



# FX RISK MANAGEMENT IN EXOTIC CURRENCIES

Sept. 14th, 2016



# World's Worst Currency Prompts Call for Divine Intervention

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- ▶ Zambia shuts bars, cancels football matches to pray and fast
- ▶ Economic crisis triggered by copper slump, power shortages



God save the kwacha.

That's what Zambian President Edgar Lungu wants his people to pray for on a national day of devotion and fasting on Sunday to reverse a decline in the world's worst currency and fix a litany of problems from plunging copper prices to electricity shortages.

All bars, nightclubs and entertainment venues have been instructed by the government to shut on the day, while the Football Association of Zambia has canceled domestic games. Church leaders are rallying their members to heed the president's call in a nation where more than 80 percent of the 15 million population are Christian.

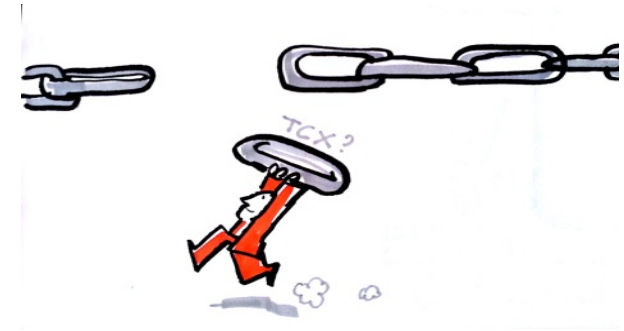
"These days are like the last days," Gordon Chanda, a driver for a law firm, said as he sipped a Mosi beer at Sylvia's Comfort bar, taking cover from a heat wave that hit the capital, Lusaka, this week. "We need more prayers."

# TCX – A Time-Tested Global Solution to Absorb FX Risk

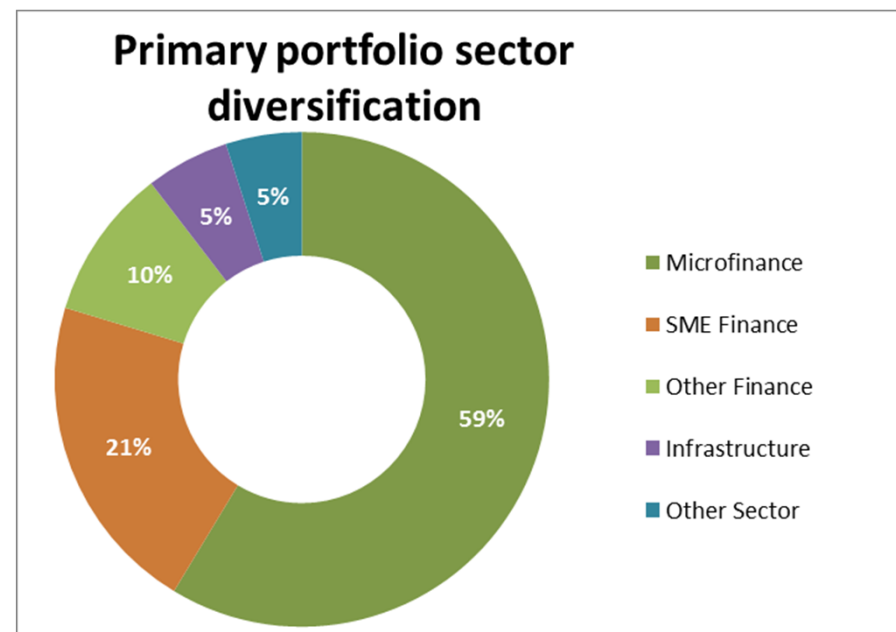
- Cooperative DFI effort to promote Private Sector LCY Lending ( US\$640m capital, offers hedges in 70+ currencies, US\$4bn+ hedged)
- Works with commercial banks and institutional investors to deepen local markets: additionality + risk-reflective pricing
- Scalable solution: global diversification and stable operating costs.



