

The ACT Principles

A framework to introduce 'Borrower-lens lending'

The challenge

Borrowers in frontier markets often face a **Hobson's choice**: accept hard currency debt or forego financing altogether. The consequences of hard currency loans and unmanaged foreign exchange risk can be severe, leading to unpredictable costs and debt management burdens, while deterring private investment.

As Multilateral Development Banks, Development Finance Institutions, and impact investors are the primary source of lending in these markets, they have the opportunity and responsibility to lead the shift towards more sustainable lending practices by following the ACT Principles.

The ACT solution

Through the ACT Principles, TCX advocates for the introduction of Borrower-Lens Lending – an approach that prioritizes borrower sustainability and choice in development finance lending practices. This framework entails a simple, three-step process that requires no additional budget and can be implemented immediately:

A Alert borrowers

Inform borrowers that hard currency loans carry currency risk that impacts debt stock, service costs, and long-term sustainability.

C Compare scenarios

Show borrowers the comparative pricing of local currency (indexed) loans versus hard currency loans. Explain exchange rate scenarios, perform stress tests together with the borrower.

T Transact per preference

Offer financing in both local currency (indexed) and hard currency terms, allowing borrowers to make informed decisions based on their risk appetite and capacity. Then transact what the market can support.



Why this matters

- 1 Aligns with MDB and DFI mandates to support sustainable development.
- 2 Strengthens debt sustainability by creating debt service predictability and improving risk management.
- 3 Creates a more stable environment for the private sector to invest and removes a key hurdle to mobilize private sector investment.

No

New infrastructure



No

Additional costs



Simple
Implementation



Take action

Development finance institutions and impact investors can implement the ACT framework simply as part of their standard lending practices.

No new infrastructure, no additional costs – just transparency, education, and borrower choice.



Putting the ACT Principles into practice

TCX can support lenders to carry out the ACT Principles by piloting transactions in target currencies.

Contact us today [↗](#)

A

C

T

DISCLAIMER

The Currency Exchange Fund N.V. (“TCX” or “the Fund”) is an Alternative Investment Fund The Currency Exchange Fund N.V. (“TCX” or “the Fund”) is an Alternative Investment Fund within the meaning of article 4:1 of the European Alternative Investment Fund Managers Directive. TCX’s fund manager is TCX Investment Management Company B.V. (“TIM”), a company based in Amsterdam, The Netherlands, that is licensed as an Alternative Investment Fund Manager by the Financial Markets Authority of The Netherlands. Information distributed by TCX or TIM is not to be considered as an independent advice, recommendation or offer to invest in TCX. For more information, please visit [Disclaimer - TCX](#).