International Association of Credit Portfolio Managers

Mobilisation of Private Capital in Relation to UN Sustainable Development Goals

Bank Interaction with Development Finance Institutions

SEPTEMBER 2021

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Executive Summary

In the context of Development Finance Institutions' (DFIs) efforts to mobilise private sector capital in support of the UN Sustainable Development Goals (SDGs) and the Paris Agreement, IACPM concluded an in-depth survey to explore the progress to date from the perspective of private sector banks.

The research largely focused on the activities of multilateral development banks (MDBs), although the work of national development banks (NDBs) was also considered relevant by the participants.

A series of interviews was conducted with private sector banks from February to April 2021 focusing on the working relationship with DFIs.

Twenty interviews were conducted with private sector banks. Most participants were IACPM members, although there were contributions from two non-member banks. The combined assets of the participating banks are $25.6 trillion (2020 figures).

The research focused on how banks choose to align their operations with the SDGs, the risk & reward of lending to development projects, and the nature of the relationship that banks have with DFIs.

SDGs are perceived to be a useful framework for banks to explain their activities, although banks tend to define their sustainability activities in broader terms. DFIs are perceived to have a strong 'indirect' mobilisation influence through the SDGs even in developed markets.

In general, the involvement of a DFI in a transaction does not have economic value beyond existing regulatory rules. However, most banks acknowledge that the presence of a DFI enhances the perceived quality of a transaction, thus increasing the likelihood that a bank will participate.

Banks prefer that DFIs take a different economic position in a transaction structure rather than simply co-invest under the same terms and conditions as the bank. Specifically, they indicated a preference for the DFIs to do more to help mitigate local currency risk, and to find a way to work with state-owned enterprises.

Respondents to the survey had a generally high perception of their relationships and experiences with DFIs. However, they also indicated that their relationships with DFIs can be complex, requiring continuous work and attention to maintain. This in turn leads to the feeling by some of the respondent banks that they are not fully aware of the full range of opportunities that might be available for working with DFIs.

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Introduction

The primary motivation for conducting this survey is the global push towards fulfilment of the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement. In 2015 it was recognized that the private sector would be needed to fill the funding gap, and increase from 'billions to trillions' of investments.

The UN launched the Addis Ababa Action Agenda in 2015, mandating development banks to mobilise long-term private capital into infrastructure investments and green finance. This was taken further by the G20 at its annual meeting in Antalya, Turkey in 2015 which resulted in major Multi-lateral Development Banks (MDBs) being instructed to produce an action plan to maximise the MDBs' impact through a variety of measures to improve capital efficiency and to mobilise private capital.

The IACPM's research seeks to broaden its members' understanding of private sector capital mobilisation by exploring the relationship between private sector banks and Development Finance Institutions (DFIs) from the perspective of the private sector.

To date, academic work has primarily been focused on historic lending patterns which mostly pre-date 2015, or has been generated by MDBs in the form of coordinated reports[1]. These papers generally conclude that mobilisation is working, but at the same time they recognise that there is a shortfall in the amount of private capital required. Providing an in-depth study of how banks perceive the 'mobilisation' of their capital will provide a deeper explanation of how well these efforts are working[2].

The IACPM's research was organised around the following three key themes. Participants were also invited to comment on ideas for future changes and these are included in the relevant sections:

- **Lending framework with respect to Sustainable Development Goals**
- **Risk/Reward of lending to development projects**
- **DFI relationship overall**

[1] MDB reporting on 2019 was released in early 2021 (https://www.adb.org/documents/mobilization-private-finance-mdbs-dfis-2019). A recent review of academic literature relating to private sector mobilisation can be found here: Mobilising Private Funding of Development Finance.

