



PRESS RELEASE – 12 November 2020

USD 200+ million capital increase for TCX

Investors support TCX to protect the poorest against FX risks amidst COVID-19

The Currency Exchange Fund (TCX) is thrilled to announce that the European Commission (EC), with the support of KfW, the International Finance Corporation (IFC) on behalf of the International Development Association (IDA) and Proparco invested over USD 200 million in the Fund.

The investments, combined with the 2019 capital increase, raise TCX's risk bearing capacity by 67% to USD 1.25 billion. This aggressive growth reflects the increased demand for local currency from households, enterprises and institutions in frontier markets. It also shows the dedication of development finance institutions to remove the currency risk from cross-border lending to borrowers in developing countries. The investments come with a focus on borrowers in Sub-Saharan Africa and in the European Neighborhood countries.

Ruurd Brouwer, CEO of TCX: *"The investment is a timely response from our investors to counteract the detrimental effects of the pandemic. Especially the poorest countries that lack reserves and adequate health care systems are vulnerable to this external shock. Currency depreciations put many households and other local entities that have borrowed in foreign currency at risk of default. Allowing them to borrow in their local currency instead increases financial resilience, which is needed to reduce the negative impact on economic activity and livelihoods of this crisis, and future crises."*

Koen Doens, Director-General of the department for International Cooperation and Development at the European Commission: *"The investment into TCX is part of the European Fund for Sustainable Development (EFSD) program, providing guarantees and blended financing to mobilize investments in developing countries. In 2020, we have shifted our focus to help countries respond to the Covid-19 pandemic, in particular SMEs, by improving their borrowing options. Local-currency lending is a key aspect of sustainable finance and increases the resilience of local businesses and households from currency volatility and shocks. With the support of KfW, our investment aims to increase the capacity for local-currency lending in even the most frontier countries."*

Paulo de Bolle, Global Director of IFC's Financial Institutions Group: *"This investment by IFC and the International Development Association's Private Sector Window (IDA PSW) will increase TCX's capacity to offer currency risk-management products in low-income countries eligible for concessional financing from IDA. IFC anticipates that the investment will promote greater market integration, as TCX continues to contribute to the development of financial and capital markets by promoting pricing transparency, market making and capacity building of financial sector stakeholders."*

Grégory Clemente, CEO of Proparco: *"With this new operation, Proparco is continuing to develop its portfolio of local currency financing and guarantees, which primarily benefits financial inclusion and MSME financing players. Strengthening the capacity of development finance institutions to support their clients in local currency is essential in the current context. As TCX is a key partner of Proparco in this approach, we are particularly pleased to increase our participation in their capital"*

Background information

TCX is a global development finance initiative which offers long-term currency swaps and forwards 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 USD 8.5 billion, spread over 3500+ transactions. Today the fund has a total exposure of USD 5 billion in 60 frontier-market currencies. By selling parts of this exposure to private investors it creates markets and gives frontier countries access to the international capital market.

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