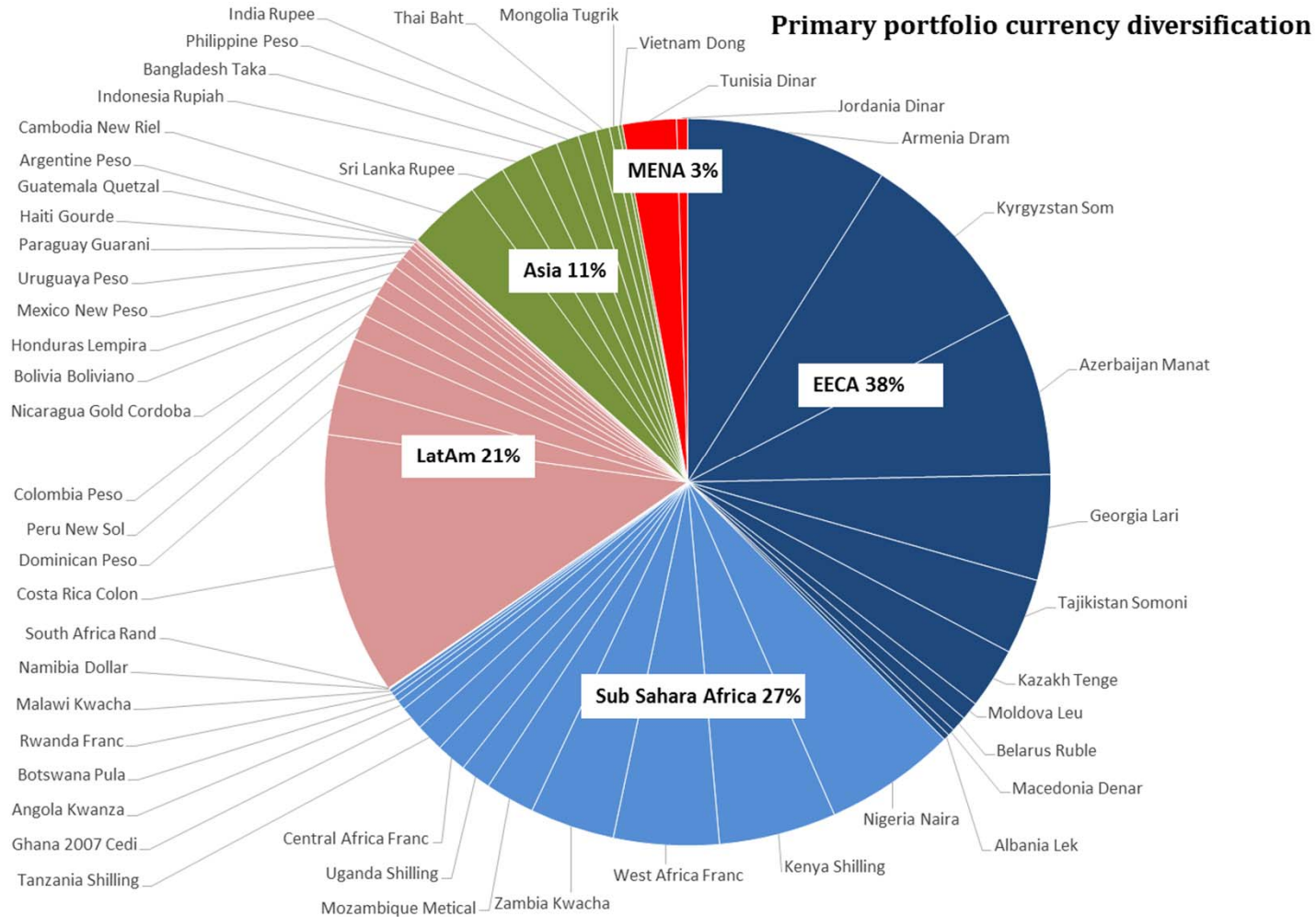
## TCX Impact Focus



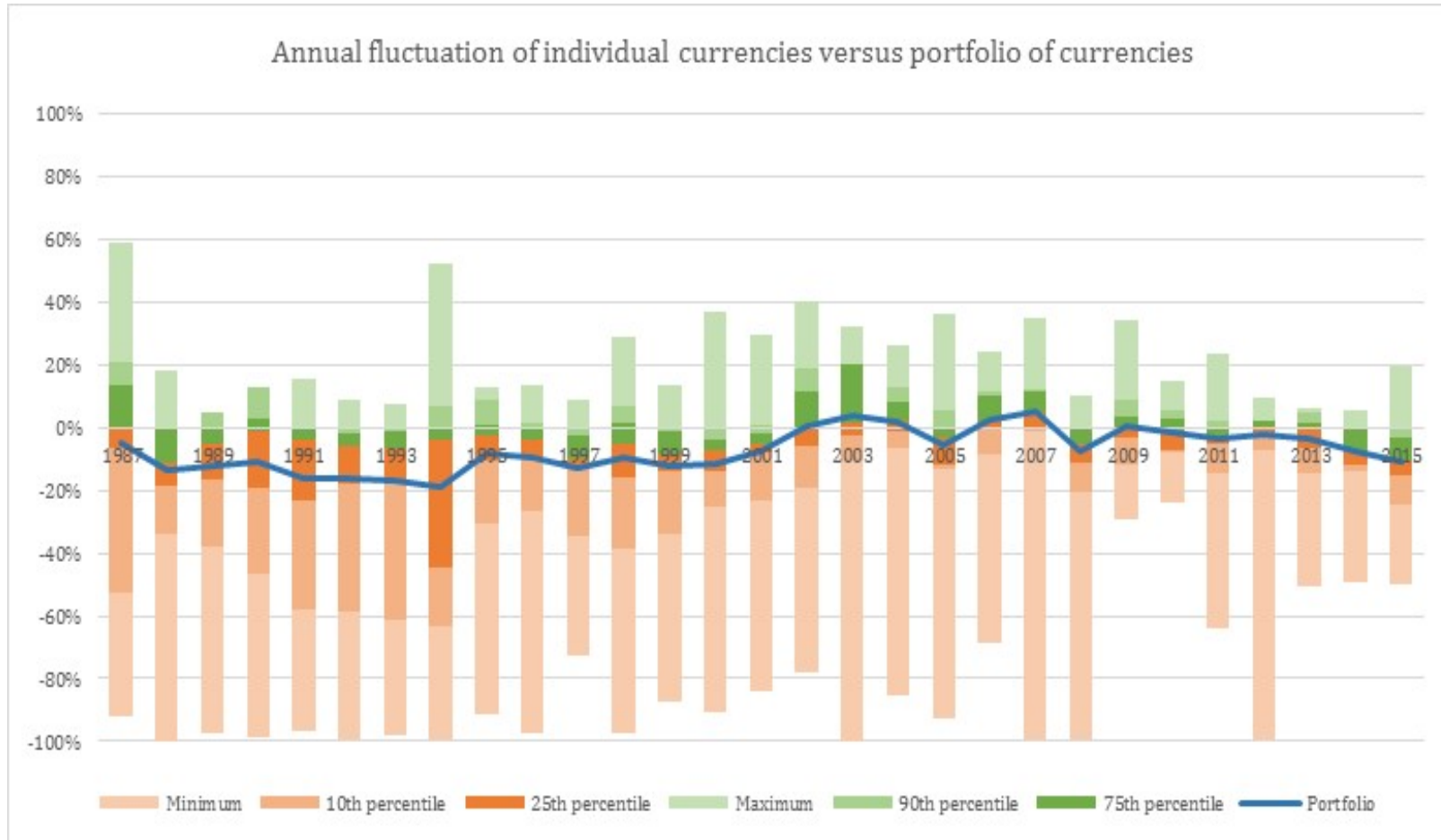
- *Repeat in climate/SE4All finance the transformational impact achieved in micro finance (German BMUB E30m investment),*
- *while contributing to deepening of local markets.*