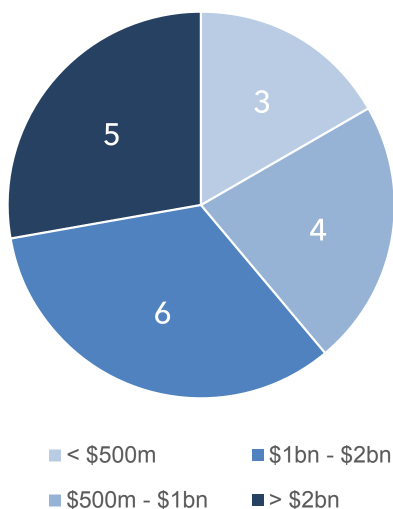
[2] The Inter-Agency Task Force on Financing for Development (https://developmentfinance.un.org/about-iatf) is tasked with an annual follow up to the Addis Ababa and to advise on implementation.

Approach

In order to recruit research participants we sent written invitations to the IACPM membership comprising private sector banks. In addition we sent invitations to a small number of institutions that are not members.

The 18 banks that were formally interviewed have combined assets of $25.6 trillion (2020) and operate on a global basis. There was a total of 22 participants spread across 20 separate interviews as some banks felt it would be helpful to offer diverse opinions from their institution.

Participating Banks by Total Assets



All participants work in a front line role across a range of different business units. Of the 22 interviewees, 17 have the corporate title of Managing Director or higher (ie. with MD direct reports) and 5 are Executive Directors.

The views of different business lines interviewed included participants from:

- **Credit Portfolio Management**
- **Debt Capital Markets**
- **Project Finance**
- **Relationship Management (SSAs, Banks, NBFIs)[3]**
- **Sustainable/Responsible Finance**
- **Syndicate**
- **Trade Finance**
- **Treasury/Funding**

All interviews were conducted on a confidential basis either online or over the telephone due to Covid restrictions. As many of the transactions used to illustrate points during the interviews were very specific to certain DFIs, banks and companies, it is not possible to use them directly. The interviews were conducted from February to April 2021.

This report is a precursor to more detailed academic articles that will be published in due course.

We are grateful to everyone who was willing to spend the time and effort to contribute to this important research.

[3] Sovereigns, Supranationals & Agencies, Non-bank Financial Institutions

Private sector adoption of the Sustainable Development Goals

The SDGs are broadly understood as a reliable framework by all the survey participants against which to explain, organise or categorise their activities. However, the way in which the SDGs are used within organisations varies.

A theme that came through very strongly, and which is repeated in subsequent sections is that bank strategy comes first, and that reporting and categorisation of activities is a downstream activity.

Several participants put forward the idea of ESG (Environmental, Social, Governance) as bigger than the SDGs. Their banks defined a strategy in the context of ESG, and only subsequently go through a mapping process to the SDGs. The mapping process enables banks to explain their strategy with respect to a globally-recognised framework. The important point here is that the strategy itself is not defined by the SDGs but by the bank's own definition of ESG. There could be a close alignment between the two, although the SDGs were mostly seen as a means of communication rather than driving the agenda.

> *"... we've ... evolved and I think we now look at the full ESG spectrum and it doesn't necessarily need to align to the SDGs. ... So the business is not specific to SDGs and we see SDGs as a part of ESG."*
>
> Participant 13

> *"We focus on them very, very closely. ... in the annual report, it actually maps where the SDGs link with the business throughout it. ...it's more that the SDGs get mapped to the strategy."*
>
> Participant 19

One of the reasons cited for taking a mapping approach rather than orienting bank actions to the SDGs, is that the SDGs themselves do not help a bank articulate how to transition clients, but rather define a set of end states. Two participants felt that the absolute stance taken by DFIs on coal projects was impractical and that it would be better to engage with firms to help them transition rather than exclude them altogether.

> *".. they're aligning their entire portfolio ... to climate finance, they're sunsetting fossil fuel, they have a very aggressive strategy around what needs to be done. ... I think there needs to be some recognition for the glide path going from ... dark brown to beige. I think that's missed in the narrative."*
>
> Participant 18

This idea is supported by various views of the SDGs as being designed with developing markets in mind. Even if a participant's bank has a footprint in developing markets, there is a perception that the SDGs are 'theirs' (meaning the DFIs) rather than being owned by the private sector. Some participants have the view that some DFIs are frustrated with the SDGs having been used by the private sector as either a framework for explaining bank strategy or being used as a framework for investment. The idea is that the SDGs were not designed as an investment methodology and are being used in a way that distracts from the central objective.

