Local Currency Financing

This fact sheet introduces AIIB’s local currency financing product and its key features. It provides an overview of the basic terms and conditions and aims to assist clients to get a better understanding of AIIB’s current and prospective approach to local currency financing.

OBJECTIVE

- **AIIB’s mission** is **Financing Infrastructure for Tomorrow.** By investing in sustainable infrastructure, AIIB unlocks new capital, new technologies and new ways in which to address climate change and to connect Asia, and the world.
- **Infrastructure projects** are long-tenor, high-volume and with unpredictable cash-flows.
- By matching the currency denomination of assets and liabilities, AIIB clients can **focus on project implementation** rather than be concerned about exchange rate movements.
- A borrower’s ability to borrow in foreign currency may be restricted due to **regulatory demands** or **high credit charges** required by commercial banks offering foreign currency hedges.
- AIIB aims to **provide** local currency financing that may reduce the risk of losses from such currency mismatches and, in turn, **decrease the credit risk and cost of projects.**

SUPPORTING BORROWERS’ FINANCING NEEDS

- AIIB continues to develop its product tool kit to meet the growing demand of its clients in infrastructure financing by introducing hard and local currency (LCY) financing products.
- AIIB clients with revenues in local currency should have an opportunity to **borrow in their local currency**, instead of borrowing in USD to minimize currency risk.
- **Eligible borrowers for local currency products** include private sector borrowers and certain public sector entities.

LOCAL CURRENCY FUNDING

AIIB will source funding via financial instruments:

(i) By **cross-currency swaps** (CCS);
(ii) By issuing **local currency-denominated bonds** via AIIB’s Global Medium Term Note (GMTN) Programme; or
(iii) By issuing **onshore local currency bonds** in a specific country.

AIIB’s decision to source local currency funding through CCS or bond(s) (offshore or onshore) depends on market conditions, regulations, instrument availability and cost considerations. The sourcing method should not impact the ultimate aim, which is to mitigate the foreign currency risk for the client.

AIIB has a proven ability to fund in international capital markets in a range of currencies, having issued global bonds in US Dollar, bonds in Chinese Renminbi in international and domestic markets, and bonds in Pound Sterling, Mexican Peso, Russian Ruble, Hong Kong Dollar, Thai Baht and Turkish Lira; supplemented by an ability to source local and hard currency funding through cross-currency asset-based swaps.

CURRENCIES

AIIB currently offers nonsovereign-backed financings (loans to private sector and municipal clients and projects, which do not benefit from a sovereign guarantee) in **21 hard and local currencies**. In addition to Australian Dollar, UK Pound, Canadian Dollar, Euro, Hong Kong Dollar, Japanese Yen, Mexican Peso, New Zealand Dollar, Norwegian Krone, Singapore Dollar, Swedish Krona, Swiss Franc, Korean Won and US Dollar, operational currencies for nonsovereign-backed clients of AIIB are:

- Indian Rupee
- Indonesian Rupiah
- Thai Baht
- Chinese Renminbi
- Malaysian Ringgit
- Philippine Peso
- Turkish Lira
- Chinese Renminbi
- Euro
- Japanese Yen
- Swedish Krona
- Swiss Franc
- US Dollar

AIIB anticipates expanding this list of available currencies, which will include both major non-USD hard currencies and selected local currencies.

AIIB only offers **sovereign-backed financings** (or financings benefiting from a sovereign guarantee) in **currencies of G10 countries or currencies of the SDR basket**. At present, AIIB can offer sovereign-backed loans in Pound Sterling, Canadian Dollar, Chinese Renminbi, Euro, Japanese Yen, Swedish Krona, Swiss Franc and US Dollar.
WHO WE ARE

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to finance the Infrastructure for Tomorrow—infrastructure with sustainability at its core. Headquartered in Beijing, we began operations in January 2016 and have now grown to over 105 approved members worldwide. By investing in sustainable infrastructure and other productive sectors in Asia and beyond, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.

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