



LIFT/TCX PROGRAM 2.0

INFORMATION MEMORANDUM – 3rd ROUND

1. Scope of the 3rd round

LIFT and TCX are opening a third-round of allocations. This has been made possible by the commitment of LIFT to bring a swift response to the negative effects of the COVID-19 on the Myanmar microfinance sector. This commitment takes the form of an additional subsidy to the existing program.

TCX will allocate capacity under the framework described below. The key factor to allocate capacity in a COVID-19 environment is immediacy.

LIFT aims to support investors that are ready to disburse funds to MFIs before Tuesday June 30th, 2020. LIFT is committed to help investors to secure regulatory approvals swiftly by directly lobbying the CBM and FRD.

2. Key parameters

3.1	Submission Period The submission period is designed to allow <u>the lenders</u> to submit one or several requests for an allocation to TCX	One week from May 10 th until May 15 th , 2020 (midnight CEST time).
3.3	Allocation The allocations made under the facility are granted to the lender for a limited period.	<ul style="list-style-type: none">▪ The allocation is granted for 1.5 month until June 30th, 2020.▪ No extension is granted automatically. Extensions will be reviewed on a case by case basis by LIFT
3.4	Eligibility criteria	<ul style="list-style-type: none">▪ The lender must have an ISDA signed with TCX or with MFX Solutions▪ The borrower must be an MFI shortlisted by LIFT (see section 3.5)▪ The funding provided is a new Foreign Direct Investment. An exception will be made for investors having a line maturing before June 30th, 2020 and willing to extend the very same credit line provided that it meets the criteria defined in the present section.▪ TCX will always use the maximum interest rate on foreign lending allowed by the CBM to swap against the hard currency margin of the lender. Currently the interest rate is set at 16% fixed in Myanmar Kyat (MMK).▪ The lender commits to charge an interest rate of exactly 16% in MMK to the borrower. The interest rate of 16% in MMK must be submitted to the regulator for approval without any additional fee, commission or any other cost.▪ There should be enough subsidy left to support another allocation▪ The subsidy required to support the allocation of a single loan should never be more than 20% of the grant

<p>3.5</p>	<p>Eligible Microfinance Institutions</p> <p>Only the following entities have been shortlisted by LIFT and are eligible under this (round of the) program. LIFT has allocated a specific amount of funding to each institution. This amount of funding is not disclosed.</p>	<ol style="list-style-type: none"> 1. PGMF - Pact Global Microfinance Fund 2. Vision Fund Myanmar 3. Proximity Finance 4. MAHA Agriculture Microfinance 5. Dawn Microfinance 6. ADVANS Myanmar
<p>3.6</p>	<p>Side Letter</p> <p>The lender commits to a series of requirements and representations contained in a side letter. The side letter cannot be negotiated, altered or amended and must be signed on the same day as the trade date of the hedge.</p>	<p>The key points contained in the side letter are presented here below:</p> <ul style="list-style-type: none"> ▪ The loan must make an explicit mention of: <ol style="list-style-type: none"> i. the market's interest rate in Myanmar Kyat that would have been charged to the borrower without the use of the subsidy; ii. the amount required to subsidize the transaction (in USD). Both figures will be provided by TCX. ▪ The lender confirms that the interest rate charged to the borrower is 16% in MMK and that no additional fee, commission or any other cost have been added. ▪ The lender must disclose to TCX the legal entity (MFI) to which it provides funding. The lender also shall ensure that TCX can disclose the names of all the counterparties and the specific parameters of each transaction. Indeed, this information enables TCX to deliver an exhaustive impact report to LIFT when the program is completed. ▪ The lender commits to submit the LIFT Monitoring and Evaluation Report to LIFT on a quarterly basis. ▪ The lender agrees, upon request, to share with LIFT its social performance assessments of the MFI(s). ▪ The lender makes a representation that in case of unwind, the part of the subsidy covering the remaining maturity of the transaction is neutralized from the MtM that TCX will calculate on the unwind date.
<p>3.7</p>	<p>Policy in case of unwind</p>	<p>TCX will use its standard valuation curve to value the hedge. In case of unwind, the calculation of the mark-to-market (MtM) will be done on the standard valuation curve of TCX minus the residual upfront value of the subsidy received from LIFT. As a result, in case of unwind, the value of the subsidy is not captured in the MtM by the lender or borrower.</p>



