Impact Report
2020

frontclear
A financial markets development company

Introduction

Frontclear is a development finance company dedicated to catalysing stable, liquid and inclusive money markets in emerging and frontier countries. Frontclear was established in 2015 and is predominantly funded by European development finance institutions and governments.

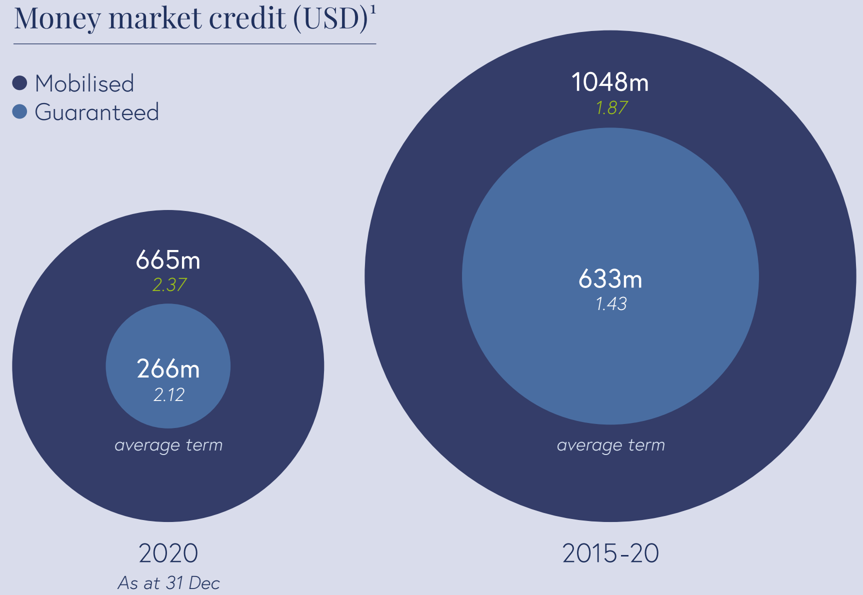
Frontclear unlocks access to global and local money markets for finance institutions through the provision of credit guarantees to cover counterparty credit risk. Complementarily, Frontclear provides technical assistance to remove structural barriers to market development. Technical assistance is deployed in close cooperation with local regulators and industry bodies and is focused on diagnostics, legal and regulatory reforms, industry training and the development of financial market systems and infrastructure – all targeting more liquid and inclusive money markets.

There is no more obvious time than today, to accelerate development of money markets as a key means to deepen local currency bond markets in frontier countries – recovery to resilience.

Frontclear Policy Brief
Towards recovery and resilience in frontier financial markets
Scan or click to read

In short

Money market credit (USD)[1]



Money market systems	*As at 31 Dec* 2020	2015-20
Financial knowledge trainings	6	48
Legal and regulatory reviews	5	19
Market structures and system studies	7	25
	18	92

	Countries	Projects	Network partners[2]
As at 31 Dec 2020	1	13	34
2015-20	23	49	89

Our investors

European Bank for Reconstruction and Development · PROPARCO Groupe Agence Française de Développement · BMZ Federal Ministry for Economic Cooperation and Development · AFD Agence Française de Développement · Foreign, Commonwealth & Development Office · KFW · FMO Entrepreneurial Development Bank · fsdafrica · TCX · CARDANO DEVELOPMENT · fsdafrica INVESTMENTS

[1] Contrary to Impact Report 2019, transactions with termination options are included as a single contribution and figures have been revisited to align to 2020 approach. The average term is provided to illustrate the (positive) impact of (longer) tenors on funding availability.
[2] On-boarded beneficiary banks, regulators and private sector contributors.

Stepping up to the challenge

Axel van Nederveen
Supervisory Board Chair

2020 saw Frontclear significantly step-up its efforts to deliver on its mandate. In the wake of the March 2020 COVID-19 induced market turmoil, Frontclear issued a record USD 170 million in guarantees to Partner Beneficiaries, enabling them to maintain funding to frontier market financial institutions despite market uncertainty. Technical assistance projects progressed online and Frontclear launched its Frontclear Academy, an online capacity building portal, within months of the outbreak. As this Impact Report demonstrates, real impact has been achieved on the ground, despite the 2020 challenges.

No country has been immune to the COVID-19 pandemic fall-out. Governments and central banks have applied far-reaching measures to stabilise financial market conditions, taking on high levels of debt to service existing and new commitments. These actions undoubtedly staved off the worst-case scenario for billions of people around the world. Yet, many frontier markets entered the shock vulnerable.

More policy focus on the importance of developing money markets as a prerequisite to deeper local bond markets and more effective monetary policy is warranted. A starting point is effective diagnostics. A good example for this is the Money Market Diagnostic Framework (MMDF) implemented by Frontclear in 11 countries to-date.

While Frontclear remains a small actor among development finance institutions, it has made great strides in supporting regulators and banks alike to develop their local money markets by leveraging its network, capital and expertise.

As Chair of the Frontclear Supervisory Board, I would like to express my appreciation on behalf of my fellow Board members, the Investment and Donor Committees, to the Frontclear staff and their tremendous effort to step-up and meet the 2020 challenges, their nimble shift to an online delivery of counterparty value and the achievement of noteworthy 2020 results.

Voices from money and bond market stakeholders

Pandemic impact today and tomorrow

Scan or click to watch

[3] Independent evaluation — Case Study Ethiopia (2020-2021), EA Consultants, p.6.

Philip Buyskes
Chief Executive Officer

The significance of 2020 is inescapable. The World Bank estimates that the pandemic-induced global recession will have a lasting effect on global inequality and push 115 million into poverty. The resulting financial market shock was unprecedented and once again highlights the urgency of building more resilient and inclusive financial systems in emerging and frontier economies.

Frontclear's year-end guarantee portfolio stood at USD 266 million. The portfolio shifted to Tier 1 banks and increased use of Eurobond collateral, recognising the changing risk environment since the onset of the COVID-19 crisis. Frontclear was able to effectively deploy its balance sheet in response to the crisis where it could, yet Tier 2 and 3 banks' market access largely vanished, highlighting the importance of building more inclusive financial markets ex-ante.

The impact of the Frontclear Technical Assistance Programme (FTAP) was applauded in two 2020 independent evaluations by key development investors. They underscore Frontclear's relationships with a broad array of market stakeholders, and in particular with regulators, as being a key success factor towards achieving impact goals, where Frontclear has established an effective "blueprint" for stakeholder engagement.[4] Of 2020 activities, 67% were high value-add advisory trajectories well-aligned to fulfilling the requirements of a more resilient money market.

The results reported in this Impact Report 2020 have only been made possible through the relentless energy of our staff, notwithstanding the difficult and demanding circumstances. On behalf of the Management Board, we wish to thank them and our investors for their commitment to Frontclear.

Frontclear operational response to COVID-induced market conditions

Scan or click to watch

[4] Independent evaluation — FTAP Synthesis Report (2020-2021), EA Consultants, p.3.

Impact strategy

The recognition of the structural role of money markets has grown dramatically following the Global Financial Crisis (GFC). There is a strong common understanding that a solid foundation in money markets is a pre-condition to deeper domestic local currency capital markets that are better able to absorb risk, allocate capital and enable poverty reducing economic growth. The current pandemic-induced global recession only reinforces this recognition.

Frontclear is strategically focused on building more stable and inclusive money markets. The Frontclear Impact Strategy is based on a concise Theory of Change that calls for a long-term commitment in many country contexts. As a conceptual guideline stemming from Frontclear experience to-date, our Impact Strategy can be divided into 3 stages, aligned with the evolutionary stages of money market development: 1) Opening; 2) Mid-Development; and 3) End-Target. A nascent money market may require an 8-10 year commitment to achieve a meaningful and lasting impact.

> *"By identifying market needs and applying right-fit interventions that build on each other, the country-level interventions reviewed for this evaluation showed how a programme can grow and evolve with a market, as it accompanies its development."*[5]

The Impact Strategy reflects the complementarity and interoperability of Frontclear's two key activities: 1) financial guarantees to cover counterparty credit risk; and 2) capacity development (technical assistance) to address barriers to market development. A vital addition is standard market diagnostics through the Money Market Diagnostic Framework (MMDF). The MMDF is applicable at any phase in the Impact Strategy, offering local regulators both a baseline of current market development and the opportunity to track progress over time.

Money Market Matters – Frontclear Academy course

What are the key functions, elements and inter-linkages in a well-functioning money market? This course addresses all of these points and gives an overview of the key challenges to bank-centric frontier money markets and how to phase a money market's development.

Create an account and follow the course at no charge.

Money Market Matters online course

Scan or click to launch

Performance relative to the Impact Strategy is measured and reported using Frontclear's practical framework, the Theory of Change (ToC).

[5] Ibid.

Theory of Change *(ToC)*

Inputs

- Risk capital
- Expertise
- Networks

Activities

Connecting local & global market participants

1. By issuing financial guarantees to absorb credit, market and country risk
2. By removing markets hurdles through money market expertise and advisory

- A Access
- C Capacity
- S System

Outputs

Increased readiness of counterparties & stakeholders

IMMEDIATE

# of local banks onboarded	A
# of regional and global banks onboarded	A
# of knowledge partner agreements	C
# of agreements with central banks and local banking associations	S

IMMEDIATE

Volume funding guaranteed	A
# and type of transactions closed (cross-border, principal, onshore, multi-party, plug-in)	A
Funding diversity (country tier, currency)	A
# of money market trainings	C
Training satisfaction	C
Training diversity (country, tier, participant [bank or regulator], topic)	C
# of and areas identified advisory and feasibility review	S
Volume in-kind contribution knowledge partners (**mobilised**)	C

Outcomes

Increased utilisation of local money market for participants

Volume funding **mobilised**	A
Shifts in counterparty funding volume	A C
Shifts in counterparty funding types	A C
Shift in counterparty funding sources (relationships)	A C
Use of derivatives	A C
Increased knowledge (bank and/or regulator)	C S
# legal reforms achieved	C S
# market infrastructure solutions achieved	C S

Impact

A more stable & inclusive money market

Inclusive:

Shifts in # bank interbank participation (tier) (**multiplied** by plug-in/multi-party transaction)	A C S
# bank participation in repo and swap markets (**catalysed**)	A C S
% access banks to interbank markets	A C S
Interbank market volume/GDP growth	A C S

Stable:

Shifts in bid/offer spreads	A C S
Effectiveness monetary policy transmission	A C S

Stepping up in Costa Rica

The Costa Rica Baseline: Money market in 2016[6]

Costa Rica's capital market is well-structured but lacks overall secondary market liquidity. The 14-strong banking sector, of which 3 are state-owned, accounts for over 75% of the sector's assets. The system is vulnerable to insolvency concerns as non-performing loans (NPLs) and indebtedness is on the rise. The financial sector would benefit from more liquid secondary markets where banks could hedge risks through derivatives and trade repo towards interest rate setting and more efficient allocation of liquidity.

Government bonds largely account for total securities traded in 2016. Three market segments, MIL[7], MEDI[8] and Recompra[9], combine to form a repo market. Two central securities depositories (CSDs) serve the market. While the 'repo' market is considered active, the buyer/sellers are not able to hold ownership of the posted collateral. Simply put, there is no title transfer. Rather, it is required to deposit the collateral in specific guarantee trusts. This adds to the complexity and cost of transactions while also limiting market liquidity by mimicking 'buy to hold' positions and negating the liquidity benefits of a title transfer based repo market.

Close-out netting is neither defined in nor given protection under local Costa Rican law. Legal opinions stress it highly likely that set-off would not be permitted following the commencement of an insolvency proceeding. This given that a Costa Rican insolvent debtor is prohibited from making any payments after an insolvency proceeding has been initiated. Payments made during the statutory look-back period of 3-6 months, are also liable to be challenged.

The derivatives market is shallow with few participants and limited FX forward transactions taking place. Regulations require BCCR authorisation to be allowed to transact FX derivatives. As of December 2018, only 3 banks were authorised to undertake FX derivatives transactions. The BCCR is amending the current legal framework to eliminate some restrictions relative to market participation and contractual tenors. Market participants underscored the general lack of banking sector understanding. This is considered an impediment to a more vibrant derivatives market. Frontclear received a reverse inquiry from SUGEF, to tackle the knowledge gap.

FRONTCLEAR AND COSTA RICA

Frontclear's Investment Committee approved Costa Rica as a focus country in July 2016. Guarantees for repo and derivative transactions with cash, T-bills, T-bonds and Eurobonds as collateral was approved. Country due diligence however revealed a very relevant market challenge for onshore transactions facing local counterparties: the legal framework hindering GMRA and ISDA enforceability and operational challenges in securing title transfer of collateral.

The programme targeted:

1. the regulatory recognition of title transfer and close-out netting;
2. simplifying the custodian and settlement process; and
3. strengthening the wider market's knowledge to transact repo and derivatives.

In response, Frontclear launched its Costa Rica technical assistance programme in early 2019. At the time, Costa Rica was placed at Phase 2 of the Frontclear Impact Strategy.

[6] Summary key conclusions. Investment Committee Costa Rica Paper (2016); FTAP Costa Rica Country Strategy (2019).
[7] Mercado Integrado de Liquidez (MIL), which is organized by the Costa Rican Central Bank (BCCR) for unsecured and secured overnight to 90 days transactions, largely used by banks for liquidity management.
[8] MEDI is the overnight market for brokers operated by the Stock Exchange (BNV), distinguished by brokers being able to fund their clients' positions by using their collateral.
[9] Recompra under the aegis of the BNV wherein brokers trade exclusively among themselves, overnight to 365 days.

Theory of Change *in practice*

Genaro Alonso Calderon Segura
Head of Technical Services Department
SUGEF

> A new bankruptcy law was in the legislative process and was the opportunity to introduce close-out netting in Costa Rica. Frontclear, together with a local law firm and backstopped by ISDA, worked intensely with SUGEF legal colleagues, to make pivotal recommendations. The process involved much awareness-raising and education, keeping legislators on-board, energetic and informed. The Frontclear team expertise really allowed for a swift process whereby all involved felt comfortable with the solid, authoritative input. The legislation, including all recommended changes, was submitted to Congress in 2020, and is now adopted (early 2021) by Parliament.

Financial dollarisation in Costa Rica has fallen during the last years but remains high. Both credit and deposit dollarisation are around 40%. Near two-thirds of the dollarised debt in Costa Rica is unhedged. According to the Central Bank, financial dollarisation is one of the factors that hampers the transmission of monetary policy. FX derivatives would be a natural product solution. Furthermore, Costa Rica is in the process of becoming an OECD member. International counterparties would be more comfortable with standard global documentation being the best accepted practice in Costa Rica. For these reasons, it is interesting and relevant to seek GMRA and ISDA enforceability, towards eventual clean opinions.

In 2020 the Legislative Assembly was in the discussion of an important amendment to bankruptcy legislation. It represented an opportunity to properly include in legislation close-out netting. The 2020 Regulators' Roundtable followed by the deep-dive derivatives and ISDA training, were very well received and were the kick-off for the energy in the private and public sector to tackle the outstanding legislation.

