



Structured Finance

Risk Mitigation Solutions

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The IFC

- **Founded in 1956 to meet the needs of the private sector**
- **Part of the World Bank Group with a shared Board and President, but separate development mandate, staff, capital base and operating/financial policies**
- **Largest multilateral source of debt and equity financing for private enterprise in developing countries**
- **Consistent AAA / Aaa credit ratings**

IFC's Role In Structured Finance

- **Acting as a *structuring investor***
- **Developing domestic markets**
- **Introducing new asset classes and new borrowers to the market**
- **Using structured finance as a tool to provide clients with cost effective financing**
- **Demonstration effect**

RISK

Asset and Liability Mismatch

You would like to finance the expansion of your Asian subsidiary, but sales are in local currency whereas your balance sheet is in U.S. dollars.

Possible Mitigants

- **The subsidiary issues a domestic bond with a partial credit guarantee from IFC**
- **The subsidiary receives a local currency loan from domestic banks credit-enhanced by IFC**
- **The subsidiary issues a cross-border bond with a partial credit guarantee from IFC with proceeds swapped into local currency (if swap is available)**
- **The subsidiary receives a local currency loan directly from IFC (if a swap market is available)**
- **The subsidiary receives a U.S. dollar syndicated loan from IFC (B-loan) swapped into local currency (if swap is available)**

RISK

Reaching Concentration Limits

You have been providing vendor financing to your distributors throughout the emerging markets. The financing business has been successful in terms of increasing your distribution, but you are reaching your limit in terms of exposure you wish to retain on your balance sheet.

Possible Mitigants

- **Set-up a risk-sharing facility with IFC**
- **Securitize the existing portfolio with mezzanine credit enhancement from IFC**

RISK

High Cost for Infrastructure Financing

You are financing a large infrastructure project in Latin America and wish to avoid high financing costs as well as a currency mismatch.

Possible Mitigants

- **Securitize the future flow receipts from the project with mezzanine credit enhancement from IFC**
- **Have the project company borrow from the domestic bank market and/or capital market with credit enhancement from IFC**
- **Have the project company borrow internationally with an IFC B-Loan and swap the proceeds into local currency with IFC (if swap is available)**
- **Secure local currency financing either with an IFC partial credit guarantee or local currency loan for the tenor available, with the option to convert to U.S. dollar financing at a fixed spread if rates in local currency are not deemed attractive at the time of refinancing**

IFC Structured Finance Achievements

- First mortgage-backed securities (MBS) issuances in Colombia, Latvia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, and United Arab Emirates
- First securitization of non-performing loans (NPLs) in Latin America
- First partial credit guarantees for bond issuance in countries including India, Russia, Saudi Arabia, and Thailand
- First-ever future flow securitization of student tuition payments
- First risk-sharing facilities for the education sector in Chile, Ghana, Indonesia, and Kenya
- First risk-sharing facilities for energy efficiency in China and Hungary
- Credit enhancement for sub-sovereign bond issuance in Guatemala, Mexico, Russia and South Africa
- Credit enhancement for microfinance in The Balkans, Eastern Europe (regional), Jordan, Mexico, Morocco, and Tunisia

Derivatives Products at IFC

- Completed 140 transactions in 18 different countries amounting to US\$3,965mn.



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