# Emerging Markets Central Banks

## Total Return Currency Swaps Help Emerging Markets Central Banks to Grow Loan Market

### Case Study

**The Client**

Multiple central banks across Emerging Markets.

**The Challenge**

Central banks have ample liquidity when it comes to local currency. However, many – especially in emerging markets – have weaker hard currency liquidity. In many instances, hard currency loans exceed that of hard currency deposits held by the central banks, and therefore they rely on hard currency wholesale funding in order to grow the country's loan market and support economic development.

Wholesale funding often takes the form of hard currency loans against local currency-denominated collateral (through a reverse repurchase or total return swap (TRS) structure). Several central banks in Emerging Markets required currency swaps – both on- and off-balance sheet – and approached Citi for a solution.

**The Solution**

Citi's banking teams across the region negotiated and executed ISDA agreements with several central banks and entered into currency swaps.

As part of the solution, Citi funds hard currency loans against local currency-denominated collateral, which in turn, supports the clients in managing and growing their foreign currency balance sheet. Citi provided different TRS solutions as both on-balance sheet and off-balance sheet derivatives, depending on the client's needs.

**The Result**

**The various transactions across the region have been successful and received positive feedback from the central banks involved. The use of TRS swap solutions has enabled the central banks to grow their country's loan market and support economic development.**

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