It is likely that SUGEF and the market would have been able to realise the regulation and other objectives without Frontclear. However, certainly not in the same short time-frame. It was pivotal to have a dedicated party like Frontclear, keeping the focus and momentum and allowing all involved to manage the extra workload effectively. It shortened the learning curve for all involved. During the project, knowledge greatly increased about close-out netting, implementation of ISDA documentation and the operationalisation of transactions. For SUGEF staff, it is essential to understand and have the appropriate dialogue with the market.

Key Indicators

Agreement with regulator

# of knowledge partner agreements
- ISDA contribution to legal & regulatory framework development

# of money market training
- 2 trainings and 1 Regulatory Roundtable

Training diversity
- 81 participants (30 regulators and 51 bank staff)

# of and areas identified for advisory and feasibility review
- Legal and Regulatory Review and Reform

Stepping up impact in Costa Rica

Impact strategy in practice

A Access
C Capacity
S System

BSPs Banking Sector Participants
Rs Regulators

2019

S — APR
Country Strategy FTAP
Market-wide interviews and due diligence

A — APR
USD 2m
Non-Deliverable Forward (NDF)
Costa Rican Eurobond independent amount

C — MAY 14
Money Market Development Regulators' Roundtable
19 Rs

C — MAY 15
Understanding and implementing ISDA
25 BSPs 2 Rs

C — JUN 18-19
Derivatives Deep-Dive
26 BSPs 3 Rs

2020

S — JUL
Legal and Regulatory Review and Reform
ISDA and GMRA enforceability
Launch of a multi-phase large-scale legal and regulatory reform project towards GMRA and ISDA enforceability

S — DEC
Close-out Netting for Derivative Transactions
Project's proposed amendments to the Insolvency Bill - close-out netting relative to derivative transactions
- adopted by Congress

S — DEC
Temporary Stay for FI Resolution Mechanism
Project's proposed amendments to the Central Bank Financial Institutions Law - temporary stay for termination provisions of 2 business days
- adopted by Congress

PHASE 1: OPENING
2—3 YEARS

PHASE 2: MID-DEVELOPMENT
3—5 YEARS

Theory of Change *in practice*

Romina Laura Lopez Martinez
Co-chair ISDA Latin America Committee

Frontclear brought ISDA on-board to engage Costa Rican regulators, the banking sector and market players, very practically on how derivatives work and why regulatory framework reform was needed to include enforceability of close-out netting. The project team was extremely complementary and delivered a solid Regulators' Roundtable and a full day training programme for market participants. The work laid the knowledge base and personal engagement needed to develop optimal close-out netting language based on the 2018 ISDA Model Netting Act and to gain Parliamentary approval for that reform. ISDA could certainly have gotten involved without Frontclear… But the success of the Project – the actual adoption of the relevant clauses – happened because of Frontclear's contribution.

ISDA through its regional Committees, actively promotes netting legislation on a global basis. The results of ISDA membership surveys highlighted Costa Rica as a country to prioritise in the region. Frontclear brought ISDA on-board to engage Costa Rican regulators, the banking sector and market players, very practically, on how derivatives work and why regulatory framework reform was needed to include enforceability of close-out netting. In ISDA's broad global experience, netting jurisdictions have more robust and liquid local capital markets and market participants enjoy greater access to international derivatives markets.

The project target was to support optimal regulatory reform, towards an effective close-out netting legislation. Frontclear and ISDA, plus a local law firm and global ISDA expert, joined together and designed a programme including awareness-raising, significant individual personal engagement, and training. By covering all content angles, the project laid the knowledge groundwork on which local counterparties could operationalise the changes required.

The partnership that developed is much like those coming together in many countries, between Frontclear, ISDA and local law firms; all working together to drive advocacy discussions on enforceability of derivative transactions under industry standard netting and collateral agreements. Frontclear is solution-oriented and low-hurdle while being a partner and not a competitor – a combination easily allowing for joint efforts.

Key Indicators

Volume in-kind contribution knowledge partners (mobilised)
- USD 4500 equivalent

Increased knowledge regulators

Increased knowledge banks

legal reforms achieved
- Legal and Regulatory reforms:
  Close-out netting for derivative transactions in the Insolvency Law
  Temporary stay for FI Resolution Mechanisms as part of the FI Law

Julia Gonzalez
Founder and CEO
Iberoamerica Capital

The Costa Rican cross-currency market is small and quite inactive. At the time, the market faced both the uncertainty around elections and a currency devaluation. With the value of my local currency assets declining and my liabilities highly dollarised, I needed to search internationally to cover my risk.

The interbank market in Costa Rica is very thin. There are truly only two active banks while just one is transacting repo. The majority are state-owned and the financial sector is very conservative. This while the dollarised market is also prone to periodic exchange rate volatility. Flexible access to funding – USD and Colón – is a requirement to effectively managing balance sheet risks.

AV Securities had other means to do synthetic transactions in Costa Rica, but there were advantages to closing the USD 2m NDF with Costa Rican Eurobond independent amount. A key factor was the pricing. Not only was the transaction somewhat cheaper but more importantly, the terms directly tackled the market insecurity at the time. The pricing was fixed, offering predictability for the 18 months tenor versus the more common variable rate repriced at monthly rollover. AV Securities was able to mitigate liquidity, currency and price risks in a volatile election period. Another advantage was knowing that if Costa Rica would have defaulted at the time, the global counterparty would have been covered by the Frontclear guarantee.

Since the transaction, the Colón has appreciated relative to the Dollar. In trying market circumstances, the transaction was an invaluable way to test the external market and gain experience. Such a transaction in a relatively conservative market has a demonstration effect. Often brokers can push the boundaries and hopefully, move the whole market forward.

Key Indicators

Volume funding guaranteed
- USD 2m Non-Deliverable Forward (NDF) (April 2019)

Performance 2020

Guarantee portfolio

After reaching a peak of USD 328 million in November 2020, the Frontclear guarantee portfolio stood at USD 266 million at year-end, 5% higher than at year-end 2019. Frontclear mobilised USD 643 million in transactions across 7 countries on the back of USD 243 million in guarantees extended in 2020, generating an investment multiplier of 2.64. Cumulatively since 2015, Frontclear has mobilised USD 1,048 million in funding across 15 countries on the back of USD 633 million in guarantees extended.[10]

Notwithstanding increased transaction demand in the wake of COVID-19, the modest year-on-year growth in the gross portfolio is the result of smaller transaction sizes due to reduced ability to distribute risk. This is reflected in the growth of the net guarantee portfolio (i.e., after risk distribution) which grew 25% from USD 172 million at year-end 2019 to USD 215 million at year-end 2020.

Frontclear has continued to diversify its portfolio regionally, with Asia accounting for the largest exposure at 27% at year-end. Overall, Sub Saharan Africa remains the most significant region accounting for 47% of the cumulative portfolio to date. Reflecting the change in risk appetite following the COVID-19 induced recession, the portfolio is skewed towards Tier 1 financial institutions and Eurobond collateral.

TRANSACTION TYPES

Frontclear connects frontier market banks to global interbank markets and unlocks domestic markets by providing credit guarantees to cover counterparty credit risk, allowing for local currency assets to be used for collateral management purposes.