For some participants, the adoption of the SDGs has come more slowly because climate risks are still taking priority. Transactions that explicitly link to the reduction of greenhouse gas emissions are easier for clients and bank stakeholders to identify with, and to understand how to prioritise.

A theme that developed during the interview process with participants was how DFIs are using their position to mobilise the private sector both directly and indirectly. The traditional model of finding bankable projects with clear development objectives where the DFI brings 'additionality' is well understood. However, there is a strong sense from

participants that the DFIs have a powerful role to play in indirect mobilisation by influencing the private sector to adopt aligned objectives. There is direct evidence of this in the way that banks are moved to map their activities to the SDGs. One participant suggested that given the important role that DFIs can play in indirect mobilisation, the UN should be thinking about how to develop an alternative set of development goals that work in developed markets as a lending/investment framework, rather than leaving the private sector to adapt the SDGs.

> *".. how is engagement with the Sustainable Development Goals? That's a really interesting question because clearly, the SDGs, ... they were never designed to be an investment framework. That is not why the SDGs are there today. But for whatever reason, they've become a framework that investors are using."*
>
> Participant 20

There is some scepticism about the value of having too many global charters to try and align activities. One participant cited an example of the UN Principles for Responsible Banking (PRB) as potentially ineffective in practice. It was felt that to make the PRB as inclusive as possible, the bar for commitment had been set sufficiently low that the practical impact will not be meaningful.

When discussing bank alignment with SDGs, more than half of the participants also wanted to include their views on taxonomy development and reporting. The reason that these issues appear to be linked is that the way in which the banks need to organise information is similar. The data that is collected and aggregated, under whichever framework, is driving internal change with regard to risk policies and processes, concerns about 'taxonomy washing' and potential future regulation. So, while the SDGs themselves are not driving regulatory change, they appear to be viewed in a similar light to the way in which banks need to organise reporting, whether with respect to the SDGs, TCFD[4], ICMA Principles[5] or other frameworks. In that sense, the alignment process is driving internal process changes.

> *"Our broad definition of sustainability has the two bookends of environmental protection and inclusive growth. .. But when defining sustainable finance, to be honest, what we've done is we've leveraged a lot of the ICMA definitions of what is in and out with regards to sustainability. But I think over time our definitions will be very closely aligned with [the government's] taxonomy."*
>
> Participant 10

A consistent theme that emerged throughout the interviews is that the participants are looking to international organisations such as the UN and the MDBs to provide more help with sustainable finance definitions, taxonomies and standards. These institutions appear to have a powerful influence on the private sector through the SDGs even if the underlying transactions would not be traditionally categorised as 'development finance'. In that context, the MDBs could assist the private sector banks to refine an approach for developed market economies. The value for the MDBs in doing this is that it could help to accelerate and normalise transaction structures with end investors, potentially making it easier to replicate them in emerging markets.

[4] Task Force on Climate-related Financial Disclosures (https://www.fsb-tcfd.org).
[5] International Capital Markets Association Green, Social and Sustainability-Linked Bond Principles (https://www.icmagroup.org/sustainable-finance/).

Risk/reward of lending to development projects

The discussions around risk and reward had two dimensions. The first was to determine how the involvement of a DFI affected the economics of a transaction. The second was the relative appeal of different transaction structures.

The effects of development finance institution involvement on a transaction

One of the critical questions relating to mobilisation is how the involvement of a DFI might affect the decision-making of a private sector bank. There are a few dimensions to the impact that DFIs might have, so the interviews covered interlinked concepts such as 'political umbrellas' (Preferred Creditor Status - PCS), the impact on risk appetite on a country or project level, financial impacts and workouts in the event that a project becomes unstable or at risk of default.

