

Republic of Panama

Custody services open local capital market to foreign investors helping to further strengthen the country's financing sources

Case Study

The Client The Republic of Panama became investment grade in 2010 and intends to preserve and enhance its credit rating.

The Challenge In 2010, Standard & Poor's, Moody's and Fitch raised their ratings of the Republic of Panama to investment grade. One of their recommendations to help improve the country's rating was that the Ministry of Economy and Finance should seek to develop the local capital markets – at the time there was a very small portion of local government debt issuances outstanding – thus providing the government increased financing flexibility. In order to stimulate Panama's local debt market, two changes were necessary. Firstly, in June of 2011 the Ministry of Economy and Finance established a market maker program and approved three market makers, of which CitiValores was selected, as well as six market maker candidates. Secondly, the government, looking to increase their base of investors, sought to create a custodian infrastructure to facilitate foreign investment.

The Solution Citi was chosen, among other banks, to partner with the Ministry of Economy and Finance to develop a custody infrastructure in Panama to allow foreign investors to access the domestically issued sovereign debt and any other asset class listed in the Bolsa de Valores de Panama (BVP). Citi implemented Direct, Custody and Clearing (DCC) in Panama offering subcustody services for foreign investors. Services offered by DCC include custody, clearing and settlement, FX services, report generation, corporate actions, income collection and account opening services. This solution increased the custodian base for investors to 60 countries worldwide and 7 Latin America countries, where Citi has a dominant market share.

The Result Citi has been operating in Panama since 1904. It is one of the foreign banks with the longest presence in the country. It has committed its network and expertise to work with the Ministry of Economy and Finance to foster deeper and wider local capital markets by educating international investors as well as domestic market participants. Citi is acting as a facilitator to enable the Ministry of Economy and Finance to execute their new strategy of being less dependent on the international markets by focusing their new funding needs towards the domestic market. The bank's custody, clearing and settlement services have opened the Panamanian market to foreign investors, increasing the flexibility of the Ministry of Economy and Finance to raise funds, potentially lowering the cost of borrowing, and ultimately ensuring greater stability for the national economy as well as promoting the country as the financial hub for the region.