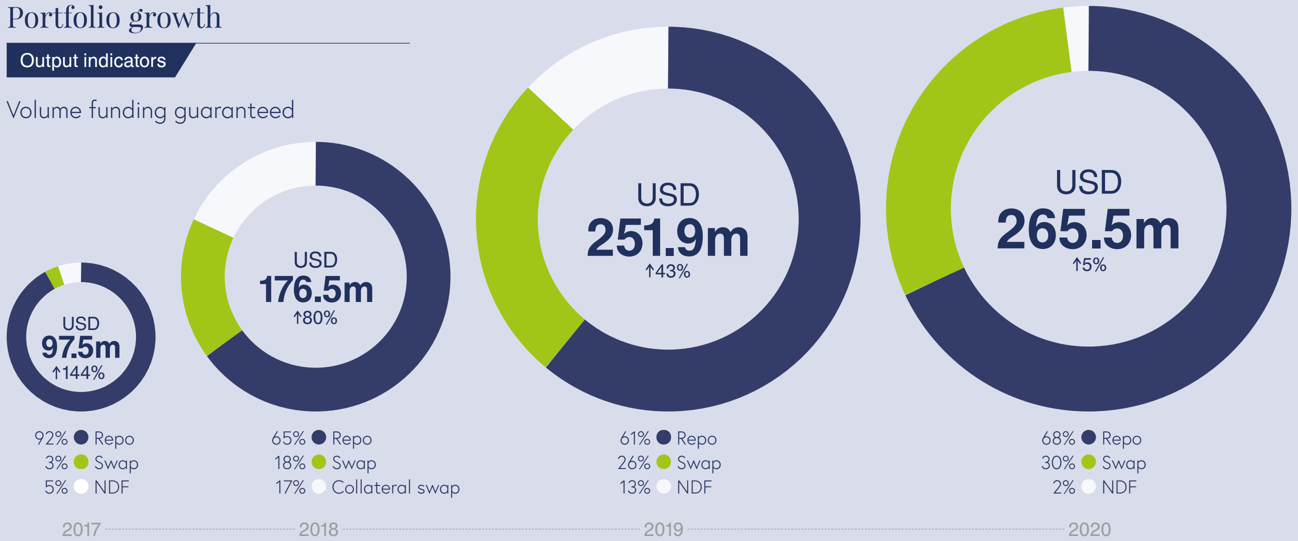
There are 5 possible transaction structures:

1. **Cross-border:** guarantee to a regional or global bank transacting with a local bank
2. **Principal:** guarantee to a regional or global bank transacting with Frontclear as principle between that bank and a local bank
3. **Onshore:** guarantee to a local bank transacting with a local bank
4. **Multi-party:** guarantee to multiple local banks transacting with one another bilaterally as part of joint facility
5. **Plug-in:** guarantee to support the risk waterfall of a local market infrastructure provider.

Portfolio growth

Output indicators

Volume funding guaranteed



Takeaway

At 68% of the 2020 portfolio, repo retains its position as the most prominent instrument in a portfolio that peaked at USD 328 million and stood at USD 266 million at year-end.

[10] Adjusting for rolled transactions Frontclear has facilitated USD 1,606 million in transactions on the back of USD 819 million in guarantees extended.

Guarantee results

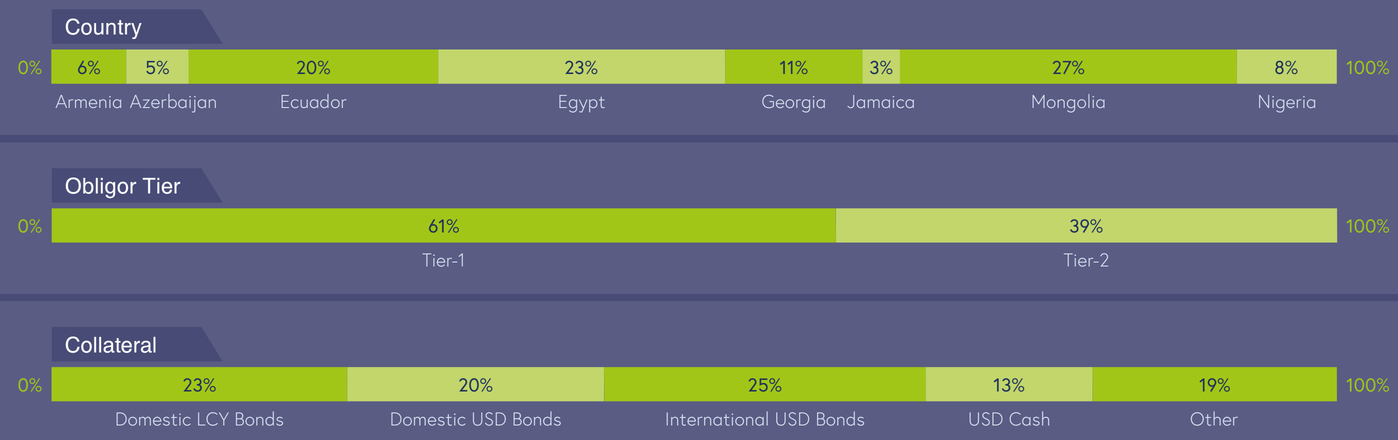
Output indicators

	2020	2015-20
Local banks onboarded	17	46
Regional and global banks onboarded	1	14

Takeaway

Frontclear reacting to market circumstances

At year-end 2020, 61% of obligor banks are Tier 1 versus 48% in 2019 (51% cumulative to-date), reflecting a conscious decision to continue transacting but with focus on somewhat stronger counterparties that can support local market liquidity.



Outcome indicators

	2020	2015-20
Volume funding mobilised	USD 665m	USD 1,048m

Shifts in counterparty funding and volume[11]

Shift in funding tenor:

Not only was the transaction somewhat cheaper but more importantly, the terms directly tackled the market insecurity at the time. The pricing was fixed, offering predictability for the 18 months tenor versus the more common variable rate repriced at monthly rollover. It became possible to mitigate liquidity, currency and price risks in a volatile election period.

Shift in cost of funding:

As a state-owned bank, State Bank aligns key targets to government financial market development priorities. Such transactions allow State Bank to leverage its balance sheet to raise relatively inexpensive, funding which it in turn, can apply to client loan portfolios. Before the transaction, loans were extended at interest rates of 18%-20%. The funding accessed has made it possible to reduce the rate to 14-15% at the lower end.

Understanding collateral shifts

At year-end 2020, the portfolio by collateral shifted markedly. The year-end 2020 portfolio reflected transactions whereby local currency securities accounted for 23% only compared to 54% at year-end 2019.

While not conclusive, the reasoning is found in transactional preferences at both the (global) beneficiary level and that of the local obligor. From a beneficiary perspective, cash collateral and international securities are easier to handle. From an obligor perspective, local currency denominated government securities can be used to engage with the local Central Bank window, while international securities such as USD Eurobond can only provide for liquidity in the (cross-border) repo market.

Frontclear's mandate promotes the eligibility of local currency collateral, enabling local obligor banks to access (global) money and interbank markets. The COVID-19 crisis and the ensuing impact on transaction dynamics, are likely the source of the noted 2020 shift and worth reviewing in 2021.

[11] Excerpt statements from 2020 Impact Report interviews.

Stepping up in Mongolia

The Mongolia Baseline: Money market in 2016[12]

Mongolia's capital market is internationally focused, lacking the frameworks and structures to enable deeper domestic markets. Market requirements are in place but require reform and coordination to improve overall secondary market liquidity. Despite being a dollarised economy and subject to depreciation pressures, the Bank of Mongolia (BoM) swap facility is the main reason there is no shortage of local currency liquidity and oversupply of foreign currency deposit funding.

