



IFC

**International
Finance Corporation**

World Bank Group

IFC's Inaugural Naija Bond

Presentation to the 7th National Treasury of
South Africa/OECD Forum on African Public
Debt Management and Bond Markets

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Transaction Highlights

Transaction:	<ul style="list-style-type: none">• IFC's inaugural Naira-denominated bond• Initial notional size of NGN 8 bn (\$50 million equivalent), later increased to NGN 12 bn (\$76 million equivalent) with a 5 year tenor
Objective:	<ul style="list-style-type: none">• Capital markets development through:<ul style="list-style-type: none">– Demonstration and signaling effect– Changes in regulation (e.g. cost of issuance, Pension Fund investments)– Introduction of a high-quality new asset class in the domestic market• Solve the “chicken and egg” problem of local currency pipeline
Why Nigeria:	<ul style="list-style-type: none">• Second largest economy in Sub-Saharan Africa• Most populous country on the continent• Government Sponsorship and Regulatory Support
Results:	<ul style="list-style-type: none">• Success in proving the domestic processes for bond issuance• Widespread positive domestic and international media coverage• International investor interest• Naira investments

Contributing Factors to the “Success”

- **Patience and Strength of Conviction:** The Transaction was a long and complex process that can be divided into two stages:
 - The Initial Stages : This comprised the *internal* and *external* processes leading up to the deal going live. This spanned a period of 5+ years.
 - The Live Deal Stage : This was the last lap of deal-related steps that led to the final issuance and settlement of the bonds.
- **Teamwork:** Starting from the first MOF letter of support through to the final settlement of the Naija Bond, this transaction has been a hallmark of excellent Cross-Departmental, Field Office and DC collaboration. Most importantly was the Sovereign and IFC collaboration.
- **Strong Regulatory Support:** The Naija Bond had the advantage of tremendous support from the Nigerian Regulators including the Governor of the Central Bank, the Minister of Finance and the Director General of the Securities and Exchange Commission.

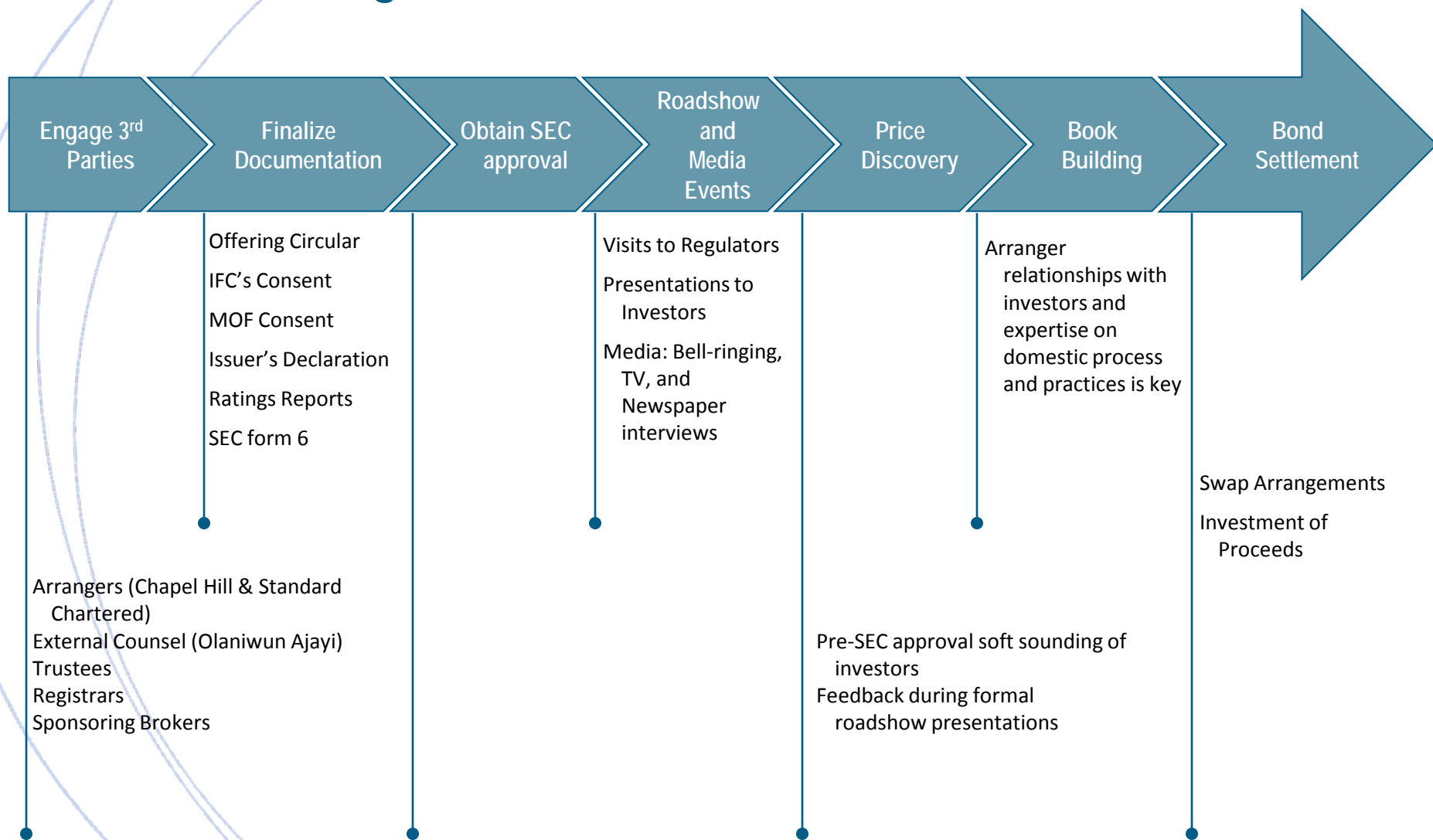
External Stakeholders



External Process

Regulator	Approvals
MOF	<ul style="list-style-type: none">• Initial Consent• Tax Equivalence
DMO	<ul style="list-style-type: none">• Coordinating Agency
Central Bank	<ul style="list-style-type: none">• Repo eligibility• Zero-risk weighting• Liquidity status• Approval of swap arrangements
SEC	<ul style="list-style-type: none">• Prospectus review
PENCOM	<ul style="list-style-type: none">• Improvements in regulation on eligible investments of Pension Funds
External Counsel	<ul style="list-style-type: none">• Local opinion• Documentation preparation

Live Deal Stage



Issues / Policy Challenges

1. Investor Liquidity Requirement

- Focus on ability to sell
- Issuers “buy back” guarantee
- Price?

2. Pricing Benchmarks

- Liquid reliable government benchmarks

3. Investment Opportunities

- Duration matching bonds

4. Euro-clearable

- Local exchange
- Local custodian arrangements

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