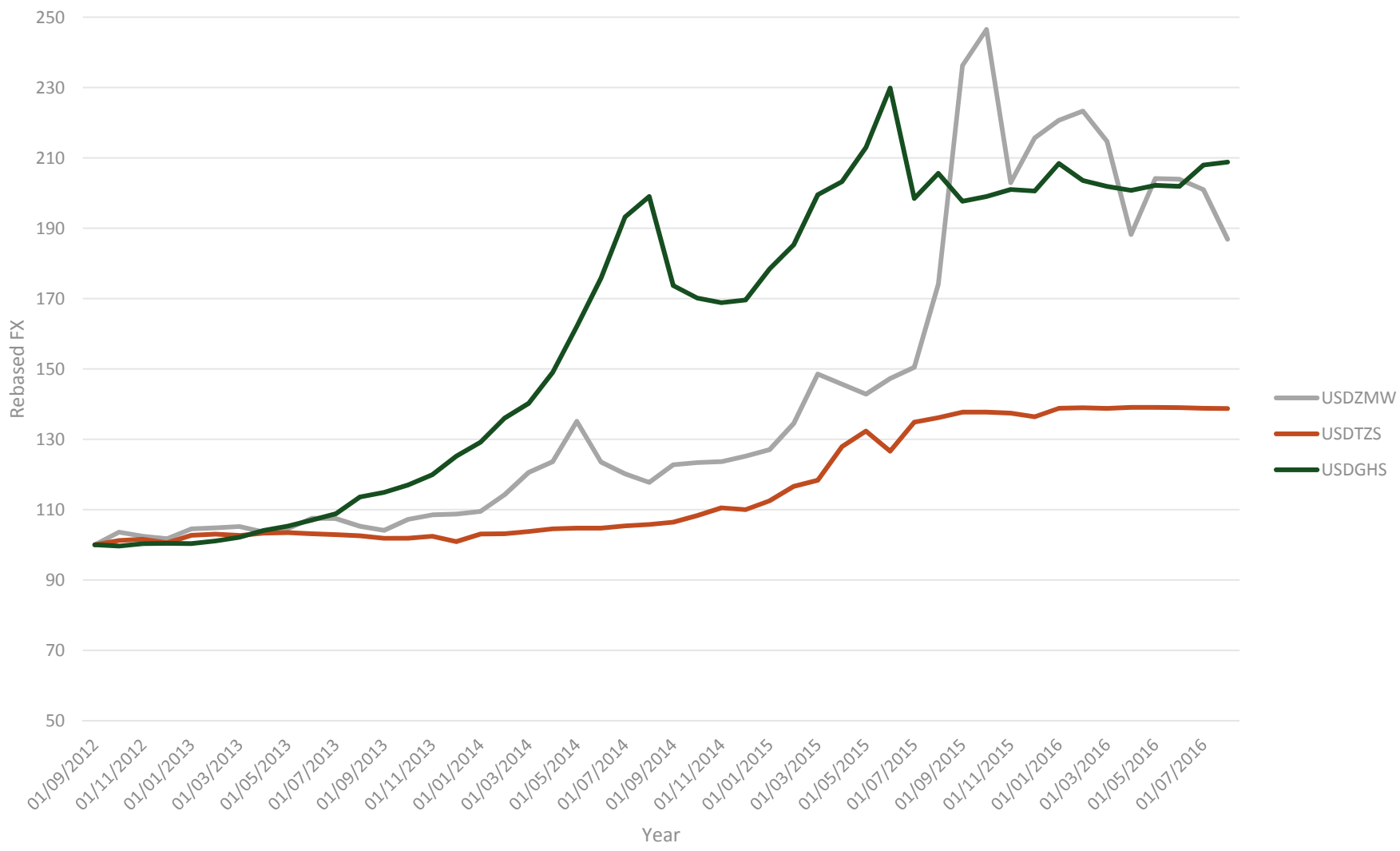
# TCX Global Portfolio Diversification



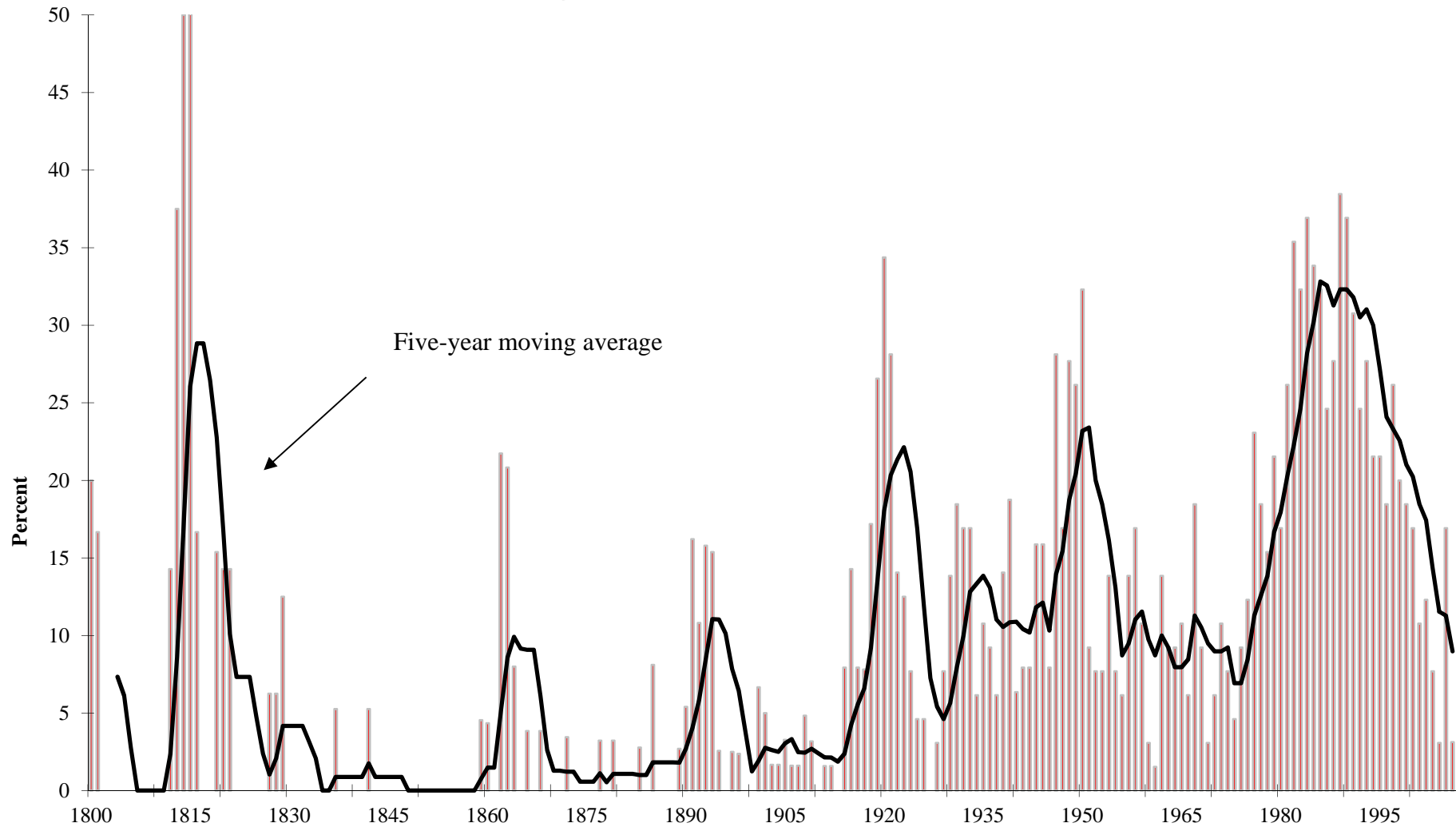
# TCX Global Portfolio Diversification



### FX Volatility



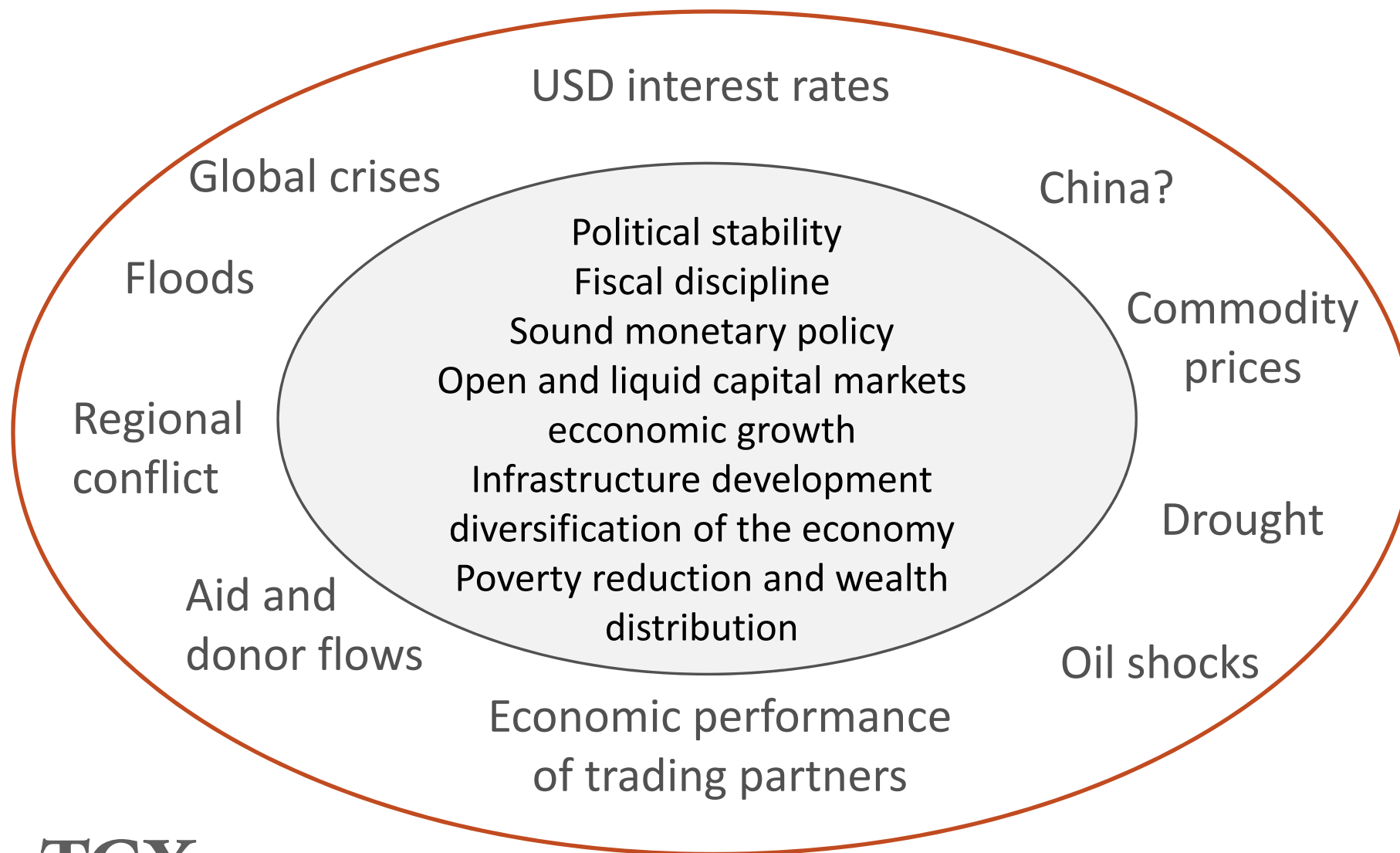
# Financial Instability is a constant



Currency crashes: The share of countries with annual depreciation rates greater than 15 percent, 1800-2007, Reinhart and Rogoff, 2010



# Speculate on Complex Outcomes?



“I did a lot of infrastructure development in my life, to fund them with foreign currency is madness. OK? Madness.”

**Tidjane Thiam**

Credit Suisse Group AG Chief Executive

6 October 2015



# TCX provides FX hedging tools for:

- DFIs and specialized funds
- Commercial banks to deliver customer friendly lcy financing solutions and use deposits
- Capital market solutions (paper placements, warehousing)
- SHS Providers, Projects, and Utilities

# Market/Risk Reflective Pricing

- From underlying benchmark markets (extrapolating off-shore or government bonds)
- In absence of benchmarks TCX estimates risks and prices with macro-fundamental models.

## ***Objectives:***

- Be financially sustainable (double bottom line)
- Allow private capital to compete (additionality principle)

# Global Coverage

<http://www.tcxfund.com/products/currencies-capabilities-map>

More currencies can be offered based on demand, please contact [request@tcxfund.com](mailto:request@tcxfund.com) should you wish to trade a country that is not listed.