3. Waterfall for the treatment of the allocation requests

4.1	<p>Allocation Request</p> <p>The allocation request(s) must contain the following information</p>	<ul style="list-style-type: none"> ▪ Name of the lender ▪ Name of the borrower ▪ Notional of the loan (in USD) ▪ Maturity date of the loan ▪ Amortization schedule of the loan (notional and interests) ▪ Credit margin of the loan (in the format of USD Libor 6m + margin) ▪ Day Count is Act/360 for both USD and MMK legs <p>A lender can submit one or several allocation request(s). However, the lender cannot submit more than one allocation request per single borrower.</p>
4.2	Communication	<p>All relevant documents will be shared on TCX's website: www.tcxfund.com/tcx-lift-in-myanmar/</p> <p>Email to submit the allocation request(s):</p> <ul style="list-style-type: none"> ▪ For lenders hedging with TCX: LIFT@tcxfund.com ▪ For lenders hedging with MFX: LIFT@mfxsolutions.com <p>MFX will submit the allocation requests of its clients to TCX. TCX will ignore the requests received from MFX's counterparties</p>
4.3	Admissible request	<p>The allocation request must meet all the following conditions to become an admissible request:</p> <ol style="list-style-type: none"> 1. The scope of the grant must be satisfied (see 3. Key Parameters) 2. Each Lender cannot submit a credit margin superior to USD Libor 6m + 500bps 3. Loans should have an average tenor of minimum 3 years. For instance, a 3 years bullet loan or a 4 years loan with 2 years grace period have both a tenor of 3 years and would qualify.
4.4	Ranking	<p>The admissible requests are sorted per borrower in the following order (waterfall):</p> <ol style="list-style-type: none"> 1. Loans with the lowest credit margin <ul style="list-style-type: none"> ▪ Filtering Rule: rounded to the 1st decimal. ▪ Execution Rule: real margin submitted up to the 2nd decimal 2. If the loans have the same credit margin, then the loans with the longest average tenor will rank first <ul style="list-style-type: none"> ▪ Filtering Rule: rounded to the 1st decimal ▪ Execution Rule: real date submitted up to the 2nd decimal 3. If the outcome of the filtering rule 1 and 2 cannot rank two or more allocation requests, these requests will rank equal and be allocated pro rata of the capacity left. The pro rata ratio will take into account the amount of funding assigned by LIFT to each MFI.
4.5	Change(s) in the terms of the loan/hedge after an allocation is made	<p>TCX reserves the right to reject any allocation previously made if the lender modifies the terms of the hedge/loan resulting in a change of subsidy amount to support the allocation.</p>
4.6	Events after an allocation is made	<p>Irrespective of the allocations that have already been granted, TCX will never execute a trade (in any currency) that would cause a breach of any of its minimum capital ratios, maximum risk limits or any other internal guideline.</p>



4. Pricing considerations when trading with MFX or TCX

- Lenders hedging with MFX pay a brokerage fee to MFX of 50bps in USD terms. Therefore, a lender hedging with MFX who would submit an allocation with an interest rate USD Libor 6m + 500bps (the maximum margin authorized) will receive USD Libor 6m + 450bps
- Counterparties hedging with TCX who are neither an investor nor the assignee of an investor will be subject to the same fee of 50bps in USD terms. For the avoidance of any doubt, a lender who would submit an allocation with the highest margin (USD Libor 6m + 500bps) will receive USD Libor 6m + 450bps.
- On the trade date, upon request of the client, TCX can quote the equivalent interest of USD Libor + margin (agreed in the allocation) in USD fixed, EUR fixed or EURIBOR + margin.

Important disclaimer to read and acknowledge before you file an allocation request

An allocation is neither a binding quote nor a firm commitment to hedge part or the full size of a transaction. The ability of TCX to hedge a transaction depends on the availability of the grant that is allocated over time to other transactions and the dynamic nature of TCX's pricing. Because the evolution of Kyat swap rates quoted by TCX have a direct impact on the calculation of the subsidy, TCX can only with a reasonable confidence level allocate capacity to interested parties. TCX cannot be held responsible if the effect of increasing swap rates affects significantly the amount of money available to support your transaction(s). TCX reserves the right to re-allocate the capacity, should rates adversely affect the pool of funds available to subsidize the transactions for which allocations were previously made. Under this scenario, TCX will adjust downward all the allocations previously made pro rata of the current subsidy available to support all these allocations. Therefore, any indication is provided on a best effort basis. LIFT reserves the right to instruct TCX to make any change to this information memorandum at any point in time resulting in a different allocation outcome for both lenders and borrowers.

Contacts

For any question on the program and any clarification please contact:

Jerome Pirouz: j.pirouz@tcxfund.com

Jonas Enrico Luini: j.luini@tcxfund.com

Key documents: www.tcxfund.com/tcx-lift-in-myanmar/