



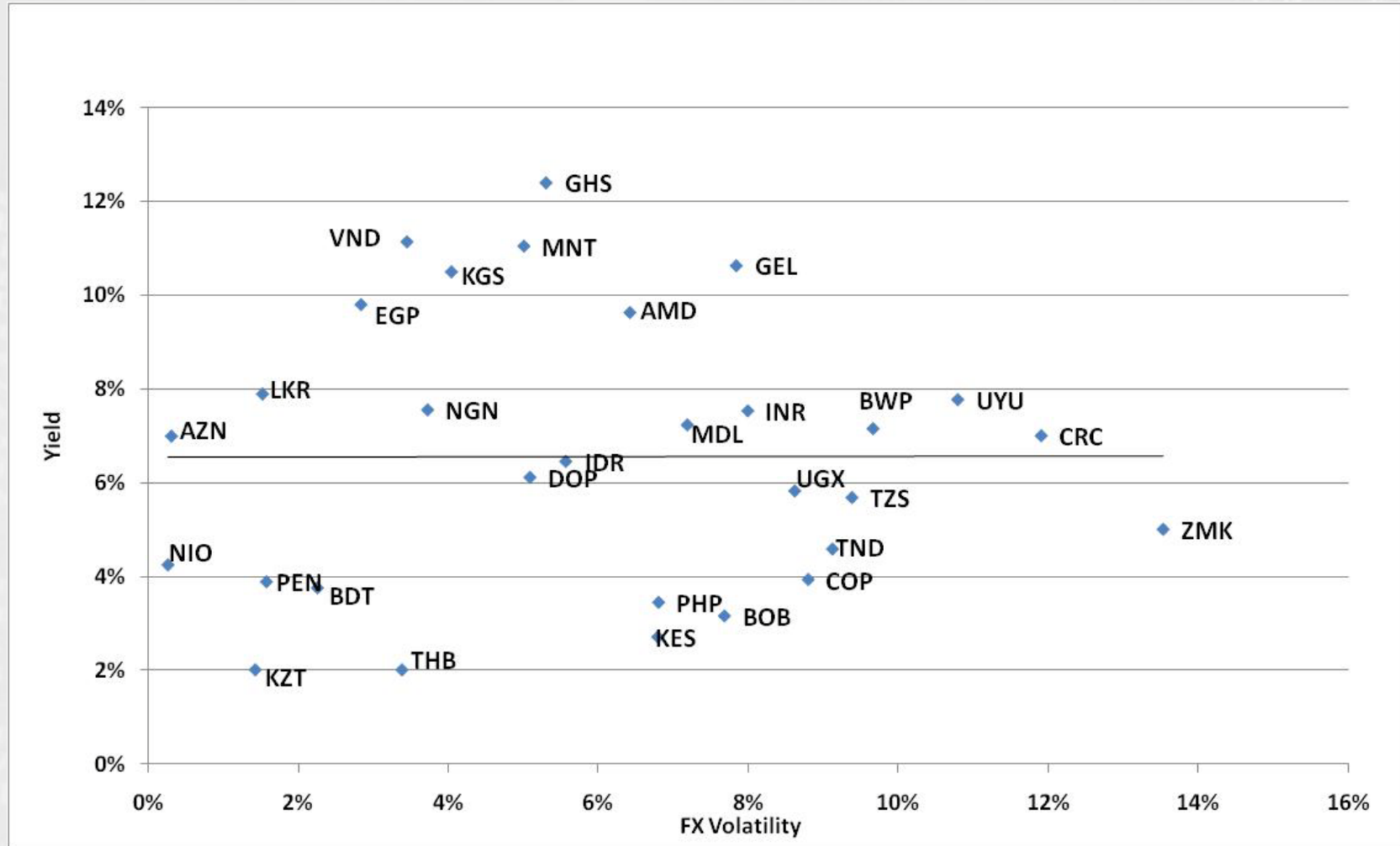
# *Responsible Finance in Georgia*

Philip Buyskes, 11 November 2010



# 6-month T-bill yields and FX volatility

(source: CBs / Bloomberg)