A clear message from the interviews is that the strategic interests of DFIs do not have a significant influence on the risk appetite of a private sector bank. The strategy that a bank decides on with respect to its own clients dictates its country and sector risk appetite. If a bank's country and sector risk appetite happens to align with a DFI's interests, then there will be transaction-specific discussions that are discussed later in this section. The primacy of bank strategy has implications for the efforts to mobilise the private sector because it implies that DFIs will not have a significant influence on the flow of private sector funds to development priorities.

> *"I haven't seen the fact that if a DFI is in it means that we're willing to take a different risk lens... a lot of the times, the feeling is more like we ... must be willing to do the deal. We must be happy with the credit regardless of the DFI being in or not."*
>
> Participant 10

The alignment of risk appetite with bank strategy is an area where the interviewees drew distinctions between MDBs and national development banks (NDBs). MDBs are characterised as open to almost any idea in principle in their markets, whereas NDBs are seen as being far more tactical with narrower interests. A similar distinction carried over into discussions of PCS which was only mentioned in the context of MDBs. Both types of institutions are seen to have a strong and meaningful catalysing effect when a DFI is the anchor investor for a bond placement and it can be publicly declared as part of the book-building process. This clearly increases the probability of a successful bond placement, but also the buy-and-hold mentality of the DFIs helps in the after-market and has been seen to stabilise prices with a virtuous circle of reducing funding for the issuer on a continuing basis.

> *"We don't get any benefit we should get, because of the Preferred Creditor Status and all that stuff. For internal issues, we don't get it. But that would be another incentive for banks ... to want to join those types of facilities that are arranged by development banks."*
>
> Participant 15

Although DFIs do not appear to have an influence on private sector strategy, at a transactional level they can make a difference. The majority of interviewees that could comment on the financial impact reported that their banks cannot assign any value to PCS due to limitations from regulatory standards. What this means in practice is that these banks cannot adjust PDs (probabilities of default) or LGDs (loss given default). As PDs and LGDs feed into deal pricing through risk-weighted asset calculations, the majority of banks are unable to monetise the intangible quality of PCS. A small number of interviewees reported that on a deal-specific basis, there are instances where an internal credit rating might be adjusted upward 'by a notch'. The main financial benefit that interviewees could point to is the PD/LGD substitution from credit mitigation and guarantees. However, as this substitution approach is within the normal regulatory operating models of the financial sector the participants did not perceive it to be a source of additional economic value.

Although PCS does not appear to have a significant effect on pricing, the majority of participants reported a qualitative benefit of DFI involvement that affects the credit approval process. Even if a bank cannot adjust PD/LGDs on a deal, the involvement of a DFI is a factor that can tip the balance in favour of deal approval. This could be taken as evidence of additionality even though it might not be explicitly visible to the DFI.

> *"I think the halo effect is real. .. even if [investors] don't enjoy ... the rights that a preferred creditor would have, the halo that the borrower probably does not want to damage their relationship with [a major MDB] in default on a bond in which [the MDB] is .. one of the investors, I think will transfer to other investors. And that halo effect that does give them more security. And that's really why there is that catalytic effect, right?"*
>
> Participant 12

Transaction structures

Participants offered a diverse range of views on how DFIs ought to be involved in transactions. A sub-text to the discussions was the question of whether DFIs are always crowding in the private sector, or potentially at times crowding out. On balance, participants felt that DFIs perform a valuable role in crowding in by providing examples. A/B loan structures were by far the most common form of engagement and it was generally felt that DFIs perform a useful role as the A-lender. Participants also cited examples of lending structures where the DFIs provide the longer tenor financing and the B-lenders the shorter maturities.

> *".. there should clearly be limits because if not, obviously these guys are coming into the market ... I think in general, it's not a huge problem. It's a bigger problem with some of the national DFIs than the really large ones."*
>
> Participant 6

However, the long/short lending structures come with a pricing risk that two participants had experienced. In the event that the DFI lends long, and even if it prices with a commercial spread, as its cost of funding is generally lower than a private sector bank it can depress the pricing across the whole maturity spectrum and render the short-dated loans uneconomic. In those cases, the private sector is priced out of a deal that it might have been willing to do otherwise.

