



Innovation & Achievement  
**AWARD 2005**

International Bank for Reconstruction and Development/  
JP Morgan TRY70m Notes

## REDENOMINATION DELIVERS DELIGHT

**JP Morgan and the World Bank (IBRD)'s pioneering vanilla note in the redenominated Turkish lira wins a Deal of the Year award for triggering 2005's most important new currency sector. The far-sighted transaction was structured and traded back in the last days of 2004, but settled in early January.**

Investor appetite for Turkish lira exposure was evident from the several synthetic plays on the currency that emerged as Euro and US dollar MTNs during 2003 and 2004. But only with Ankara's million-to-one redenomination from January 1 was it transformed into a viable unit for mainstream capital market flows, including settlement via Euroclear.

Discussions about the potential for a deal began in October 2004, recalls Fiona Doddrell, head of the EMTN desk at JP Morgan in London. The TRY70m 15% issue was then launched on December 23, with settlement on January 7.

It attracted "an enormous amount of interest" from both domestic Turkish accounts and international buyers in several regions, according to Doddrell. She believes the lira was the "natural next currency" as high-yield investors looked beyond central and eastern Europe, and credits the deal with triggering 2005's wave of new currency openings that also includes Icelandic kronur and Mexican peso MTNs.

"For us, it was a very special opportunity that JP Morgan foresaw and for which they thought the bank would be the perfect issuer," recalls Doris Herrera-Pol, head of capital market operations at the World Bank (IBRD) in Washington. As Turkey is one of the supranational's major clients, IBRD was "extremely careful in approaching the market and ensuring a successful transaction," she notes.



**"A VERY SPECIAL  
OPPORTUNITY"**

**Dorris Herrera-Pol**  
World Bank

## Lira lift-off

Market participants soon grasped the opportunity the IBRD note indicated. The new lira was an OECD currency offering buyers a comfortably double-digit yield, while Turkey was a candidate for EU accession - albeit a controversial one.

The result was a flood of vanilla lira notes that has continued across the whole year with little let-up. As this report went to press in mid-December, mtn-i had reported 130 new MTNs - including a handful of structured notes - worth as much as TRY8.8bn (USD6.5bn).

This placed it within the year's 10 most active markets for international debt - ahead of more established high-yielders such as Czech koruna and South African rand and exceeding the year's other two new retail currencies (Icelandic kronur and Mexican pesos) combined.

"We have been very happy to see the volume of sustained issuance and the development of the yield curve out to 10 years," adds Herrera-Pol.

Lira-linked structures also prospered, headed by another Deal of the Year - Kommuninvest and Danske Bank's near-EUR250m two-tranche (see separate article for coverage).

Since the breakthrough deal, the original buyers shifted focus to Brazilian real and Colombian peso plays, Doddrell says. European retail accounts continued to gorge on lira debt, however. Against this background, IBRD has returned to the currency several times with syndicated and non-syndicated offerings.

The most notable of JP Morgan's subsequent trades was a TRY100m one-time callable note that it sold for Swedish Export Credit (SEK) in Q3. The 10-year 10.5% note marked only the second lira structure yet identified.

*Julian Lewis*

## World Bank: 2005 Turkish Lira MTNs

Issuer	FX	(m)	Type	Rate	Settles	Matures	Structure	Dealer
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	TRY	70	FXD	15.000	7/1/05	7/1/10	Vanilla	JP Morgan
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	TRY	100	FXD	13.125	25/4/05	25/4/07	Vanilla	Syndicated
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	TRY	75	FXD	12.000	7/11/05	7/11/07	Vanilla	TD Securities
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	TRY	75	FXD	11.250	4/1/06	4/1/08	Vanilla	TD Securities
<b>Total</b>	<b>TRY</b>	<b>320</b>						

Source: mtn-i.