



Department  
for International  
Development

PRESS RELEASE - 10 May 2019

## **DFID invests GBP 31 million in TCX**

### **Promoting global prosperity by making development finance sustainable**

The Currency Exchange Fund (TCX) is pleased to announce that the UK Department for International Development (DFID) has invested GBP 31 million in TCX. The investment came in form of a subordinated convertible loan maturing in 2045. The new long-term capital will strengthen the capacity of TCX to provide currency hedges for loans and bonds which finance development projects across Africa, Asia, Latin America and the Middle East. Projects range from financing Microfinance and SME activities to large scale infrastructure deals providing on- or off-grid renewable energy.

Currently, these projects are primarily financed in hard currencies, such as the US dollar or euro. However, they typically earn revenues in local currencies. Hard currency financing thus makes the projects vulnerable to currency depreciations. Currency fluctuations have been a major risk and impediment for new investments in emerging and frontier markets, as they can impose heavy costs on local populations and utilities.

The DFID investment will allow TCX to hedge high impact investments of more than USD 1.5 billion until 2045. TCX CEO Ruurd Brouwer said:

*“Currency risk, one of the largest challenges in development finance, can be solved. All we need to do is join forces and apply existing solutions. We are therefore extremely happy with DFID’s decision to join the German and Dutch governments in dedicating long-term capital to a proven and scalable solution. We are also glad to see that DFID shares with TCX a strong Africa focus. This investment will contribute to the Fund’s strategic objective of increasing its regional exposure in African currencies over the coming years.”*

#### **Background information:**

DFID leads the UK’s effort to end extreme poverty, tackling the most pressing global challenges of our time, including poverty and disease, mass migration, insecurity and conflict. DFID’s goal is to build a safer, healthier and more prosperous world for people in developing countries as well as in the UK.

TCX is a global development finance initiative which offers currency swaps and forwards with no tenor limitations in 80+ financial markets where such products are not available or poorly accessible. The Fund started operations in 2007 and has since then provided hedging instruments with a total volume of more than USD 6 billion, spread over about 3000 transactions. TCX acts as market maker in currencies and maturities that are not covered by banks or other financial entities.

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