



PRESS RELEASE – 03 December 2021

SECO invests USD 10 million in TCX

The Currency Exchange Fund (TCX) is thrilled to announce that the Swiss State Secretariat for Economic Affairs (SECO), which came onboard as an investor in 2020, has decided to top up its investment in the Fund by USD 10 million. SECO invests in the fund's sovereign tranche, in parallel with the existing investors BMZ from Germany, FCDO from the United Kingdom, the Dutch Ministry of Foreign Affairs and the European Commission.

The additional investment will strengthen the capacity of TCX to provide currency hedging solutions for impact investments in developing countries. Switzerland is a leading player with 35% of global impact investing funds being managed by Swiss asset managers. Impact investors are intensive users of TCX.

Liliana de Sá Kirchknopf, Head of Private Sector Development Division at SECO: *"We are very happy to support TCX with an additional investment in the first loss, committing ourselves to 2045. The uncertainty that Covid brings translates into volatility in financial markets and frequent depreciations of developing country currencies. Protecting borrowers in these countries against foreign exchange risk is now more important than ever. Moreover, we strongly support the fund's activities in catalyzing the private sector at scale. TCX takes the currency risk away from small and medium enterprises in developing countries and places it with private investors. This is the type of innovation that is needed today."*

Ruurd Brouwer, CEO of TCX: *"We are delighted with this capital increase, as Covid once more has shown that foreign exchange risk should not be offloaded to the poorest. In development finance, the recipients of hard currency loans do not have the means to manage currency risk and should not be forced to take it. Covid-induced depreciations take funds away from fighting the health crisis to servicing debt. This procyclical effect of hard currency lending can be seen at individual, company, sector and country level. With SECO's additional investment, we can increase our risk-bearing capacity to take over this currency risk from our investors' clients in developing countries"*.

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 9.5 billion, spread over 3500+ transactions. Today, the fund has a total exposure of ca. USD 5 billion in about 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.

The Swiss State Secretariat for Economic Affairs (SECO) is the Swiss federal government's center of excellence for all core issues relating to economic and labor market policy. As a division of SECO, Economic Cooperation and Development (SECO WE) contributes to achieving the strategic goals of Switzerland's foreign economic policy. SECO WE plans and implements economic and trade policy measures to support developing countries as well as Eastern European countries, the Commonwealth of Independent States and the new member states of the European Union.

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