
Hughes Hubbard & Reed

Hughes Hubbard Advises the Central Bank of Paraguay In Landmark Swap Agreement

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Hughes Hubbard recently advised the Central Bank of Paraguay (“BCP”) in connection with a currency swap agreement with the International Finance Corporation (“IFC”). Until now, the IFC’s participation as a lender in Paraguay had been limited due to its inability to take local currency risk or to find a currency swap counterparty for Guaranies, the local currency. The BCP is a natural counterparty to the IFC owing to its large dollar reserves and ability to absorb local currency risk.

Both the IFC and the BCP consider this to be a landmark transaction. For the IFC, this is the first currency swap agreement entered into with a Latin American central bank. For the BCP, the deal represents the first derivatives transaction of its kind. The swap agreement will enable the IFC to provide loans to the Paraguayan private sector in local currency. IFC financings will then become more attractive because they will not expose borrowers to U.S. dollar currency risk.

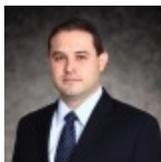
The President of the BCP and the head of the IFC for the Southern Cone announced the transaction at a press conference held at the BCP. In its announcement, the BCP underscored that “this transaction will serve to further deepen the Paraguayan financial system, increase long-term resources to finance profitable and useful projects for the Paraguayan economy, and enable the development of more sophisticated financial operations and instruments.” For the IFC, “the transaction reflects its trust in the soundness and administration of the Central Bank.”

Federico Goudie, Emilio Saiz and Carlos Vasconsellos worked on the transaction, with Nick Swerdloff, John Townsend and Will Sanchez advising on various aspects of the swap structure related to dispute resolution and attachment/garnishment issues.

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