
EBRD ENGAGES IN REVERSE REPO TRANSACTION WITH ARMSWISSBANK

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The European Bank for Reconstruction and Development (EBRD) has engaged in its first reverse repo transaction in Armenia with Armswissbank, one of the leading banks in the country. To support the transaction, the EBRD is lending up to 2.3 billion Armenian dram to Armswissbank for one year against US dollar Eurobonds issued by the government, EBRD said in a press release.

It said the transaction was guaranteed by Frontclear, a leading money markets development company funded by European governments and development finance institutions. This is the first transaction with Frontclear in Armenia.

Established in 2004, Armswissbank is a dynamically growing financial institution, operating as a private, corporate and investment bank, with a strong emphasis on brokerage services and liquidity management for Armenias financial sector.

The execution of this repurchase agreement is a milestone for the EBRDs ongoing efforts to develop the Armenian dram and the local capital markets.

The transaction is expected to have a strong demonstration effect on the local financial market and takes place under the first Global Master Repurchase Agreement (GMRA) signed between the EBRD and Armswissbank in January 2018, which allows parties to trade in repos.

The transaction became possible due to the strong commitment by the Central Bank of Armenia that ensured the adoption of a legal and regulatory framework for derivative and repo transactions in Armenia. The legal reform was supported with the EBRDs technical cooperation funds.

The EBRDs participation is a strong signal to the authorities and international investors that the Banks active engagement includes financial involvement as much as providing technical expertise to help develop local money markets.

Frontclear is a financial markets development company focused on catalysing stable and inclusive interbank markets in emerging and developing countries (EMDC). Frontclear facilitates access by local financial institutions to interbank markets through providing credit guarantees to cover a transacting institutions counterparty credit risk.

Frontclears Basel III compliant guarantees specifically cover due payment of the Early Termination Amount under ISDA contracts and corresponding claims under GMRA. The guarantees are in turn counter-guaranteed by KfW, a AAA-development financial institution. The guarantees are

complemented by a technical assistance programme (FTAP).

FTAP supports targeted and planned interventions in bank and system development, which reduce the operational and country risks obstructing interbank trading. Frontclear is funded by European governments and development finance institutions including BMZ, DFID, FSDA, FMO, EBRD, Proparco and TCX.

<http://www.armbanks.am/en/2018/04/03/113385/>

Kaynak/Source: