Response Matrix for CTF Program Approval Request			
1. **Country/Region**	Ukraine	2. **Date**	25-09-14
3. **Project/Program Title**	Ukraine Residential Energy Efficiency Finance Facility (UREEFF)		

Comment	EBRD Response
Germany	
Since a second loss and unhedged local currency product is not part of the category 1 or 2 products, we would like to seek clarification if the proposed project is intended to be excluded from the risk sharing mechanism. We believe that given the nature of the project that this would be most appropriate.	In our view this proposed operation is consistent with tool 3.a). Nevertheless, given the very high risk situation in Ukraine, and the impossibility of hedging the Ukrainian Hryvnia at present, the use of tool 6 is appropriate in our view. We understand however the question on the exclusion from the risk mechanism to be a request to the Trustee, rather than us, and leave it to them to provide an answer.
Canada	
We note that the proposal indicates that part of the facility will be allocated towards a second-loss UAH/FX risk sharing participation product. Please confirm that this falls into Category 3 (credit guarantee) of the financial products used to support local currency operations.	We would agree this is in line with tool 3.a) Nevertheless, given the very high risk situation in Ukraine, and the impossibility of hedging the Ukrainian Hryvnia at present, the use of tool 6 is appropriate in our view.
We would also appreciate receiving confirmation from the EBRD that the maximum threshold for FX exposure from a devaluation of UAH will be capped at 40 percent.	This is confirmed, as an average value across the portfolio, i.e. individual institutions could deviate from this, as long as the guarantee as the whole CTF guaranteed portfolio has a 40% cap.
In addition, we note footnote 7 on page 21 indicates that the currency conversions are based on exchange rates as of March 31, 2011; accordingly, we request that the tables in the Annex B be updated to reflect more current exchange rates.	We have to use the exchange rate communicated to us by the Trustee, which I believe was March 31, 2011. This has no bearing on the financial product, it is purely used for accounting within the CTF Trust Fund.
CTF funding is also being requested for a potential portfolio guarantee for sub-loans to housing collectives. We would appreciate clarification from the EBRD on whether this is a first or second loss guarantee.	This would be a partial first-loss guarantee.
Please clarify the tenor of the CTF funding requested, as pg 8 indicates that the tenor is five years, whereas Annex B states a four year term.	This was an editing error, it should be 4 (four) years.
UK	
Like Canada, we want to double check our understanding that the proposed second loss guarantee is consistent with Tool 3 for local currency lending operations already agreed by the CTF Trust	We would agree that this falls into 3.a). Nevertheless, given the very high risk situation in Ukraine, and the impossibility of hedging the Ukrainian Hryvnia at present, the use of tool 6 is appropriate in our view.

Fund Committee in October 2013.	
We would like confirmation of what would happen with the FX risk premium in the event that this is not used to cover guarantee calls.	The FX Premium or the unused part of it would be paid to the CTF Trust Fund in full.
There is a risk of misaligned incentives for the EBRD in terms of potentially under-pricing the FX risk premium and setting the devaluation cap too high. How will EBRD mitigate this risk?	The FX risk premium is directly related to the tenor of the loan and devaluation expectations as well as market appetite for such risk. The EBRD will use the available market quotations to price the FX risk premium for a given devaluation cap.