**Frontclear closes a first NDF with Unibank and TCX in Azerbaijan**

**January 2020. Frontclear arranged and structured a USD single-digit millions AZN/USD non-deliverable forward (NDF) transaction with Unibank Commercial Bank OJSC (Unibank). This transaction has made it possible for Unibank to effectively convert their USD liabilities into AZN liabilities, allowing for Unibank to provide additional opportunities for local currency financing to its clients. The NDF transaction is documented under an International Swap and Derivatives Association (ISDA) Agreement, whereby Frontclear customized the confirmation to overcome legal issues in the Azerbaijani market.**

After the double devaluation of the Manat in 2016, the banking system went through several years of turmoil. Access to foreign direct investment was significantly constrained. 2019 marked a cornerstone for the Azeri banking sector. Banks willing to respond to a recovering market and increased credit growth, faced multiple challenges. Credit, legal and operational risks made it an issue for Azerbaijani banks to access global capital markets while simultaneously they were confronted by difficulties matching assets and liabilities and a growing need for currency hedging solutions.

The transaction helped to further clarify certain legal issues related to close-out netting in Azerbaijan, which were mitigated by effective Frontclear deal arranging and structuring. Frontclear is already planning further technical assistance in Azerbaijan, including a seminar Money Market Matters. The latter gives regulatory and market participants a detailed overview of the structure and functions of a stable and inclusive money market. The session will address key system issues preventing Azerbaijani banks from accessing global funding and will be followed-up by practical market trainings.

*“We are proud to execute our first transaction in Azerbaijan and the key role we have played in originating the structure that allowed the Azerbaijani bank to access the off-shore NDF market. The transaction strengthens global markets players’* *ability to mitigate legal risks in the country and sets a benchmark for the development of Azerbaijan’s money markets going forward.” – Andrei Shinkevich, Senior VP Frontclear*

Chairman of the Management Board of Unibank CB Faig Huseynov stressed that the partnership with the prestigious Frontclear and TCX will create new opportunities for the bank's customers: *“We are very pleased that the NDF transaction will open up new opportunities for financing local business, which is one of the important targets in Unibank's strategy. This agreement will provide more opportunities to provide our corporate clients with profitable and non-risky financial resources. Thus, Unibank will be able to increase its support for the development of the real sector.”*

*“We are pleased with the Frontclear partnership that enabled TCX to offer an additional way for Unibank to swap its USD liabilities into AZN, enabling Unibank to meet the demand of its customers for Manat funding. TCX is also a beneficiary of this partnership as the Fund did not have the credit appetite to face Unibank or leapfrog currency derivatives from a legal perspective. As Frontclear has diligently covered the credit & legal risk aspects it opens avenues for TCX to venture into direct relationships with more comfort in the future to service the long term relationship of the Fund.” – Jerome Pirouz, Senior VP Structuring, TCX*

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**About Frontclear**

Frontclear is a development finance company with offices in The Netherlands, and dedicated to stable and inclusive money markets. Its investors are largely European development financial institutions and governments. Frontclear has unlocked access to global and local interbank markets for EMDC banks by providing credit guarantees to cover counterparty credit risk, on the condition that local currency assets can be used for collateral management purposes. Complementarily, Frontclear offers technical assistance and implements regulator roundtables, advisory projects on legal enforceability, industry training and market infrastructure development – all targeting the development of a healthy money markets. To-date, Frontclear has facilitated USD 980 million in interbank money market transaction in 13 countries. It has trained over 900 obligors and regulators in over 13 countries and signed a near dozen partnerships with central banks and local beneficiaries. For further information, please visit [www.frontclear.com](http://www.frontclear.com).

**About Unibank**

Unibank CB OJSC has been operating since 1992. It is one of the largest private banks in Azerbaijan. EBRD, one of the largest financial institutions in the world, is one of the main shareholders of Unibank. The bank has a wide network of services in the capital and regions. At present, Unibank serves more than 1 million individual and corporate clients. For more than 27 years, Unibank has been awarded numerous awards by international and local organizations for his successful commercial activities and participation in social projects.

**About TCX**

TCX is a global development finance initiative which offers long term currency swaps and forwards in 80+ 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 6.5 billion, spread over 3000 transactions. Today the fund has a total exposure of over USD 4 billion on 60 frontier market currencies. By ‘selling’ this exposure it creates markets and gives frontier countries access to the international capital market.

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