Company Description: MIV making debt investments			
Company Type: *(Check One)*	**Investor**	**Intermediary / Provider**	**MFI**
	✓	✓	

Relevant Principle(s): *(Check all that apply)*		
	✓	*1) Risk Mgmt is a shared responsibility among MFIs, Investors and Donors*
	✓	*2)Measuring risk is a central part of measuring performance*
	✓	*3) Adopt a comprehensive approach to managing balance sheet risks*

Headline: (type of actor, issue, solution) (1 phrase): MIV enables lending in difficult to hedge currencies through creative fund structuring

Problem Statement (what facing)(1-3 lines):

Summary (what did) (3-5 Sentences):
An MIV would like to create a new fund that makes local currency investments, while limiting the amount of FX exposure investors face. The countries targeted for investment include some currencies for which hedges are not readily available, and the MIV wants to ensure that the currencies/countries where the fund makes investments are not limited by the availability of hedges. Through the use of an FX reserve and defined risk limits established in an FX risk policy as well as a clear approach for the on-going FX risk management of the Fund, the Fund is able to make some un-hedged local currency investments while satisfying investor requirements that their FX exposure be limited.

Take Away / Lesson Learned (what benefit or consequence) (2-4 lines):
Considering FX risk early in the formation of investment funds allows for appropriate analysis and awareness of potential risk levels. This allows the fund to set risk management guidelines that allow the MIV to clearly articulate and follow the framework it has laid out for making risk management decisions.

Body of the Case (as much space as the topic needs, more detail on the take away):
The MIV first identified target countries for investment. An analysis was done on the proposed investment currencies which assessed the diversification of the potential currency exposure and identified the potential FX risk. Based on this analysis, in combination with the availability of hedging instruments for the targeted currencies, an optimal hedging strategy for that portfolio was identified that would minimize the potential impact of open local currency positions. This hedging strategy formed the basis of the FX risk policy. By incorporating projected growth plans for the fund, they determined the amount of cash reserves required to protect against potential foreign exchange losses. Because the amount of FX exposure will change as economic conditions in the targeted countries change, it was critical to establish an FX risk policy and a framework for the on-going management of FX exposure.

Application of Principle: The fund analyzed its potential risk levels upfront, so that it could proactively manage its risk.
Replicable Practices: The fund took appropriate action to assess and understand risk levels and articulate risk guidelines based on the risk assessment.