



## TCX and FMO issue the 1<sup>st</sup> ever synthetic bond in Congolese francs!

**On October 5, 2021, a unique transaction was completed by the Dutch development bank, FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.), with the structuring and issuance of the first ever synthetic Congolese francs bond (CDF) on the Luxembourg Stock Exchange!**

FMO issued a synthetic bond, in Congolese Francs, equivalent to \$20 million (around 40 billion Congolese francs), for a term of 14 months. *The term synthetic refers to the fact that the bond is an asset in Congolese francs, but the reconciliation of all cash flows is in USD.*

FMO issued the bond "offshore" to international investors, not in the local Congolese market. The investors who purchased this asset bought a bond with FMO's triple-A credit rating, but with a coupon that reflected the risk exposure of the Congolese market. This combination of AAA credit risk with frontier market returns to hedge currency risk creates an innovative asset class for which there is clear demand from global investors.

FMO structured this transaction with the support of TCX. TCX is a development finance institution that hedges foreign exchange risk in emerging markets where commercial banks are not active. By providing FMO with a Congolese franc currency hedging solution at the time of the bond's issuance, TCX ensured that FMO's Congolese francs bond was converted into US dollars. The result for FMO was that it raised USD 20 million at a competitive USD rate, TCX took on the foreign exchange risk, and both generated positive interest in local currency issuance and in the DRC's market risk in the international community, thereby developing the local currency capital market.

For TCX, hedging a local currency bond is the opposite of what it normally does, which is to facilitate local currency loans. So, this transaction allows it to reduce its net position, creating additional capacity to support more CDF loans.

***"This is an important and special transaction because it is the first ever bond issued in Congolese francs in the international markets,"*** said Isabelle Lessedjina at TCX. ***"It supports the financing efforts of the international and multilateral development banks, creates a new asset class for international investors, and raises the profile of DRC and its local currency securities in the international financial market, while adding visibility to its local currency yield curve."***

### **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. *For more information:* [communications@tcxfund.com](mailto:communications@tcxfund.com) or [TCX Website](#)