

**Frontclear facilitates an ISDA-documented landmark cross-border repo transaction with State Bank Mongolia and EBRD**

**July 2020. Frontclear arranged, structured and guaranteed a USD 23 million cross-border repurchase transaction with State Bank LLC (State Bank) in Mongolia and the European Bank for Reconstruction and Development (EBRD). The transaction comes timely in light of pandemic fall-out on global markets. The resultant commodity downturn has significantly raised the credit risk profile of Mongolian borrowers and strained access to funding.**

Credit risk, legal and operational risks plus wrong-way risk concerns, has made it very difficult for Mongolian banks to source hard currency liquidity in global capital markets. The problem is further exacerbated by the ongoing COVID-19 crisis. The transaction made it possible for State Bank to competitively access funding from foreign banks. It also once again underscored that Frontclear deal arranging and structuring can be tailored to overcome certain legal and operational issues related to bond trading in Mongolia.

*“We are proud of the catalytic role we have played in originating the structure and closing a fourth transaction in Mongolia and the second with State Bank. The transaction provides a template to exercise cross-border repos between Mongolian banks and global banks using both local and off-shore collateral. It sets a benchmark for the development of Mongolia’s money market going forward.” – Andrei Shinkevich, SVP Frontclear*

*“The second repo transaction of USD 23 million was executed with the State Bank under the global economic crisis fully embodies the trust between the European Bank for Reconstruction and Development, Frontclear and State Bank of Mongolia. We are confident that by attracting such funding, the State Bank will be able to offer low-interest loan products to its customers and make a certain contribution to the Mongolian economy furthermore.” – Gantur Ulzii,Chief Executive Officer, State Bank of Mongolia*

*“EBRD is committed to standing along with sound corporates in its countries of operation not only in good times but also during dire times like COVID-19 outbreak. We are glad that this repo transaction will improve State Bank of Mongolia’s access to local currency funding.”– Aude Pacatte, Director, Head of Portfolio Management EMEA, EBRD*

This repurchase transaction is documented under an International Swap and Derivatives Association (ISDA) agreement, whereby Frontclear customized the swap confirmation to account for legal issues in the Mongolian market. The transaction documentation introduced best practice operational and legal concepts. Frontclear technical assistance programme (FTAP) continues to work with the central bank and the market, to address the structural legal and operational hurdles in the country’s repo and derivative markets.

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**About Frontclear**

Frontclear is a development finance organisation 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 1 billion in interbank money market transactions in 13 countries. It has trained over 1400 obligors and regulators in over 25 countries and signed near dozen partnerships with central banks and local beneficiaries. For further information, please visit [www.frontclear.com](http://www.frontclear.com).

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**About EBRD**

The EBRD is a multilateral bank that promotes the development of the private sector and entrepreneurial initiative in 38 economies across three continents. The Bank is owned by 67 countries as well as the EU and the EIB. EBRD investments are aimed at making the economies in its regions competitive, inclusive, well-governed, green, resilient and integrated. Follow us on the web, Facebook, LinkedIn, Instagram, Twitter and YouTube.

**About State Bank LLC**

The State Bank is a state-owned commercial bank, established pursuant to decree of the Government of Mongolia. Since its establishment, the Bank has been contributing to the overall banking system through its successful operations that cater the financial needs of its customers, both retail and corporate, in a reliable and timely manner, leveraged by its skilled personnel and advanced technology. The State Bank is Mongolia’s one of five systematically important banks and it maintains the strongest nationwide retail banking presence in Mongolia.