

## **Information update on MDB Exposure Exchange Arrangements (EEAs) – August 2014**

Since the second one-day workshop in May 2014 which took place in Washington DC, the MDB Working Group has continued to make progress on designing the key features of a structure for an MDB EEA as well as in addressing the form of the necessary legal agreements and clarifying the appropriate accounting treatment:<sup>1</sup>

- The Working Group is finalizing a draft term sheet that will form the basis for mutually beneficial exchanges between MDBs. The draft term sheet is being vetted by the respective MDB legal departments, and there are plans to also engage an external legal counsel for the purposes of assisting in the drafting of the legal documentation.
- The Working Group continues to analyze, with the help of internal MDB accounting departments, whether accounting as a financial guarantee or as a derivative for the MDB EEAs would be most appropriate. Consultations with MDBs' respective external auditors for guidance on these issues are ongoing.
- The Working Group has agreed on a set of TORs for engaging with S&P's Ratings Evaluation Service. The Rating Evaluation Service is expected to provide information around the implications of the proposed EEA structure for participating MDBs' S&P ratings. Results from the Ratings Evaluation Survey are expected to be ready in the autumn. Follow-up discussions with Moody's and Fitch are also planned.

The next meeting of the MDB working group is currently planned around the World Bank Group Annual Meetings in October in Washington, DC, where the Working Group will assess feedback from the Rating Agencies, external auditors and legal counsels, with a view to bringing to the respective MDBs' boards an initial transaction at an early date.

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<sup>1</sup> African Development Bank, Asian Development Bank, European Investment Bank, Inter-American Development Bank and International Bank for Reconstruction and Development make up the core members of the MDB working group.