Just the top Mongolian banks have significant experience in raising funding in the international capital markets. The banking sector is dominated by the five largest commercial banks (holding over 95% of the financial assets) while the remainder have limited access to funding. The vast majority are privately-owned and strong restrictions limit foreign bank ownership to small stakes.

The Mongolian economy is closely tied to the development of the mineral sector, currently dampened by slower growth in China and declining Foreign Direct Investment (FDI). FDI financed investment dropped to 4% of GDP in 2014, following 2012 heights of 65%. In 2015, overall bank asset quality deteriorated with rising NPLs. In response, the central bank announced measures to strengthen prudential regulations, including reserve buffers and capital requirements.

Government bonds for institutional investors are traded OTC and account for 90% of the market liquidity. Commercial banks trade directly or broker on behalf of foreign investors. The BoM issues short-term discount bills for monetary purposes and the Ministry of Finance (MoF) issues both bills and bonds. In 2015, MoF was not able to issue any of the 3- and 5-year bonds. Market participants indicate that such failed placements of tenors longer than 1-year began in 2014. While Mongolian banks hold a good volume of government bonds, supply on banks' books is declining[13].

There is limited repo market activity with most banks having no experience in cross-border repo, derivatives and collateral management. There have been no GMRA documented transactions to-date. There is some experience with ISDA FX swaps without a Credit Support Annex (CSA). The BoM institutional trading platform lacks a proper interface with the MCSD[14], which hinders the development of a title transfer-based interbank repo market.

Mongolia is a frontier market in terms of legal and regulatory environment. The Civil Code-based accommodates various types of security interest or pledges. No regulation acknowledges derivatives or close-out netting. The BoM is committed to the reforms required to ensure GMRA and ISDA enforceability and welcomes developing a proper repo market as a local bank avenue to additional funding.

FRONTCLEAR AND MONGOLIA

Frontclear's Investment Committee approved Mongolia as a focus country in January 2016. A USD 30m country limit was agreed for repo and derivative transactions with cash, local currency MNT T-bills and T-bonds and Eurobonds, as collateral. The country proposal highlighted the key market constraints.

The programme targeted:

1. the legal framework hindering GMRA and ISDA enforceability;
2. aligning the technical platforms behind the custodian and settlement process; and
3. strengthening the wider market's knowledge to transact repo and derivatives.

Against this backdrop, Frontclear technical assistance gained 2018 Donor Committee approval for a Mongolia country programme. Activities were geared to improve the overall regulatory and market knowledge, legal framework and systems. Authorities and Frontclear jointly recognised the significant impact to be gained through a repo market. Mongolia is charted as a Phase 2 country in the Frontclear Impact Strategy.

[12] Summary key conclusions. Investment Committee Mongolia Paper (2016); FTAP Mongolia Country Strategy (2018).
[13] As of 2017, the Government has discontinued issuing T-bonds altogether.
[14] Mongolian Central Securities Depository (MCSD).

Theory of Change *in practice*

Enkhjin Atarbaatar
Director General Reserves Management and Financial Markets Department
Bank of Mongolia (BoM)

The cornerstone activity completed in the BoM and Frontclear collaboration is the Money Market Diagnostic Framework (MMDF). It has been a highly useful exercise, providing the initial road map to develop the money market.

Frontclear has built a reputation in the Mongolian money market, founded on wide-scale local bank outreach. The result has been fruitful, leading to the transactions with State Bank and with the Development Bank of Mongolia (DBM). The extensive market engagement got the attention of the BoM. In particular, Frontclear played a pioneering role in the market, demonstrating expertise and the transactions increased BoM's awareness of the market obstacles and practical challenges.

BoM approached Frontclear on the back of this awareness, with an open request for technical assistance. What resonated with the BoM, were the challenges to custody and settlement as well as the Money Market Diagnostic Framework (MMDF) tool and process. The very relevant and practical recommendations are well into implementation and being picked-up together with a number of IFI partners. In this way the MMDF and the resulting report served as a baseline and a platform on which the BoM can coordinate work among the variety of development partners.

Together with Frontclear, the BoM has started to explore the demand among market participants for a Tradeclear or umbrella guarantee facility. The BoM recognises the need to improve the overall market access to liquidity and funding. We further see it as a vehicle through which to mainstream GMRA documentation. Yet, we also recognise that the ultimate decision is with the market's financial institutions.

Key Indicators

Agreement with central bank

\# of and areas identified advisory and feasibility review

- Market governance and coordination
- Interoperability custody and settlement systems
- Central Bank operational topics
- GMRA and ISDA documentation: standards and enforceability

\# market infrastructure solutions achieved

- Money Market Working Group (via EBRD)

Increased knowledge regulator

Stepping up impact in Mongolia

Impact strategy in practice

A Access
C Capacity
S System
BSPs Banking Sector Participants
Rs Regulators

2018

S — APR
Country Strategy FTAP
Market wide interviews and due diligence

A — JUL
STATE BANK
USD 30m
Cross-border collateral swap

USD T-Bonds against MNT government bonds

Financier: EBRD
Originator/Guarantor: Frontclear

C — SEP 12
Repo and GMRA Executives' Roundtable
26 BSPs | 7 Rs

C — SEP 13–14
Understanding Repo and implementing GMRA
30 BSPs | 4 Rs

A — DEC
DEVELOPMENT BANK OF MONGOLIA
USD 30m
Cross-currency swap

USD cash against JPY cash

Financier: Société Générale
Originator/Guarantor: Frontclear

2019

S — APR
Diagnostic Workshop on Interoperability Bond Trading and Settlement Platforms

A — OCT
DEVELOPMENT BANK OF MONGOLIA
USD 20m
Cross-currency swap

USD cash against JPY cash

Financier: Société Générale
Originator/Guarantor: Frontclear

2020

S — JUN
Money Market Diagnostic Framework (MMDF)
Report finds key hurdles:

- Market segmentation
- Excess liquidity
- Tradeclear discussions with BoM to address MS

A — JUL
STATE BANK
USD 23m
Repo transaction

USD cash against USD Mongolian Eurobonds

Financier: EBRD
Originator/Guarantor: Frontclear

PHASE 1: OPENING
2—3 YEARS

PHASE 2: MID-DEVELOPMENT
3—5 YEARS

Theory of Change *in practice*

Jadambaa Davaasambuu
Director of Treasury
State Bank

At least 4-6% of the 30,000 Mongolian businesses are run by single mothers. This is a small proportion of businesses with a disproportionally large impact on the economy and society. Being state-owned, State Bank's objectives are aligned to government priorities. The funding raised by the repo transaction with Frontclear – MNT 63 billion – is enough to reach this new client segment and drop interest rates on the overall loan portfolio by 4–5%.

In Mongolia, most banks are not able to access global financial markets. They, like State Bank, simply do not have the financial instruments to deal internationally. Specifically, MNT government securities are considered ineligible collateral. In addition, the government stopped issuing LCY debt and as such, MNT securities are difficult to source. Working with the Frontclear guarantee has made international access possible; unlocking otherwise ineligible collateral sitting idly on the balance sheet.

As a state-owned bank, State Bank aligns key targets to government financial market development priorities. The Frontclear guaranteed transactions allow State Bank to leverage its balance sheet to raise relatively inexpensive funding which it in turn, can apply to client loan portfolios. The 1-year transaction has made it possible for State Bank to reduce short-term liabilities, which comprised 70%-80% of all liabilities. Balance sheet mismatches were reduced and State Bank was able to extend client loan tenors to medium-term – about a year as well. The funding is a relatively small portion of the bank's balance sheet, but it really triggered the interest rate decrease across the full loan portfolio.

