



# TCX Fund

## How solar companies can use TCX

**TCX enables solar companies to secure local currency (“LCY”) debt in emerging and frontier markets from investors who turn to TCX to hedge the FX risk.** It does so by offering non-deliverable forwards (“NDF”) and non-deliverable cross-currency swaps (“NDS”) for around 100 currencies, without any restrictions on the tenor to institutional investors such as DFIs and fund managers.

TCX (and its broker, MFX Solutions) have active partnerships with most investors. We recommend solar companies with LCY receivables to finance their growth with LCY debt for the following reasons:

- Emerging and frontier-market currencies can be very volatile and are expected to depreciate. **The currency of a company’s debt should be determined by the currency of its revenue, not of its investments.** A LCY loan is a natural hedge as it does not expose the borrowers to market risk and from the perspective of the lender a higher idiosyncratic (credit) risk.
- While the loan is indexed to the local currency, disbursements and debt service payments are settled in USD. A borrower can even elect to keep the USD disbursements offshore, to be used directly for offshore purchases denominated in USD. Ask for our note on the “Synthetic LCY loan” for more details.

TCX has established a program called the “EU Market Creation Pricing Facility” with the support of the European Commission and KfW to increase access to synthetic local currency debt financing to borrowers operating in Sub-Saharan Africa promoting the use of renewable sources of energy.

TCX will reduce its (swap) pricing in selected currencies up to 3% which will help reducing the interest rate of debt denominated in local currency. The discount will be supported by the European Commission.

Solar companies interested should contact the lenders who are a counterparty of TCX (or MFX) to discuss the terms for converting their hard currency debt in LCY or secure a new LCY loan at a preferred interest rate.





"In December 2018 we attracted a \$32,5m facility from FMO and Symbiotics to finance the growth in our Tanzanian operations. With access to TCX, FMO was able to provide the loan in Tanzanian shilling which eliminated the usual currency risk that we would face with a hard currency risk loan, resulting in a more responsible and sustainable financing structure."

**Chris Wurdemann | VP Corporate Finance**



"At BBOXX we are on a mission to unlock the potential of countries by providing off-grid solutions. We use big-data to analyse our clients' credit risk and tailor our offerings. TCX is a key partner to help us manage currency risk, we are very satisfied working with them."

**Anshul Patel | CCO**



"Fx risk can damage an operation that has been carefully built up over years, within a few months. Having access to local currency loans takes away this risk."

**Arnoud de Vroomen | CEO**



"We are keen to borrow in local currency, either directly or through currency hedging. The USD9m facility we attracted in 2018 can be (partially) issued in Ugandan Shilling because the lenders have access to TCX, directly and through MFX. The result is significantly less risk for the company and for investors."

**Willem Nolens | Director**



"SunFunder provides debt financing to solar companies in Africa, which often have local currency revenues exposed to volatility and depreciation. Our partnership with MFX and TCX has enabled us to hedge several loans for high impact solar. A good example of this was our transaction with Solarworks! in Mozambique, which employed an innovative multi-currency structure to mix local and hard currency to best suit the company's financing needs."

**Nico Tyabji | Director, Strategic Partnerships**



"Moving the market to local currency debt is critical for the energy access sector to achieve its potential. TCX is an invaluable service provider that allows investors like OGEF to deploy \$8m equivalent RWF to BBOXX on transparent, fair terms."

**Mansoor Hamayun | CEO**



"We tailor our offer to our clients' specific needs. Working with hedging partners allows us to provide local currency financing without impact on the fund's risk profile."

**Stefan Issler | Head Direct Investments**



"From its inception we have actively supported and used the services of TCX. By offering our partners in the solar, agri-business and micro-finance sectors local currency solutions, we have taken currency risk off their table."

**Siebre Wilschut - Investment Officer Renewable Energy**



"As the off-grid sector matures and its financing needs grow, companies need access to solutions that fit their business. The combination of MFX's favorable collateral terms and TCX's currency hedging instruments has allowed lenders like Sunfunder, ResponsAbility and SIMA to give their off-grid clients the local currency loans they need without having to tie up liquidity."

**Brian McConnell | VP**



"The entire hedging process was well streamlined. MFX staff was available at every stage of onboarding and has also been very supportive on structuring and mechanics. The MFX/TCX offer has allowed us to offer local currency cost-effectively. With BBOXX Kenya, for example, we hedged the loan to mitigate FX risk and reduce cost."

**Brian Cox | CEO**



"Through TCX, FMO is able to help its clients in the off-grid energy sector to de-risk one of their main risks, foreign currency exposure. These companies tend to have all their revenues in local currency while the largest portion of their liabilities is still in hard currencies. Mitigating this risk allows them to focus on what really matters, their customer and becoming financially sustainable."

**Huib-Jan de Ruijter | CIO**



"With the continuing support of our shareholder and partner BMU, TCX has made the facilitation of local currency finance to the emerging off-grid sector a strategic priority."

**Ruurd Brouwer | CEO TCX Fund**