

TCX Spotlight | Bangkok Annual Meetings Wrap-up

Takeaways from the 2026 IMF and World Bank Annual Meetings, 12–18 October, Bangkok

The TCX team spent the week in Bangkok reconnecting with partners, meeting new stakeholders, and contributing to dialogues on debt sustainability, private capital mobilization, transparency and data, and climate finance. A few takeaways from a packed week follow.

Strong Focus on Sovereigns

Suriname's landmark conversion was a fitting backdrop for many of our discussions.

Suriname's \$150 million debt conversion with the IDB, hedged by TCX, turned a floating-rate dollar loan into a fixed-rate loan in Surinamese dollars, evidence of a country proactively protecting its public finances from exchange rate fluctuations. Throughout the week, we advanced ongoing discussions with more than a dozen governments (finance ministries, debt management offices as well as central banks) on reducing the risks presented by unmanaged foreign currency exposure. As we've highlighted in the past, currency conversion clauses in MDB lending contracts offer a practical route for governments to reduce currency risk on debt they already hold, without new borrowing or restructuring existing debt.

Conversions matter more as dollar rates rise. Converting into fixed-rate local currency, as Suriname did, protects against both higher interest costs and currency depreciation. Emerging and frontier market spreads have so far stayed contained, but the IMF has warned that may not last, and the pressure is already showing in places. In the middle of the Meetings, the Bank of Uganda raised its policy rate by 225 basis points in an emergency move to support the shilling.

Local Currency Gaining Traction

Momentum around local currency is building. It might feel like a small thing, but having local currency, FX risk, and TCX brought into discussions (without us banging the drum) is evidence of a very different reality than just a few years ago. Meeting in Manila toward the end of the week, the Heads of MDBs Group encouraged continued work to scale up local currency financing and FX risk solutions to reduce currency mismatches. In his plenary address, World Bank Group President Ajay Banga named currency risk as one of the barriers the Private Sector Investment Lab has focused on, and local currency financing as one of the tools to address it. On the borrower side, Pakistan's Finance Minister Muhammad Aurangzeb indicated plans for a rupee-denominated, dollar-settled international bond, a notable signal from the country that will chair the IMF and World Bank Boards of Governors in 2027. Closer to home, CAF approved a USD 6.5 million investment in TCX to expand access to local currency financing across Latin America and the Caribbean, and we were grateful to celebrate this partnership during the Meetings.

The evidence on local currency is catching up. The latest GEMs Consortium data, welcomed by the Heads of MDBs in Manila, now reports results by currency, and local currency loans defaulted less often than foreign currency loans in both private lending (2.2% against 3.3%) and public lending (1.0% against 1.8%). A new Harvard Kennedy School and Oxford study, drawing on TCX swap data, found that local currency borrowing priced about 105 bps below hard currency even after the cost of hedging (research not yet peer reviewed).

Debt Frameworks Are Shifting

Debt governance is moving beyond the perimeter. The debate is moving from defining what counts as public debt to governing the risks that sit beyond that perimeter, from currency exposure in energy contracts to liabilities held by state-owned enterprises. The Debt Governance 2.0 discussions convened by the Energy for Growth Hub, IISD, the International Budget Partnership and the Sovereign Debt Forum pushed for this more adaptive approach, and currency risk is one of the clearest examples of an exposure that traditional debt frameworks struggle to capture.

A new debt framework brings domestic debt into focus. Many low-income countries have shifted toward domestic borrowing in recent years, partly to reduce FX risk, but under the old framework, which focused mainly on external debt, that shift barely affected their risk assessments. The revised IMF and World Bank framework, operational from the second half of 2027, adds a dedicated domestic debt module, and we welcome the closer attention to how sovereigns balance currency risk against the cost and rollover risk of domestic funding. We look forward to seeing how proactive FX risk management by debt management offices, including the conversion and hedging of existing debt, is reflected in the new framework, and how the shift affects IMF assessments of sovereign risk more broadly.

Work Still To Do

The system is still built around hard currency. Despite all the positive momentum, there are still trillions of dollars of unmanaged FX exposure, the bulk of MDB lending is still extended in hard currency, borrowers remain vulnerable to FX swings, and debt sustainability frameworks are only beginning to distinguish debt that has been converted or hedged from unmanaged foreign currency exposure. As our CEO Ruurd Brouwer pointed out during the Meetings, cheap funding in dollars, euros or renminbi was central to every sovereign debt reform discussion he joined, yet for a borrower that earns and repays in local currency, the headline rate on dollar debt is about as relevant as the Swiss franc rate is to the United States or France. Getting debt reform on track means shifting from lender-centric to borrower-centric thinking, and that means the borrower's currency.

The UK's 2027 G20 agenda aligns with local currency solutions. UK Foreign Secretary Ed Miliband set out investment, resilience and fragility as priorities for the UK's G20 Presidency, with debt sustainability at the center, including refinancing at better rates through the MDBs. He noted that developing countries are paying the price for rising interest rates in wealthier countries and

called on MDBs to deepen domestic capital markets. If MDBs refinance developing country debt on better terms, the currency of that refinancing matters as much as the rate, and we look forward to contributing as the agenda takes shape.

Thank you to everyone who made time for us in Bangkok. We look forward to following up.

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