State Bank staff have learned a great deal from the transaction. In particular, the understanding and implementation of best practice legal documentation GMRA and ISDA. Frontclear took the time, educating and creating awareness one-to-one. Having done the first transaction, State Bank was able to use its improved knowledge to negotiate a better position in the second transaction. The 2020 transaction was operationally much smoother as the swift instructions, accounting and bond valuation; all were clearer the second time around.

Key Indicators

Onboarded global bank

Volume funding guaranteed
- USD 23m repo (July 2020)
- USD 30m cross-currency collateral swap then repo (July 2018)

Increased knowledge bank

Gursu Keles
Associate Director, Senior Trader Treasury
EBRD

EBRD targets development impact in its countries of operation. These transactions with Frontclear, including that of State Bank, enabled these banks to use their otherwise idle local and hard currency collateral to access hard currency funding in the global capital market. That access is in itself development impact. It's compounded by transfer of know-how. Consider the local bank negotiating best practice GMRA for the first time or effectively managing collateral through the transaction life-cycle. This experience has a direct development impact and lays the groundwork for a more active and liquid interbank market.

Frontclear stands as a unique institution in its offering of such credit guarantees in cross-border operations that involve counterparties from frontier markets. EBRD is unaware of another entity that provides such guarantees in frontier markets. Frontclear has built-up expertise and can apply it to new countries and new transactions. The expertise is in networks, including regulators, market infrastructure providers and banks. Expertise also includes creative ideas around structuring.

The Frontclear/EBRD transactions in Mongolia differed greatly while both having State Bank as obligor. The first transaction was structured as a cross-border collateral swap guaranteed by Frontclear, whereby EBRD extended USD T-bonds against a collateral basket of Mongolian government bonds. In the 2020 transaction, EBRD faced FCC[15] Securities in a transaction whereby EBRD lent USD cash in exchange for USD-denominated Mongolian Eurobonds. FCC Securities acted as intermediary between EBRD and State Bank, which was a more 'straightforward' arrangement for EBRD. Frontclear arranged the somewhat more challenging GMRA/ISDA Master Agreement with the obligor, while for EBRD it was a question of negotiating an ISDA with a Credit Support Annex (CSA) with Frontclear.

EBRD would not have done these transactions without Frontclear. While EBRD has in general, a solid risk appetite for such countries, this is less the case for these types of transactions. This considering the inherent credit and cross-border risks (legal and operational). For example, our internal risk policy restricts us from accepting certain types of collateral. It is through the Frontclear guarantee on such more 'exotic' local currency and Eurobond collateral, that this is possible.

Key Indicators

Volume funding mobilised
- **Mongolia:** USD 23m repo (July 2020)
- **Mongolia:** USD 30m cross-currency collateral swap then repo (July 2018)
- **Armenia:** USD 41m cross-currency repos (multiple 2018-2020)

Onboarded global bank

Increased knowledge bank

[15] Frontclear Clearing Corporation (FCC) Securities.

Performance 2020

Technical Assistance portfolio

FTAP disbursed USD 413K in funding in 2020 – 19% above the 2019 figure despite halted travel and a full shift to online delivery. The FTAP programme underwent two independent evaluations in 2020, respectively commissioned by two separate investors. Alongside the references featured across this Impact Report, a summary of one of the evaluation's findings relative to OECD Development Assistance Committee (DAC) criteria is cited in this section.

Across 2020, FTAP realised two particularly important achievements: 1) expanded investment in added-value activities bore tangible changes to regulatory frameworks; and 2) in response to COVID-19 conditions, development of two content-rich money market platforms for both regulator and financial sector players.

The next section details the outputs and outcomes relative to legal and regulatory frameworks. The money market achievements refer to the Money Market Diagnostic Framework (MMDF) Portal and the Frontclear Academy. The MMDF Portal is an online platform accessible to all central banks having completed the MMDF exercise. It features MMDF results and allows for customised country comparisons, both visually and on key topics. The 12-course strong Frontclear Academy covers both conceptual and operational basic and advanced material to understand and operationalise money market transactions.

> *"By combining FTAP technical assistance and advisory with market transactions, Frontclear is 'moving the needle' with regards to financial markets development."*[16]

A single new country (Paraguay) augmented the 2020 portfolio, reflecting the challenges to building new relationships without travel. Of the active country programmes, 50% are in SSA, 30% in LATAM and the remaining 20% in CEE. Frontclear continued to invest in its position as a solid, trusted and knowledgeable adviser on money market development. More than 50% of all FTAP financial knowledge training participants were regulators, across central banks, ministries of finance and public-sector infrastructure providers (e.g. CSDs). Furthermore, FTAP built on its partnership base to sign 2 additional programmatic agreements with regulators – National Bank of Ethiopia and Comisión Nacional de Valores de Paraguay.

Four additional partnerships with private firms were solidified to expand on Frontclear's capacity to mobilise expertise. In 2020, new (Clearstream, White & Case and London Financial Studies) and existing partners, contributed 140,000; a near tripling from 2019 in-kind contributions (USD 50,000).

AREAS OF TECHNICAL ASSISTANCE

The Frontclear Technical Assistance Programme (FTAP) spans a wide range of activities, focusing on financial knowledge at the Opening stage of the Frontclear Impact Strategy and higher value-add in Mid-development onwards.

The three target areas are:

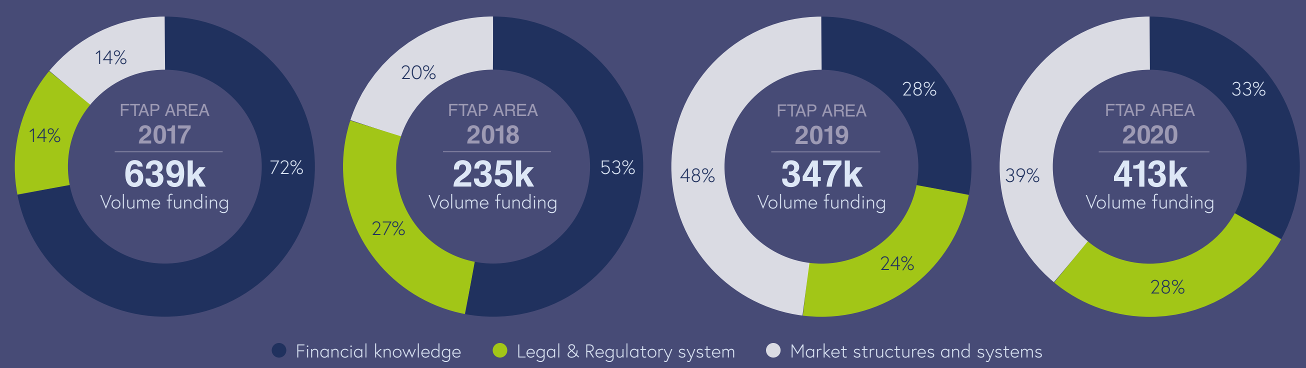
1. **Financial knowledge:** basic and medior trainings in money and interbank markets, for regulators and banking industry participants
2. **Legal and regulatory system:** legal and regulatory reviews, reforms and recommendations, roundtables and related research
3. **Market systems and structures:** in-depth reviews and reform of clearing and settlement and primary dealer structures, MMDF and related research.

[16] FTAP Case Study Review: Synthesis Report (2020-2021). EAC Consultants, p. 3.

Portfolio results

Output indicators

Annual TA expenditure and % breakdown by area



In absolute figures, FTAP 2020 spending shows a 19% increase over 2019. The increase is in part attributable to investments in online platforms designed to meet the needs of regulators and bank staff despite pandemic-related restrictions. In absolute numbers, added-value activities account for 52% of all expenditures.

