Public Debt Coordination Committee Press Release

The Public Debt Coordination Committee (PDCC), headed by the Manager of Economic Policy and Markets of the Central Bank of Uruguay and the Director of the Debt Management Unit at the Ministry of Economy and Finance, met on December 7th.

During the meeting, the following agenda was addressed:

- **Financing of the Government in local currency for the first half of next year.** The Ministry of Economy and Finance will publish, during the second half of December, its issuance calendar in the domestic market for the first half of 2018.

  The calendar will consist of new issuances and re-openings of Treasury Notes in local currency. The aim is to continue developing the local currency domestic market in terms of liquidity, maturity and efficient price discovery.

- **Sovereign asset and liability management framework.** The state-owned oil company (ANCAP), the biggest public utility of the country, and the Central Bank (BCU) mutually signed a forward peso/dollar contract, which will allow to mitigate the impact of exchange rate fluctuations in the balance sheets of both institutions. The terms and conditions of this transaction were determined based on prevailing market conditions. The contract has a notional value of 480 million dollars and extends for a period of 24 months.

  Along the same lines, the boards of UTE, Uruguay's state-owned electricity company, and BCU agreed on the terms and conditions to celebrate a similar transaction for a nominal value of 1,260 million dollars in a 36-month period—aiming to reduce exposure to foreign exchange risk of both institutions and thus provide greater stability to their financial results.

It is important to note that the balance sheets of BCU on one side, and of ANCAP and UTE on the other, reflect opposite exposures in relation to the US dollar exchange rate. BCU maintains a significant long position in dollars (assets greater than the liabilities in foreign currency) while ANCAP and UTE hold a short position in dollars (liabilities greater than the assets in that currency). Therefore, these financial operations are part of an integral risk management approach of the consolidated public sector, through the redistribution of foreign exchange risk among those institutions with the best capacity to absorb it.

The next meeting of the Committee will take place in March 2018.