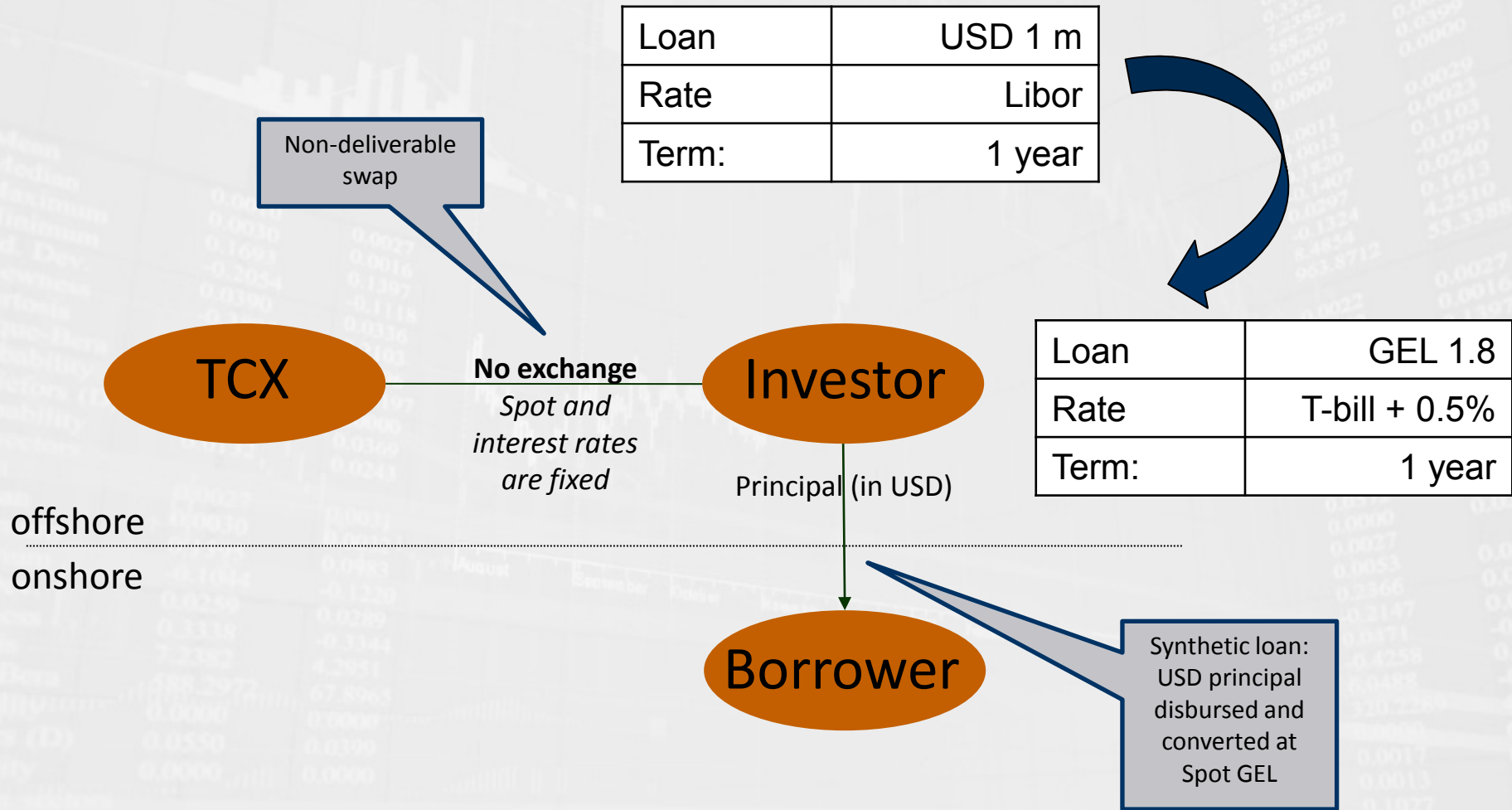


# Consider local currency finance

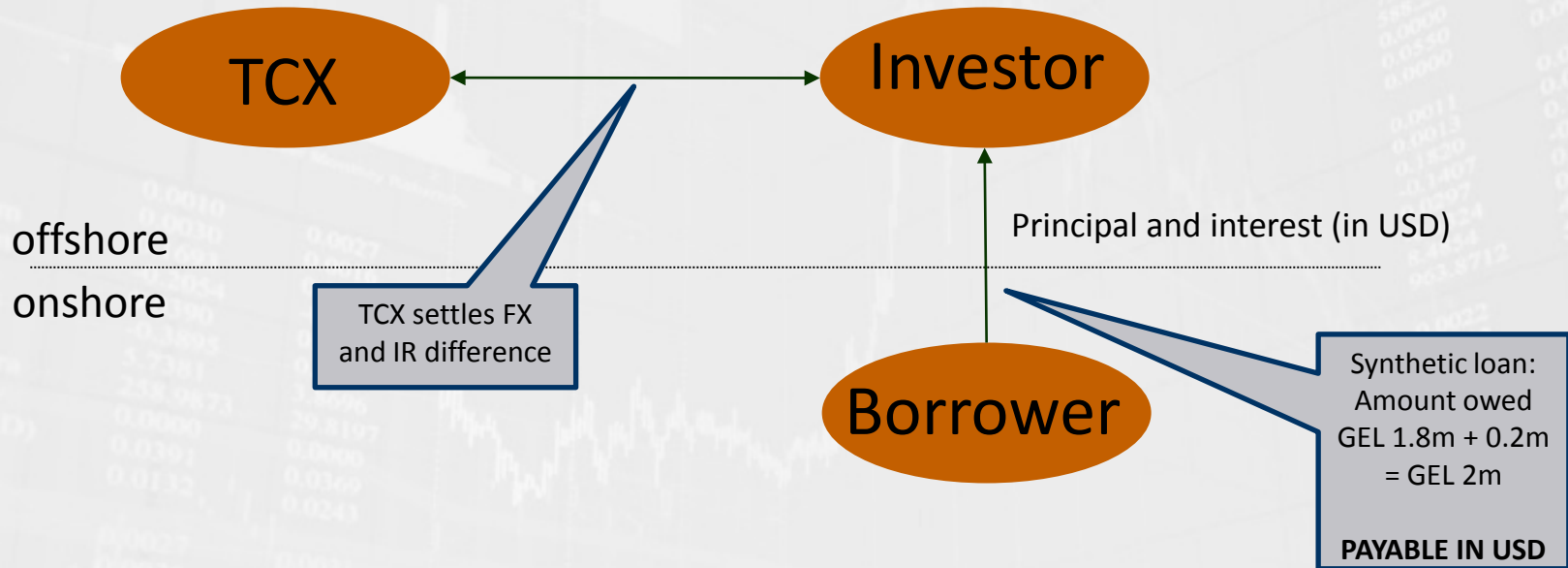
- LCY is often perceived more expensive than hard currency debt, however:
  - compare yield differential to currency volatility – is the risk worth it?
  - consider the role of inflation and the need to repay the principal!
- Mitigating currency risk means:
  - more certainty / protection from external shocks
  - higher credit ratings
  - lower all-in funding cost and the comparative advantage effect
  - macro-economic stability

