



Basel II Decision Recognizes MIGA as Highly-Rated Multilateral

Classification encourages FDI to developing countries by lowering loan costs

WASHINGTON, DC, May 3, 2010 – The Multilateral Investment Guarantee Agency (MIGA) announced today that the Basel Banking Supervision Committee has classified it as a highly-rated multilateral under the Basel II Framework, a treatment that recognizes the special value of the political risk insurance MIGA provides.

The Basel Committee, at its Spring meeting, determined that MIGA meets the criteria spelled out in the Basel II Framework to merit treatment similar to a select group of multilateral development organizations. This determination means that a private bank that uses MIGA insurance to protect against the risk of currency convertibility and transfer restrictions being imposed, would be able with such insurance to use the borrower's local currency rating for risk weighting purposes. This local currency risk rating is generally more favorable than the foreign currency ratings of such borrowers, which would otherwise be required and which reflect the ratings of the sovereign.

This, in turn, lowers the cost of such loans, encouraging the flow of investments to developing countries. Such foreign investments can be a powerful instrument to help countries reach their development goal and are especially important as the world recovers from the global financial crisis.

“Our banking clients know quite well the special value of MIGA’s political risk insurance. This now provides formal recognition in the Basel II Framework,” said Izumi Kobayashi, MIGA’s Executive Vice President. “We hope that this value spurs loans to poorer countries on the receiving end of developmentally-sound foreign direct investment.”

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The Basel II Framework is a set of recommendations and standards utilized by individual bank regulatory authorities in the determination of their national banking regulations. MIGA will work with national bank regulators over the next several months to encourage the recognition of MIGA as a highly-rated multilateral in their national regulatory systems.

MIGA was created in 1988 as a member of the World Bank Group to promote foreign direct investment into emerging economies to support economic growth, reduce poverty, and improve people's lives. MIGA fulfills this mandate by offering political risk insurance (guarantees) to investors and lenders, covering risks including expropriation, breach of contract, currency convertibility and transfer restriction, war and civil disturbance, and non-honoring of sovereign financial obligations. MIGA works actively with investors and host countries, helping to resolve disputes before they reach a claims situation. The agency also offers technical assistance to its member countries and provides free online investment information and knowledge services. Since its inception, MIGA has supported more than 600 projects in 100 developing countries, totaling more than \$21 billion in coverage. MIGA's gross exposure stands at \$7.1 billion. For more information visit www.miga.org

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