

DENTONS COUNSELS ON ECUADOR'S LARGEST EVER SOVEREIGN DEBT SWAP

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Dentons, through a multi-jurisdictional team, advised the Ministry of Economy and Finance of the Republic of Ecuador on the exchange of sovereign debt, consisting of increasing coupon notes issued by the country maturing in 2030, 2035 and 2040.

The coupon notes were offered for purchase by their respective holders in a cash tender offer announced and conducted by Credit Suisse International (CSI), for new sovereign debt consisting of a term credit facility granted to Ecuador.

This transaction marks the largest debt-for-nature swap transaction to date, where Ecuador, as borrower, entered into a term credit facility with GPS Blue Financing Designated Activity Company (GPS Blue), as lender, and The Bank of New York Mellon (BNYM), as facility agent, for a total amount of approximately \$656 million, maturing in 2041 with a 7-year grace period for principal repayment. This transaction was settled on 9 May 2023.

The term loan facility is secured, with respect to certain payment obligations of Ecuador, by a partial credit guarantee granted by the Inter-American Development Bank (IDB) up to a maximum guaranteed amount of \$85 million.

In addition, the term loan facility is covered by a Political Risk Insurance Policy (PRI) provided by the International Development Finance Corporation (DFC) for the benefit of the lender and the facility agent. This is the largest PRI policy provided by DFC to date.

As a central element of the transaction, the Ministry of Environment, Water and Ecological Transition and the Ministry of Production, Foreign Trade, Investment and Fisheries of the Republic of Ecuador committed to meet or achieve certain sustainability commitments within agreed timeframes. These sustainability commitments relate to the management and conservation of the marine reserve surrounding the Galapagos and the growth of the natural capital of the Galapagos Islands and its marine ecosystems.

The payments to be made by Ecuador to the lender under the term loan facility are used as a reference for the payments to be made by the lender, as issuer, under the Galapagos Marine Conservation Linked Bonds, the "blue bonds" associated with marine conservation and preservation in the Galapagos.

In addition, Ecuador committed to make quarterly conservation payments linked to the debt swap of an initial \$4.5 million to the lender until 2041, which the lender has in turn committed to contribute to the Galapagos Life Fund (GLF), a special purpose vehicle that will fund projects aimed at promoting the maintenance, growth and security of the natural capital of the Galapagos Islands and its marine ecosystems.

Dentons' Banking and Finance team was led by partners **Jesús Mardomingo** (pictured left), **Yun Ma** (pictured centre, left) and **Rubén Eduardo Luján** (pictured centre, right), with support from associate **Lola Noguera** and of counsel **Carolina Barzola**. Partners **Walter Van Dorn** and **Luis F. Torres** led the US team on the transaction. The ESG team was led by partners Jesús Mardomingo and **Stephen Shergold** (pictured right), assisted by partner **Rachel Juliet Welch-Phillips**, senior associate **Annabel Hodge** and associate **Amy Morin**.