***ANY borrower which earns its revenue predominantly in local currency should be financed in local currency***

# The synthetic local currency loan: disbursement

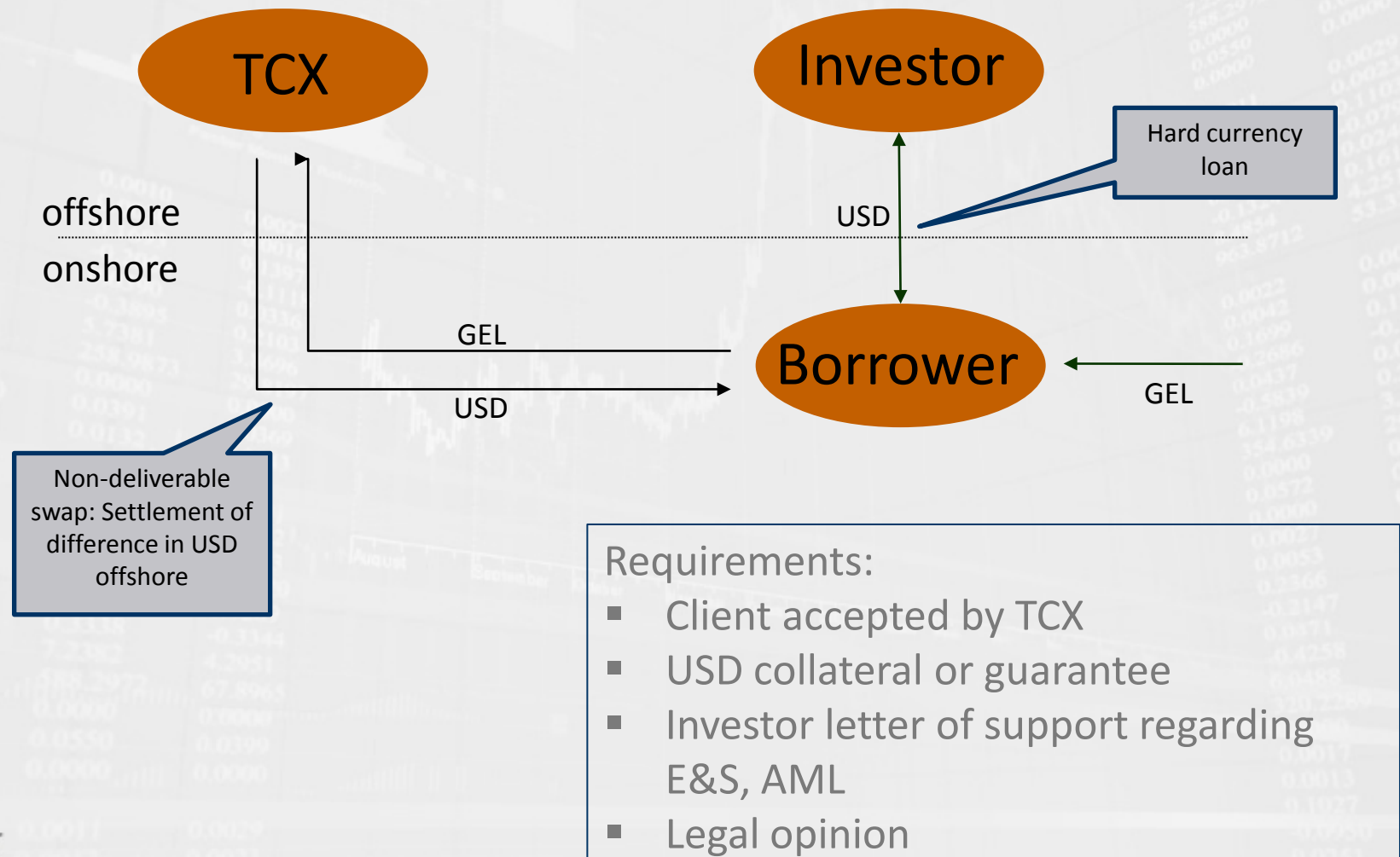


# The synthetic local currency loan: repayment



Spot rate	Investor gain / loss	Payment from / to TCX	Net result for Investor
1.7	USD 1.01m – GEL 2m / 1.7 = 0.17m	- 0.17m	USD 1.01m
2.1	USD 1.01m – GEL 2m / 2.1 = -0.06m	0.06m	USD 1.01m

# Direct hedging of exposures for clients



## Requirements:

- Client accepted by TCX
- USD collateral or guarantee
- Investor letter of support regarding E&S, AML
- Legal opinion

For more info, please contact us

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