

Americas Credit Derivatives Determinations Committee Statement - November 25, 2024

Assured Guaranty Municipal Corp. Successor Determination

DC Issue Number 2024081402

The Americas DC considered whether certain obligations of Assured Guaranty Municipal Corp. (AGMC) constitute "Qualifying Policies" and therefore "Relevant Obligations" under the Additional Provisions for Monoline Insurer Reference Entities published by the International Swaps and Derivatives Association, Inc. (ISDA) on September 15, 2014 (the **Monoline Supplement**) and the 2014 ISDA Credit Derivatives Definitions published by ISDA (the **2014 Definitions**), and is issuing the following statement in connection with such question. This statement applies solely to Credit Derivative Transactions that incorporate both the Monoline Supplement and the 2014 Definitions (**Monoline CDS**).¹

The Americas DC is providing the following statement in connection with its Successor determination.

1. SUMMARY OF EVENTS

On August 1, 2024, Assured Guaranty Ltd. issued a press release announcing that AGMC completed its merger into Assured Guaranty Inc. The planned merger was announced on July 8, 2024 and is effective as of August 1, 2024. The press release stated that "all obligations of AGM[C] are now obligations of [Assured Guaranty Inc.]"² Additionally, Moody's issued a credit rating announcement on August 2, 2024 stating that "[t]he reorganization came into effect as of August 1, 2024, and by operation of law, all securities that had been insured by Assured Guaranty Municipal Corp. are now guaranteed obligations of Assured Guaranty Inc. Over time, we will be updating the display on our websites to reflect that rated securities previously guaranteed by Assured Guaranty Municipal Corp. are now guaranteed by Assured Guaranty Inc."³

2. ANALYSIS UNDER THE 2014 DEFINITIONS

Under the 2014 Definitions, the determination of a Successor focuses on whether a given entity "succeeds" to the "Relevant Obligations" of the Reference Entity. An entity "succeeds" to a Reference Entity and its Relevant Obligations when it "(i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement [...]"⁴ An entity may only be a Successor if, among other matters, the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity.⁵ "Relevant Obligations" are defined to mean "the Obligations of the Reference Entity which fall within the Obligation Category 'Bond or Loan' and which

¹ Each capitalized term used but not defined in this Statement shall have the meaning given to it in (a) the Monoline Supplement, (b) the 2014 Definitions, or (c) the Credit Derivatives Determinations Committees Rules (as amended as of the date hereof) (the **DC Rules**), as applicable.

² See the August 1, 2024 Statement of Assured Guaranty Ltd., "Merger Enhances Capital Structure and Creates Operational Efficiency": <https://info.assuredguaranty.com/press-room/all-press-releases/news-details/2024/Assured-Guaranty-Completes-Merger-of-Assured-Guaranty-Municipal-Corp.-into-Assured-Guaranty-Inc/default.aspx>.

³ See the August 2, 2023 announcement by Moody's Ratings, "Rating Action: Moody's Ratings withdraws Assured Guaranty Municipal Corp.'s A1 IFS rating following merger into Assured Guaranty Inc.": https://assuredguaranty.com/images/uploads/Rating_Action-Moodys-Ratings-withdraws-02Aug2024.pdf.

⁴ Section 2.2(d) of the 2014 Definitions.

⁵ Section 2.2(c) of the 2014 Definitions.

are outstanding immediately prior to the Succession Date."⁶ An "Obligation" is defined to include "any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) [...]."⁷

Under the Monoline Supplement, a "Qualifying Policy" is treated as an "Obligation" of the Reference Entity, including for purposes of the Successor provisions of the 2014 Definitions.⁸ A financial guaranty insurance policy is a "Qualifying Policy" if, with respect to a given Insured Instrument, the relevant Reference Entity irrevocably guarantees or insures all "Instrument Payments" with respect to such Insured Instrument.⁹ "Instrument Payments" are defined with respect to Insured Instruments that are not pass-through certificates or similar instruments to include "scheduled payments of principal and interest."¹⁰ Therefore, for Monoline CDS, any Qualifying Policy of AGMC (such as a Qualifying Policy that insures all "scheduled payments of principal and interest" of an Insured Instrument that is a Bond) that was outstanding immediately prior to the August 1, 2024 merger date should be treated as a Relevant Obligation for purposes of determining whether an entity "succeeded" to AGMC under such Monoline CDS.

The Americas DC reviewed information submitted by Eligible Market Participants and concluded, on the basis of such information, that a Qualifying Policy was in fact outstanding immediately prior to the August 1, 2024 merger of AGMC into Assured Guaranty Inc. The "Specimen Municipal Bond Insurance Policy," appended as Appendix G of the South Carolina Public Service Authority's offering documents, explicitly guarantees scheduled payments of principal and interest in respect of the relevant issued bond.¹¹ Consequently, the Americas DC determined that, for purposes of Monoline CDS, such AGMC policies constitute Qualifying Policies and are Relevant Obligations for purposes of Section 2.2 of the 2014 Definitions.

In addition, the "Event Notice of Substitution of Credit Provider" issued by the South Carolina Public Service Authority affirmed that "the Policy remains in full force and effect" and that "[Assured Guaranty Inc.] has assumed, by operation of law, all of AGMC's liabilities and obligations to policyholders."¹² Therefore, the Americas DC determined that by operation of law, Assured Guaranty Inc. became liable for all obligations of AGMC that were outstanding immediately prior to the August 1, 2024 merger.

Under the 2014 Definitions, an entity becomes a Universal Successor when it assumes all obligations, including at least one Relevant Obligation, of the Reference Entity that has ceased to exist.¹³ Given the determination that AGMC had at least one Relevant Obligation (in the form of one or more Qualifying Policies) outstanding immediately prior to the merger, and considering the Monoline Supplement's provisions, the Americas DC therefore Resolved that Assured Guaranty Inc. became the Universal Successor to AGMC with respect to Monoline CDS and the Succession Date was August 1, 2024.

⁶ Section 2.2(f) of the 2014 Definitions.

⁷ Section 3.1(a) of the 2014 Definitions.

⁸ See Paragraph (b) of the Monoline Supplement (amending Section 3.1(a) of the 2014 Definitions by adding the words "or Qualifying Policy" after the words "or as provider of a Relevant Guarantee").

⁹ Paragraph (a) of the Monoline Supplement.

¹⁰ Paragraph (a) of the Monoline Supplement.

¹¹ See the offering documents for the South Carolina Public Service Authority's issuance of its 2024 bonds (dated July 24, 2024): <https://emma.msrb.org/P21832258-P11359862-P11797008.pdf>.

¹² See the "Event Notice – Substitution of Credit Provider" issued by the South Carolina Public Service Authority (dated August 9, 2024): <https://emma.msrb.org/P11781050-P11366951-P11804435.pdf>. See also the August 1, 2024 Statement of Assured Guaranty, "Merger Enhances Capital Structure and Creates Operational Efficiency":

<https://info.assuredguaranty.com/press-room/all-press-releases/news-details/2024/Assured-Guaranty-Completes-Merger-of-Assured-Guaranty-Municipal-Corp.-into-Assured-Guaranty-Inc/default.aspx> ("As of today, all obligations of AGM are now obligations of AG, and Assured Guaranty UK Limited and Assured Guaranty (Europe) SA are now subsidiaries of AG.").

¹³ Section 2.2(a)(vii) of the 2014 Definitions.

Note that this determination does not apply to Credit Derivative Transactions where the Monoline Supplement is not applicable (as the Americas DC did not identify any Relevant Obligations of AGMC outstanding immediately prior to the merger other than Qualifying Policies).