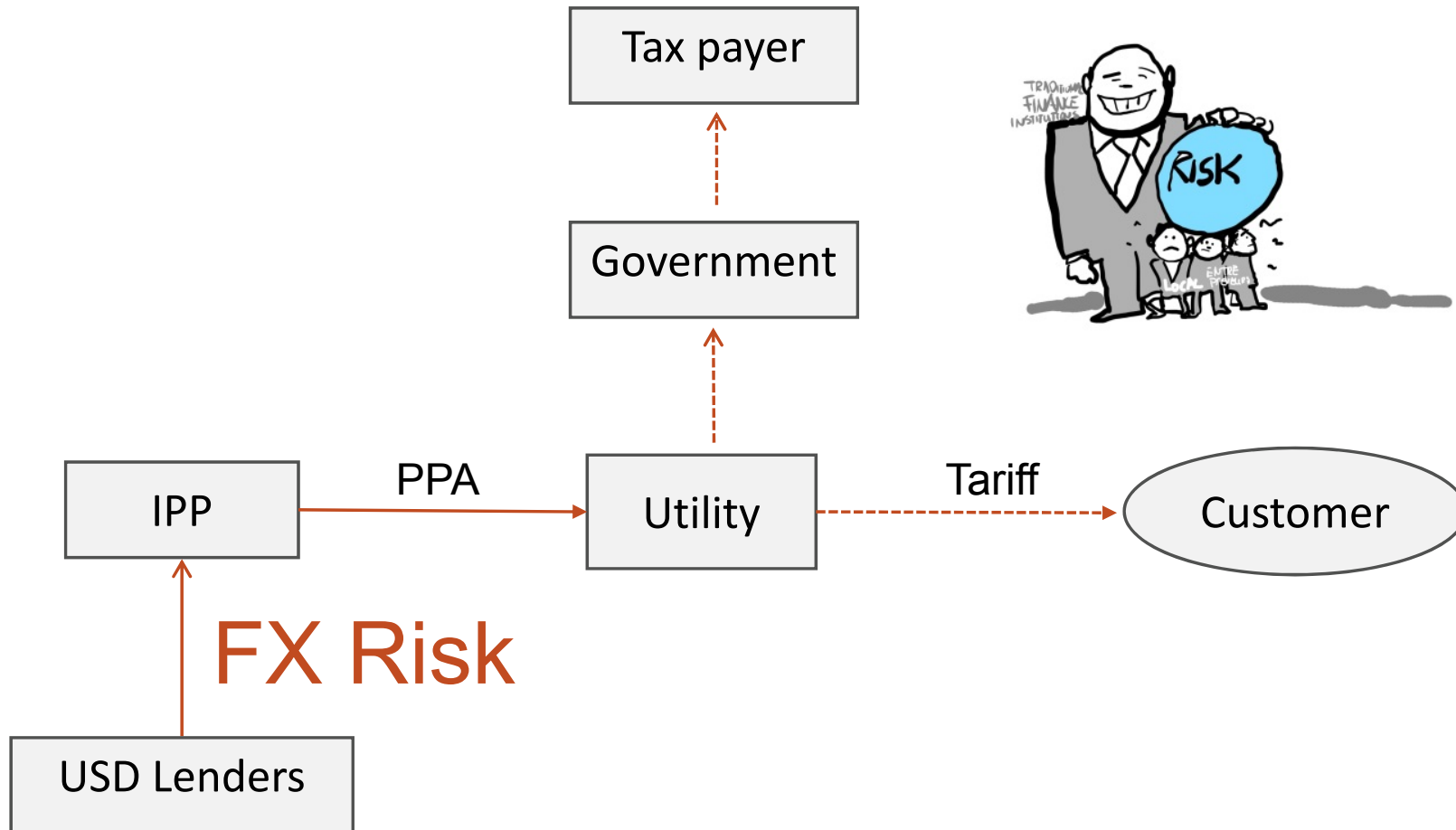
## Countries and benchmarks

[A](#) | [B](#) | [C](#) | [D](#) | [E](#) | [F](#) | [G](#) | [H](#) | [I](#) | [J](#) | [K](#) | [L](#) | [M](#) | [N](#) | [P](#) | [R](#) | [S](#) | [T](#) | [U](#) | [V](#) | [Y](#) | [Z](#)

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Country	ISO	Floating Rate Benchmarks	Source of data *	Max. Fixed Rate Tenors
<a href="#">Albania</a>	ALL	6 months T-bills (avg deal tenor > 3 yr)	Bank of Albania	10 yrs fixed
<a href="#">Algeria</a>	DZD	6 months T-bills		10 yrs fixed
<a href="#">Angola</a>	AOA	6 months T-bills	Banco Nacional de Angola	7.5 yrs fixed
<a href="#">Argentina</a>	ARS	180 day BAIBOR	Bloomberg. The code is: ARLBP180 Index	15 yrs fixed
<a href="#">Armenia</a>	AMD	6 months T-bills	Central Bank of Armenia, under "Publications", "Messages and announcements".	15 yrs fixed
<a href="#">Azerbaijan</a>	AZN	No floating rate benchmark available	Baku Stock Exchange, in the press releases, T-bonds results	4.5 yrs fixed

# USD PPAs Burden the Wrong Shoulders



# shared commitment to local currency



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