone one of the first EUR 16bn of foreign-law bonds (totalling EUR 12bn) and zero participation for the remaining EUR 4bn, then by activating the CACs, Greece could reach a total of EUR 16bn, or 80% of the total. Thus, the EUR 20bn, or 69%, for the non-Greek-law bonds is the minimum that can come out of the bondholder meetings in relation to these bonds. As a reminder bondholder meetings will take place on 27-29 March and settlement on 11 April.

When combining the activation of Greek CACs (EUR 177bn) with the minimum participation rate Greece already has from the foreign-law bonds (EUR 20bn), total participation reaches **EUR 197bn, or 95.7%**. This is above the critical 95% minimum participation threshold the IMF assumed in its debt sustainability analysis and which leads to the 120.5% debt/GDP ratio being met in 2020 under a specific set of assumptions.

Greece has decided to extend the invitation period for foreign-law bonds until **9pm (CET) on 23 March 2012**. It has also deferred the settlement date for the exchange-only securities (“exchange-designated securities”) until 11 April 2012. In table 2 we try to disentangle the participation conditions puzzle. With an overall 83.7% participation, Greece satisfies conditions 2 and 3 which means that it can proceed with the exchange and waive the minimum participation condition, and it can activate the CACs given that they lead to overall participation above 90%.

According to press reports, the Greek finance minister will hold a press conference later today (11am London time), while a teleconference with the Troika will follow (1pm London time). The ISDA is also expected to discuss credit-event scenarios during the day, according to press reports.

Overall, this is a very good PSI result and the participation rate is even higher than what the most optimistic market participants were expecting. Greece has made it clear that this is the best offer investors will ever get, and it seems that most were convinced.

Ioannis.Sokos@bnpparibas.com

+44 (0) 20 7595 8671



Table 1: The 5 Pools of Bonds of the Greek PSI

Bonds Category	Outstanding Amount	% of Total	Exchange Offer	Consent Solicitation	Aggregate CACs
Greek Law "Eligible Titles"	177.31	86.2%	Yes	Yes	Yes
Foreign Law Gov Bonds	16.87	8.2%	Yes	Yes	No
Foreign Law Guaranteed	2.97	1.4%	Yes	Yes	No
Exchange Designated Securities	7.89	3.8%	Yes	No	No
CHF Bond	0.54	0.3%	No	Yes	No
TOTAL PSI POOL:	205.58	100.0%			

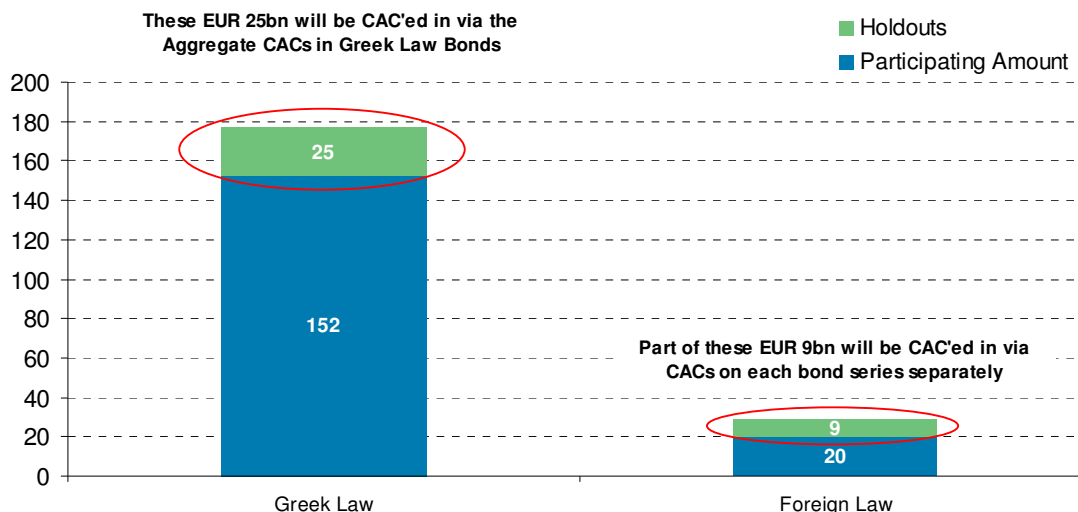
Source: BNP Paribas

Table 2: The Participation Conditions Puzzle

	Participation Conditions	Achieved	P=83.7%
1	The Republic will COMPLETE the exchange...IF at least 90% of the aggregate principal amount...has been validly TENDERED for exchange by the expiration deadline... (<i>minimum participation condition</i>)	NO	-
2	IF at least 75% but less than 90% of the aggregate principal amount...has been validly TENDERED for exchange...the Republic reserves the right to WAIVE the minimum participation condition and PROCEED to exchange...	YES	Greece Proceeds with the Exchange
3	IF the Republic has RECEIVED TENDERS ...for exchange...and has OBTAINED CONSENTS ...that UPON ACCEPTANCE or becoming effective, as applicable, would RESULT in at least 90% of the aggregate principal amount...the Republic INTENDS to put into effect the PROPOSED AMENDMENTS ...	YES	Greece Intends to Activate CACs
4	IF less than 75% of the aggregate principal amount...has been validly TENDERED for exchange...and the Republic has not OBTAINED CONSENTS to put into effect the proposed amendments...representing at least 75% of the aggregate principal amount...the Republic WILL NOT PROCEED with any part of the transactions...	NO	-
	Actions to be taken by Greece		
	Participation Thresholds		
	Type of Participation		

Source: BNP Paribas

Chart 1: Greek PSI Results



Source: BNP Paribas



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