



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, European Commission Director-General International Cooperation and Development: *"I am very proud of EU's commitment to the TCX fund. This contribution is part of the European Fund for Sustainable Development (EFSD), which provides guarantees and blended financing to mobilize investments in Sub-Saharan Africa and the European Neighborhood region. One of the priorities of the EFSD is to enable local-currency lending in these partner countries, in order to shield local businesses from the risks associated with currency depreciations. TCX does just that, and comes at a moment when the COVID-19 crisis has greatly exacerbated these risks. Overall, this is a great example of our Team Europe approach; bringing in all EU forces and partnering with international financial institutions to make the biggest impact"*.

Dr. Günther Bräunig, CEO of KfW Group: *"Through this guarantee to TCX, KfW supports the European Commission in realising the goals for sustainable development in accordance with the United Nations' Agenda 2030. Furthermore, the TCX-backed financings contribute to the implementation of the Paris Climate Change Convention, and the importance of TCX for the financial system development of African countries is enormous. TCX helps to strengthen the African financial markets and to meet the increased demand for hedging exchange rate risks, especially against the background of the COVID-19 pandemic. Under this project, KfW will provide EUR 130 million – on the basis of a guarantee provided by the European Union – to enable TCX to expand its business in a challenging market environment. KfW is very proud to play a key role in this project, using EU funds from the European Fund for Sustainable Development."*

Stephanie von Friedeburg, Interim Managing Director and Executive Vice President, and COO of IFC: *"Long-term local-currency funding is indispensable for businesses that generate revenue locally but is often*

strikingly absent from certain markets. Our partnership with TCX aims to fill that pressing gap and offer a lifeline for the private sector in some of the poorest counties.”

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 100+ 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.

Press contact: Isabelle Lessedjina, i.lessejina@tcxfund.com



KFW