> *"... it ultimately comes down to their funding and their funding is going to be better than the private sector, right? Either given the guarantees or the government ownerships or whatever it is, so then is it really that useful to use those tools in the space that's already being financed anyway, more naturally?"*
>
> Participant 19

Similarly, co-investment was given a cautious welcome, but some participants did not feel that it was right for a DFI to be on equal terms in transactions. Their view was that a DFI is more catalytic when it takes a different position to the private sector.

A clear message came through from several participants that they wanted the large MDBs to do more to facilitate local currency lending in emerging markets and to take the currency risk away from the clients. This was a globally consistent message reported by banks operating in Asia, Africa and Latin America. Solutions proposed included local currency conditional lending to local bank balance sheets, more local currency guarantees with the risk pooled on a global basis, or that the DFI funds deals in local currency and redistributes the risk by banks providing local currency guarantees to the DFI.

> *"In many countries, they will lend in US dollars because typically that's what they have access to. And so this is where we somehow … in a way we butt heads, but in a way we also complement each other … there may be some concern that an institution, an international institution, whether it be a DFI or a European bank, wants to make a loan in dollars or euros, that actually really doesn't suit that local impoverished borrower who may then find themselves with a problem obtaining those dollars….from our perspective, lending on the ground in local currency is the best way to get money where it needs to be from a development perspective."*
>
> Participant 3

There were mixed views about the merits of partial credit guarantees from DFIs. Participants reported typical coverage percentages of 40-50% with DFIs as compared to 95% for ECAs. At the lower levels of credit cover, the economic benefits with regard to RWA adjustments are limited, but change significantly for the higher percentages.

Another strong message that came through from some participants is that the real leverage in mobilising private sector capital will come from investors and not the banking sector. To that end, DFIs were encouraged to think more about how to design transactions so that banks can easily redistribute them, or to engage more with end investors directly to better understand their needs.

> *"… if we could do on-lending through a DFI or have a guarantee from a DFI which was flexible and agile, and you could wrap it into an instrument that could be sold to an insurance company who is begging, the insurance companies are begging for 30 year risk. But those … processes haven't happened enough and the use cases have been very limited."*
>
> Participant 13

> *"I think really if you do want to go to the billions, the trillions kind of aspiration … you need the large mega capital markets investors, and their format and vehicle of choice are public securities and bonds. And that is the market that development finance, being from only bilateral or A/B structures, needs to kind of graduate to that format because that's where the money is. That's where the trillions are."*
>
> Participant 12

Other gaps highlighted by participants involved the mandates given to the separate parts of the larger MDBs, where the MDB is lending both to sovereigns and the private sector. It is generally believed that the strict mandates given to each part of the MDB leave a gap in serving firms that are partially or wholly-owned by the state. In the cases cited, neither part of an MDB can take on transactions with these types of enterprises, noting that in developing markets it can be a common occurrence to have some kind of state ownership of local corporations. There was a request from participants for MDBs to think again about how they can be more flexible around their mandates.

The final area of commentary around transactions relates to the duplication of work on transactions, such as a deal with multiple due diligence processes. There is a strong sense that there needs to be a more concerted effort to find ways to reduce the complexity and friction with regard to execution. The desire to reduce the additional work perhaps plays in both directions where banks are required to have independent due diligence just like the DFIs. However, repeating the process multiple times for the same deal is clearly inefficient.

Relationships with development finance institutions

All participants reported good working relationships with DFIs where their banks often have long track records of working together over many years. Similarly, the majority of participants also described the relationships as 'complicated' and needing continuous work.

