

## PRESS RELEASE

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## **MFX Solutions Launches Service to Reduce Microfinance Currency Risk**

*New Company Created by Industry Leaders Enables Lending to Underserved Markets*

WASHINGTON, July 7, 2009 - MFX Solutions Inc. (MFX), a new company dedicated to managing global currency risk in the microfinance industry, today announced the launch of its operations. MFX will, for the first time, be making modern hedging instruments accessible to microfinance lenders in developing markets where they need it most. MFX has secured \$13 million from 17 investors in its first round of financing, with Omidyar Network providing a commitment of \$9.3 million.

MFX's mission is to help microfinance institutions (MFIs) and investors (MIVs) analyze, quantify and reduce currency risk, removing a key impediment to the growth of the sector. It directly addresses the disparity problem MFIs face when they borrow in dollars or euros and lend in a different local currency. MFX solves this problem by providing microfinance lenders access to sophisticated hedging instruments and free, web-based risk management tools tailored to the microfinance business model. By offsetting lender's risk and thereby lowering their costs, MFX will unlock hundreds of millions of dollars in local currency loans to under-served markets. Reducing currency risk can help the industry move to a more sustainable growth model.

MFX is the result of a three-year collaboration involving more than 30 microfinance organizations from around the world, led by Global Partnerships, Calmeadow Foundation, ACCION International, Calvert Foundation and MicroRate. These organizations saw that as microfinance grew and became more integrated into the formal financial sector, currency risk was posing a greater threat to its future.

"Currency risk is a growing threat to microfinance institutions and investors in every part of the world," said Gary Mulhair of Global Partnerships. "Recent changes in the global economy further underscore the need for an independent organization like MFX to help reduce currency risk and increase the overall security of the sector."

The initial investors in MFX are a group of US and European microfinance funds, networks, and foundations that have pooled resources to make modern currency risk management tools available to the industry. In addition to the investment by Omidyar Network, Triodos-Doen and Hivos-Triodos Fund of the Netherlands have invested \$1.5 million, and ACCION International

has invested \$1.25 million. Incofin CVSO of Belgium and Calmeadow Foundation of Canada contributed \$500,000 and \$320,000 respectively. Additional investors include: Calvert Foundation, Global Partnerships, ADA (Luxembourg), Grameen Foundation, Blue Orchard (Switzerland), Mecene/Africap, Microcredit Enterprises, Grassroots Capital, Unitus and Developing World Markets. Start up grant funding for MFX totaling \$575,000 has been provided by The Ford Foundation, The Currency Exchange Fund (TCX), The Dutch Development Bank FMO and USAID.

Frank Streppel of Triodos-Doen and Hivos-Triodos Fund said, “MFIs in developing countries often have to accept hard currency loans to finance their activities due to lack of local currency loans. This exposes them to significant risks from currency fluctuation; risk that in many cases is passed on to the microfinance client. Our investment in MFX allows us to offer more loans in local currency, which in the end significantly reduces the burden on the micro-entrepreneur.”

Monica Brand, Director of ACCION International's Frontier Investments, added, “Getting microfinance to scale isn’t just about efficiency, it’s about reducing vulnerability at the base of the pyramid. ACCION feels strongly that helping to catalyze MFX will simultaneously spur healthy industry growth and lessen the burdens faced by the poor.

#### Serving Clients and the Industry

To benefit the microfinance industry, MFX will create education programs designed to help MFI managers analyze the risks they face from a changing economic environment. This includes the development of easy-to-use web-based tools, free to the industry at large, that allow MFIs to stress test their balance sheets under different economic scenarios. Tools will be deployed through a variety of training platforms in partnership with other microfinance organizations.

For its hedging clients, MFX will offer currency swap and forward contracts in high-risk currencies in regions like Sub-Saharan Africa where hedging is currently unavailable. To date Africa has received only eight percent of all microfinance lending.

“Omidyar Network is pleased to be among this first group of MFX investors,” said Matt Bannick, managing partner, Omidyar Network. “Not only will MFX enable lending to millions of poor people in remote geographies, the company will also share important information with the broader microfinance community. Omidyar Network supports and encourages this kind of openness and transparency across all of the investments that we support.”

#### A Stable Partner for the Industry

MFX will manage its own risk through its investment in and partnership with TCX, a \$500M+ foreign exchange hedge fund sponsored by FMO and backed by the Dutch government. TCX offers its investors, primarily public sector development lenders, the ability to hedge exotic currencies where no commercial hedging is available. MFX is additionally backed by a \$20 million credit guarantee from the U.S. Government’s Overseas Private Investment Corporation (OPIC), allowing it to operate as an AAA counterparty in the market.

## About MFX

Established in October 2008, MFX operates globally, with headquarters in Washington, D.C. MFX provides hedging and analytical tools to microfinance lenders to help them manage currency and interest rate risk. Additional information is available on MFX's website at [www.mfxsolutions.com](http://www.mfxsolutions.com) or by contacting Sonia Muhki at +1 202 527 9947 or [sonia@mfxsolutions.com](mailto:sonia@mfxsolutions.com). ###