

Frontclear (FCC)

Frontclear Clearing Corporation



An inclusive money market ecosystem is a pre-condition to stable capital markets and real economy development. Without it, financial intermediaries and financial markets struggle to perform their core role of converting household savings into loans to companies. This is especially the case in emerging and frontier markets where the financial sector is bank-centric and bond markets are under-developed. Frontclear's investments are designed to address this, enhancing the domestic banking sector and making it cheaper and easier for African consumers to transact.

OUR INVESTMENT

- Frontclear offers USD guarantees to enhance the value of local currency assets. Local banks use these guarantees to access the interbank market, a network where banks exchange funds and risk. Guarantees are extended against collateral denominated in local currencies, which are often not considered acceptable collateral for interbank trades.
- FSDAi invested in Frontclear to improve the efficiency and depth of money markets in Africa, as well as the level of private sector participation. Frontclear achieves this through freeing up "dead" or illiquid capital (examples include T-bills and bonds) held by tier 2 and tier 3 banks
- Our investment in Subordinated Notes during the second financial close enabled Frontclear to restructure and raise more capital.

Contributing to economic growth and financial stability through inclusive and liquid money markets



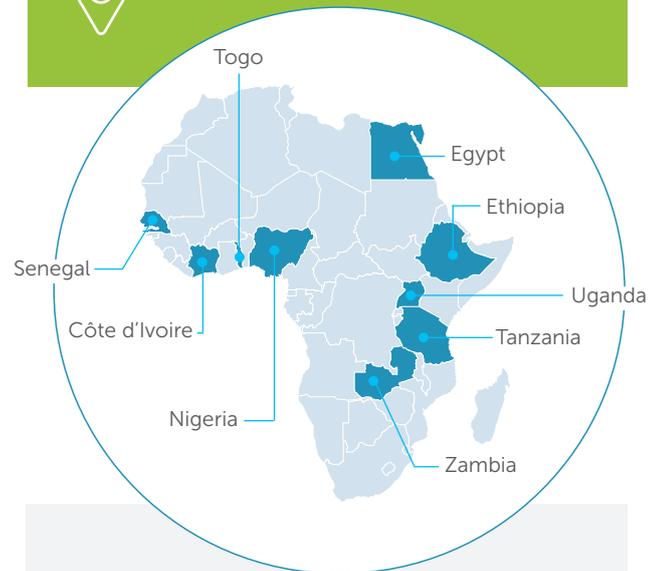
Sector
Capital Markets



In portfolio since
2019



Countries covered



Our role

COMMITTED CAPITAL:

£1.53 M

INSTRUMENT

Subordinated notes



MARKET DEVELOPMENT

- The interbank market is important because, alongside deposits and the wholesale market (e.g. bonds), it can be a highly attractive source of capital for banks. If interbank markets function well, banks can get access to capital instantaneously and on more flexible terms than in the wholesale markets. This drives better access to finance for the private sector as well as affordability.
- For example, Tradeclear Uganda, launched by Frontclear in June 2022 with US\$ 30m in gross notional guarantees, provides a multi-bank plug-in interbank guarantee structure which increases efficiency in inter-bank lending.
- Greater capacity and enabling frameworks are needed to build money markets. The Frontclear Academy has supported Money Market Diagnostic Frameworks (MMDF) in Ethiopia and Rwanda, offering a full review of the legal and regulatory framework and identifying initial reforms. The Academy has executed knowledge development through classroom-based delivery.

"FSD Africa Investment's support for Frontclear has been instrumental in encouraging the other investors to commit to Frontclear in the first close. We see huge potential for Frontclear in Africa and FSD Africa's footprint and networks across the continent make them the ideal partner for us."

Philip Buyskes
CEO of Frontclear



IMPACT TO JUNE 2022



25 countries

in which Frontclear extended activities during 2021, thereby strengthening emerging market economies responding to Covid-19.



\$3,486 M

Cumulative 6-year mobilised funding on the back of issued guarantees.



47%

Volume of guarantees issued to African banks since inception (balance to other emerging market countries).

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