The complexity of the relationship stems from the fact that DFIs and banks are different types of organisations. Participants find dealing with other private sector banks in the inter-bank market to be simpler and easier. The reason is that the banks are generally organised along similar lines, and that there are clear lines of responsibility as required by regulation. DFIs are simultaneously both clients and competitors for a bank which creates multiple touch points across a given organisation. Even if there is a single relationship manager (RM) within a bank, participants did not expect that person to be aware of all the different conversations that are taking place if for no other reason than the logistics and amount of communication that would be required.

> *"They are a partner and sometimes .. we may see them as a competitor, but they are most of the time a partner. And although we may partner, we may not have always the same objective."*
>
> Participant 4

The role of the DFI varies also between organisations. Banks that meet DFIs in the syndicated loan market consider DFIs as special cases of interbank players. To the extent that a bank works with a DFI treasury it becomes a client. Interestingly, in some cases where DFIs are brought together by banks to meet with large asset managers, participants reported dissonance on the part of some DFIs where their roles became more ambiguous. In the cases that were discussed, an investor often viewed itself as the client in the discussion, putting the DFI into an unaccustomed position. This dissonance problem also exists within the banks themselves, where the relationship with the DFI varies according to whether the bank team is serving the treasury, working with the syndicate or representing investors in the asset management division. One participant described the management of different relationships with DFIs as a source of stress for its relationship management team.

Another important organisational difference is ownership of risk mandates. While banks felt that their risk ownership was clear, there is broad agreement that the larger MDBs have silos of risk and responsibility and it is not always clear who to speak to. Several participants explained that they feel that they have to work hard to navigate an MDB to find the correct person and sometimes go in circles.

> *"And those [MDBs] are .. they're giant, many people everywhere. So we don't know exactly by which way to enter. We don't know the entry point... it's [like] a house when you never enter by the main door, you always enter by the garage or by the back door or somewhere ... and when you enter by the main door, [they] tell you to go [to] the back door anyway. So, you have to. And then after that, you have to find your way."*
>
> Participant 14

One of the consequences of the organisational and operational complexity is uncertainty from participants of whether their banks know everything that a DFI wants to do, or what it offers. This relates back to the previous issue about ownership of risk mandates and often a lack of clarity about who to talk to. While annual relationship meetings are seen to be a valuable mechanism to discuss overall working relationships, these are not seen as a suitable way to capture the more granular issues of deal flow.

The majority of participants raised the difficulty that DFIs have with their speed of response on transactions. The majority view is that banks recognise the slower speed as a function of the internal governance procedures within MDBs in particular. NDBs are generally seen to be nimbler and more responsive and in some cases are considered to work almost like private equity. It is also the majority view that MDBs know that they are slow and would wish they could be faster and more responsive if they could.

Some participants believe that the governance processes of MDBs are in need of a review in the context of mobilisation. This is because MDB governance was designed for a different world. It was designed at a time when it was considered that the public sector could fulfil the public sector development needs on its own without the private sector. Now, given the mobilisation agenda, these assumptions no longer hold. Given that new agenda, some participants felt that MDB shareholders need to think again about how governance is organised, in particular since it is the same governments that are also pushing the MDBs to mobilise the banks.

> *"The sentiment is a bit like, if we can do it, then we'll do it on our own. If we need to bring in a DFI to turn a no into a yes then bring in a DFI. But the sentiment with a lot of the bankers is like ... they have a huge amount of resistance to work with DFIs because they think it takes too long, makes deals go very slowly. And there's a huge amount of resistance that I've got. DFI - do I really want to do this? So, they'd rather refinance a deal later on than bring the DFI in the beginning."*
>
> Participant 10

Key challenges

We have identified five key challenges that emerged from the survey that will warrant IACPM members' attention in the future.