Takeaway

Activities consistently higher value-add

Reaching 67% of all 2020 activities, continuing the 2019 trend and achieving tangible outcomes and impacts.

	2020	2015-20
Financial knowledge trainings	6	48
Training satisfaction	100%	98%
Training participants	201	1614

5 Activities to address legal and regulatory review and reform — 19 Cum

7 Activities to address market structures and systems — 25 Cum

Takeaway

Regulator participation emerges as the largest segment engaged through FTAP trainings

Representing 53% of all 2020 training participants in line with deepening value-add.

Outcome indicators

Independent evaluation findings: Performance relative to DAC criteria[17]

We find that the FTAP project has an aggregate rating of 'high' (meaning expectations met successfully or above expectations), particularly in terms of the high relevance of the project to the interbank ecosystem of many Sub-Saharan African countries, where money markets are underdeveloped and interbank markets illiquid and particularly difficult to access by Tier 2 and Tier 3 banks. Likewise, FTAP interventions have been highly coherent with the needs of target markets and the priorities of both in-country market participants and stakeholders and other external development actors.

Frontclear's unique structure – combining transactions with high-quality advisory services and training – has been on average, highly effective, and the team has built-up strong relationships across multiple stakeholders across the countries where it operates. Importantly, the sequencing of interventions – in some cases beginning with FTAP initiatives and other times, with guarantee transactions – has been an important success factor in heightening its effectiveness. Similarly, we found the programme highly efficient, offering good value, particularly in its delivery of trainings by some of the most qualified experts in the region and internationally, at a reasonable cost with reasonable volume.

[17] Ibid, p. 10.

Stepping up the added value

Legal & regulatory review, reform and change

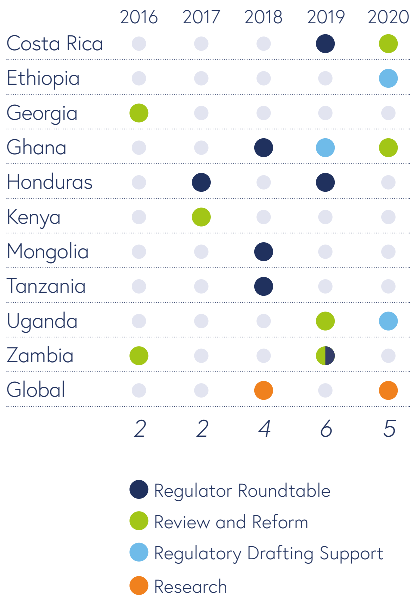
With 5 new legal & regulatory reform projects added in 2020 (26% of the cumulative), Frontclear maintained a strong pace of added-value efforts to improve legal and regulatory frameworks – all towards meeting the requirements for best-practice transaction documentation. Ensuring the enforceability of market standards, such as the GMRA and ISDA, allows parties to focus on market development rather than costly and painstaking efforts to mitigate the effects of divergent legal documentation. Since inception, Frontclear has worked together with local regulators across 10 countries and backstopped by ICMA and ISDA, to meet this objective.

> *"FTAP activities have been effective in facilitating a more conducive regulatory environment for the growth of fully functioning money markets, raising awareness of the importance of such markets and deepening market expertise. The evaluation identifies Frontclear relationships with a broad array of market stakeholders, particular with regulators, have been a key success factor towards these goals, where Frontclear has established an effective 'blueprint' for stakeholder engagement."*[18]

Arguably more relevant is the type of legal and regulatory project. Frontclear legal and regulatory work up to and including 2020, reflected 7 Regulator Roundtables across LATAM, SSA and Asia. These were geared towards generating awareness and understanding among in particular, central bank decision-makers. In 4 of the 7 countries – Ghana, Zambia, Mongolia and Costa Rica – Regulator Roundtables laid the foundation for follow-on regulatory review and reform projects. An additional 4 countries – Uganda, Ethiopia, Kenya and Georgia – began directly with a regulatory review and reform, totalling 8 full-fledged review and reform projects to-date. 63% of these projects were undertaken in 2019 and 2020.

> *"In line with the idea of sequencing, FTAP has evolved its own approach to TA and advisory interventions that are most effective at different stages of market engagement. As such, it has shifted activities to a greater emphasis on higher value-added activities in legal and regulatory advisory, which has been critical in identifying steps needed to take to allow for GMRA/ISDA enforceability, a critical element in the proper functioning of repo and derivatives markets."*[19]

Volume and type of legal and regulatory projects by country



[18] Ibid, p. 3.
[19] Ibid, p. 4.

> *"Frontclear has moved the dial (in money market developments), there is no doubt about it."*[21]
>
> Brett Gallie
> Africa Chair of ISDA

A marked 2020 development is the growth in legal and regulatory projects that have produced draft regulation, which has in-turn been implemented by local central banks and/or Parliaments. In 2020, Frontclear began clearly delineating such projects, e.g. Uganda Regulatory Drafting Support. However, in practice, Frontclear and partners have supported regulatory drafting in 4 countries (1 in 2019 and 3 in 2020).

The Bank of Ghana (BoG) adopted changes relevant to GMRA as the market standard in 2019 and reform language specific to close-out netting for financial institutions in 2020. According to Augustine Simons, Ghana Fixed Income Market (GFIM) Head at the GSE *"Frontclear played a major role in development of the market"*. When asked to rate the relevance of Frontclear's work in Ghana, he selected *"4 out of 4"*.[20]

The Bank of Uganda (BoU) led the process behind the Frontclear-supported drafting of The Financial Institutions (Preference and Appraised Book Value) Regulations 2021, presented to the Ugandan banking sector for feedback first half 2021. Finally, both the Ethiopian and Costa Rican Parliaments officially adopted regulatory reform language proposed as part of 2020 Frontclear-led reviews in early 2021.

ICMA/Frontclear Webinar series

Accelerating Ghana's Repo Market Development
Scan or click to watch

Accelerating Uganda's Repo Market Development
Scan or click to watch

[20] Independent evaluation – Case Study Ghana (2020-2021), EA Consultants, p.7.
[21] Ibid, Case Study Uganda, p. 9..

Stepping up in Uganda

The Uganda Baseline: Money market in 2016[22]

The Ugandan Government is targeting international capital markets and actively pursues policies to strengthen investor confidence. Uganda's growth is improving on the back of better economic conditions and continues to manifest overall satisfactory performance with regards to maintenance of macroeconomic stability. Tight monetary conditions were imposed throughout most of 2015/16 by the central bank to counter the depreciation of the Shilling. Uganda has a long-standing history of fully liberalised capital controls and foreign exchange market, wherein offshore investors can hold Forex accounts and purchase foreign exchange at any commercial bank without BoU approval.

The BoU regulates the financial sector, which reflects 23 banks fragmented across 2 tiers. NPLs are on the rise for both FCY and LCY loans as a result of exchange rate movements and high, variable interest rates. While conditions for credit demand are improving, the challenge remains bank appetite for lending. It is simply quelled by high interest rates on T-bills purchases. Banks experience a deepened demand for UGX considering the currency movements in a dollarising economy plus the increased capital requirements against dollar assets resulting from the depreciation. Pricing for short-term local currency is very high while more and more banks need 6-18 months funding.

Uganda's public debt management targets relatively low public debt to GDP thresholds. The high cost of domestic government debt is a point for attention with a near 19% 364-day T-bill rate (more than 5% increase since 2013). The Government remains deeply dependent on lending to the Ugandan banking sector and predominantly the pension fund sector. Domestic commercial banks and pension funds have a 'buy and hold' approach, which is quite detrimental to developing an active secondary market. While Primary Dealers (PDs) are central actors in Uganda's primary and secondary markets, they do not optimally fulfil the commitment to transact regularly in secondary markets. The PD system is currently under BoU review.