1 **Aligning bank lending and investment with a broader range of SDGs within existing risk mandates.**

2 **Developing an investment framework building on the SDGs to help banks frame their activities in developed markets.**

3 **Finding more effective transaction structures to increase deal flow significantly to investors such as large asset managers.**

4 **Maintaining the complex bank/DFI relationships to ensure that mutual understanding is both current and comprehensive.**

5 **Increasing the speed and efficiency with which DFI/bank transactions can be structured and executed.**

Concluding thoughts

It is apparent from the survey that the overall sentiment toward DFIs is positive. DFIs are perceived as important clients and as valuable partners to private sector banks. It is also clear that DFIs are viewed as complex organisations and there is a sense from the participants that sometimes it is not clear how well their banks truly 'know' the DFIs even though they may have worked together over many years. This uncertainty appears to stem from a perception that there are potentially multiple owners of a particular risk type in the larger DFIs, whereas private sector bank regulation demands a clear view of risk ownership. As a result, with so many touch points between organisations, participants were not always sure whether it would be possible to have complete information about the opportunities of working with a given institution.

There appears to be a need for DFIs to engage more with large investors such as asset managers and owners. As private sector banks have responded to regulatory change and reduced the amount of long-dated assets on their balance sheets, working more closely with such investors is now perceived to be essential. Investors operate with their own constraints with respect to investment mandates and fiduciary duty. In the absence of a significant change in investors risk appetite or operating model, the design of existing financing structures may be re-evaluated. However, there is an equally important question to be asked of investors as to how they are aligning their businesses with the sustainability agenda.

In practical terms, the governance structures of DFIs can have an impact because of the slower response speed on transactions. For better or worse, financial markets sometimes need to move more quickly than the DFI response can accommodate. Considering that a wholesale change of governance structure is highly unlikely, there is a case for considering a greater degree of delegated authority on selected risk mandates to speed up decision-making. Giving DFI staff more autonomy on risk acceptance would mirror the private sector, and in the context of mobilisation, would be a consistent way to approach crowding in.

Financial markets like simplicity and consistency, so developing market standards is an effective way to help the private sector categorise and report on risk. The success of the green bond market is a good example, having originally been kick-started by MDBs. Perhaps as a result, the participants generally looked to the DFIs to use their muscle to continue to push for standards, whether taxonomies or reporting. Although frameworks such as the SDGs were not originally designed for investment purposes, they clearly have an appeal in helping the private sector articulate what it is doing.

The creative process of finding better ways to mobilise private capital is ongoing. There are many successes, and in particular the presence of a DFI as a lead investor (public) in a bond transaction is viewed as catalytic. Acting as an anchor investor on development transactions is within the current harmonised definition of additionality that has been agreed by larger MDBs. An area which needs further consideration is the structure of financial transactions that are intended for eventual distribution to private sector investors. The evidence from this research suggests that some existing methods such as credit enhancement, can make the future distribution more difficult. In fact, the transactions need to have a greater degree of simplicity and be designed with redistribution as a key goal of the process.

About the Author

Chris McHugh conducted the research in his capacity as a researcher at the University of Southampton. He has been involved with the IACPM for about 10 years, initially as the Head of XVA for HSBC and currently as a Senior Adviser to the IACPM itself. He is also the Director of the Centre for Sustainable Finance at The London Institute of Banking & Finance.

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Acknowledgements

The author would like to thank the staff and the Board of the IACPM for facilitating this research, the banks that were willing to contribute and especially the participants for giving up their valuable time to share their views.

Funding

The author received no financial support for the research and/or authorship of this report.

About the IACPM

The IACPM is an industry association established to further the practice of credit exposure management by providing an active forum for its member institutions to exchange ideas on topics of common interest. Membership of the IACPM is open to all financial institutions that manage portfolios of corporate loans, bonds or similar credit-sensitive financial instruments.

The IACPM represents its members before regulatory and administrative bodies around the world, holds conferences and regional meetings, conducts research on the credit portfolio management field, and works with other organizations on issues of mutual interest relating to the measurement and management of portfolio risk. Currently there are more than 125 financial institutions worldwide that are members of the IACPM. These institutions are based in 26 counties and include many of the world's largest commercial wholesale banks, investment banks, development finance institutions, export credit agencies, insurance companies and asset managers.

More information about the IACPM may be found on our website: **www.iapcm.org**.

Further Information

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