The Ugandan legal system is based on English common law and customary law. Given the mix of legal systems, review is needed to ensure what prevails relative to enforceability. GMRA and ISDA are not adopted as legal best practice in Uganda. Repos are executed under a pledge structure and the BoU has been seeking to produce a GMRA standard. There is no specific legislation on close-out netting in Uganda. There is a 20% withholding tax charged on all interest earned on T-bills and T-bonds, which has a dampening effect on investor appetite.

FRONTCLEAR AND UGANDA

Frontclear's Donor Committee approved the Uganda Country Programme in September 2016, followed by the Investment Committee two months later.

Both country proposals highlighted the following key market constraints:

1. the legal framework hindering GMRA and ISDA enforceability;
2. fragmented banking sector relationships;
3. high volume 'hold to maturity' government securities portfolios in banks and pension funds; and
4. inexperience and lack of knowledge regarding interbank transactions (both repo and derivative) among smaller market participants.

Against this backdrop, the technical assistance programme outlined projects to tackle these obstacles to money market development. While a 2019 Memorandum of Understanding (MoU) between Frontclear and the Bank of Uganda (BoU) expanded the project base, at 2016 Uganda is considered at late Phase 1/early Phase 2 of the Frontclear Impact Strategy.

[22] Summary key conclusions. FTAP Uganda Country Strategy (2016) and Frontclear Investment Committee Paper (2016).

Theory of Change *in practice*

Arnold Bagubwagye
Deputy Director
Financial Markets Department
Central Bank of Uganda

Frontclear Uganda programme was the focus of an extensive 2020-2021 independent evaluation contracted by FSDA. The section reflects excerpts from the review findings.

Uganda evaluation case study

Scan or click to read

The constructive view of the central bank's relationship with Frontclear was evident in interviews with the BoU's Arnold Bagubwagye, who sees Frontclear as a critical *"continuous"* partner that looks at financial markets from a holistic standpoint. In his view, the team was a *"ten out of ten"* and he sees substantial scope for further involvement with Frontclear over the longer term: *"the engagement,"* he said *"is still young."* He noted that Frontclear has proved willing and able to step-in beyond the MoU remit and sees cooperation with the group as a significant support for Uganda to take the lead in terms of money market development in the region.

Key Indicators

Agreement with central bank

Agreement with local banking association

Agreement with pension funds regulator

\# of local banks on-boarded
- 10

\# of knowledge partner agreements
- ISDA and ICMA in-kind contribution to legal & regulatory framework development

\# of money market training
- 7 trainings and 1 Regulatory Roundtable

Training diversity
- 227 participants (38 regulators and 189 banks)

\# of and areas identified for advisory and feasibility review
- Legal and Regulatory Review and Reform
- Umbrella Guarantee Facility
- Money Market Diagnostic Framework (2019 - ongoing)
- Bond Market Governance (ongoing)

Stepping up impact in Uganda

Impact strategy in practice

A Access
C Capacity
S System
BSPs Banking Sector Participants
Rs Regulators

ICMA/Frontclear Webinar series

Accelerating Uganda's Repo Market Development, features the BoU Deputy Governor Mr. Atingi-Ego and local market actors speaking to Frontclear-supported activities and the 2020 developments.

Accelerating Uganda's Repo Market Development

Scan or click to watch

2016

S — SEP
Country Strategy FTAP
Market wide interviews and due diligence

2017

C — FEB 27-28
Understanding and Implementing ISDA
30 BSPs

C — MAR
MoU with Uganda ACI
Interbank market development

C — MAR 16-17
Understanding and Implementing GMRA
24 BSPs | 3 Rs

C — APR 6-7
Derivatives Deep-Dive
29 BSPs | 1 Rs

C — MAY 15-17
Derivatives and Bond Accounting
29 BSPs | 1 Rs

C — JUL 12-15
Fixed Income Boot Camp
25 BSPs | 1 Rs

C — NOV 13-15
Basel II/III
18 BSPs

2018

S — JUL 2
Primary Dealer Review Regulators' Review
6 Rs

C — JUL 2-4
Repo Product and GMRA Basics
37 BSPs | 15 Rs

2019

S — MAY 27
Signing Event: MoU Frontclear and BoU
Work Programme:
- Legal and Regulatory Review and Reform
- Money Market Diagnostic Framework (MMDF)
- Tradelcear implementation

C — MAY 28-29
Repo and the GMRA
29 BSPs | 8 Rs

S — OCT 2
Regulators' Roundtable Money Market Matters and Bond Market Governance
12 Rs

S — OCT
Legal and Regulatory Review and Reform
ISDA and GMRA enforceability

S — M2 19
Tradeclear workshops and trainings

2020

S — MAY
Legal and Regulatory Drafting
Qualified contracts and FIA

S — MAY
Market Infra:
Bond Market Governance Study

S — M1 20
Tradeclear workshops and trainings

PHASE 1: OPENING
2—3 YEARS

PHASE 2: MID-DEVELOPMENT
3—5 YEARS

Theory of Change *in practice*

Phillip Karugaba
Head of ENSafrica Advocates
Uganda

Establishing credibility with the BoU was a critical factor not only for establishing the Tradeclear platform but also for advancing the reforms recommended under the legal and regulatory review of GMRA/ISDA enforceability. As described by Philip Karugaba of ENSafrica, conversations with the BOU legal team following the review were constructive, with many issues overcome through clear explanations by Frontclear and a high level of trust, with the understanding that the end goal of the initiative is developmental. Finally, the team's expertise was highlighted as a clear success factor, with solutions to problems that are innovative but also well thought through. FTAP's engagement has, in the view of Philip Karugaba, *"turbo-charged"* the process, both through its financial support and technical expertise.

Benoni Okwenje
General Manager
Financial Markets Department
Centenary Bank Uganda

Adjusting regulation to allow for offset netting to protect market participants in the event of insolvency, is, in the words of Benoni Okwenje, President of ACI and Head of Financial Markets at Centenary Bank, a *"game changer"* and Frontclear's expertise and funding have been essential to bring about these developments.

Key Indicators

Volume in-kind contribution knowledge partners (mobilised)
- USD 4700 equivalent

Increased knowledge regulator

Increased knowledge banks

legal reforms achieved
- Legal and Regulatory Recommendation:
  DRAFT Financial Institutions (Preference and Appraised Book Value) Regulations 2021

market infrastructure solutions achieved
- Umbrella Guarantee Facility (Tradeclear) structure set-up

Outlook 2021

Frontier markets access to liquidity and risk management instruments will continue to be in high demand as pandemic conditions shift with new outbreaks and vaccine uptake. More will be required of Governments already facing heavily expanded public debt levels while a reopening private sector seeks financing to recover and re-enter markets. To fulfil their essential role in the economy, banks must be able to participate in money and interbank markets. A 2021 Frontclear priority is to step-up its domestic market development activities, particularly the combination of market-wide onshore initiatives – guarantee structures and technical assistance – expected to have a material impact on local financial conditions in future crises. Recovery and resilience.

After achieving the 'break-even' milestone in 2020, the ambition is that Frontclear continues to grow and demonstrate its value to money markets and financial systems. The relevance of its mandate is clearer than ever as are the learnings and achievements to-date. In 2021, Frontclear will continue to increase and optimise its capital base, complemented by expanding FTAP grantors. This is a welcome development in light of Frontclear's reputation as a thought leader and result-oriented actor at a time of much demand for money market development support.

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