



Commitment FX Drift – Structuring FX Ownership into Local-Currency

Scenario Type: Private Credit – Local-Currency Commitments (Repeat Origination)

Asset Class: Sponsor-Backed & Direct Lending (IDR / VND / THB / PHP / AUD)

Risk Focus: Commitment-stage FX drift, underwriting erosion, governance gaps

Primary Offer: Structuring-as-a-Service™ (Deal-Stage FX Ownership & Execution)

1. Decision Context

This scenario addresses a recurring issue in private credit origination where **FX exposure becomes economically real at commitment, but operationally unowned until closing**.

The issue is not poor execution or adverse FX calls. It is a **timing and governance failure** embedded in the commitment process itself.

Once a local-currency price becomes binding, USD economics float. Yet underwriting, IC approvals, and risk ownership remain anchored to spot FX that no longer applies.

By the time funding occurs, entry economics have already shifted.

2. The Structural Problem

In local-currency private credit deals:

- FX exposure is economically live but operationally ignored
- Treasury engagement is delayed until closing certainty exists
- Investment teams assume FX will be “handled later”

This creates a **structurally ungoverned exposure window** between commitment and closing.

FX drift during this period:

- Alters USD entry cost
- Compresses realised IRRs
- Weakens bid competitiveness
- Undermines IC credibility without any change in credit quality

3. Why This Matters at Portfolio Level

Once repeated across deals:

- FX drift becomes a systematic performance drag
- Underwriting assumptions are consistently breached post-approval
- FX outcomes are rationalised as market noise rather than process failure
- Governance focus shifts from decision quality to post-hoc explanation
- Return dispersion across identical credits driven solely by timing luck

The issue compounds quietly across origination cycles.

4. What Fails if Left Untreated

If FX ownership is not explicitly defined at commitment:

- USD entry costs drift before capital is deployed
- IC decisions are made on economics that no longer exist
- FX losses are absorbed without escalation or choice
- Platforms normalise leakage rather than eliminate it

By the time the issue is visible, **repricing or withdrawal is no longer feasible.**

5. Illustrative Structuring Response

The objective is **not to “hedge FX” earlier.**

It is to **define when FX becomes owned, governed, and decision-relevant.**

This typically involves:

- Explicitly defining the commitment point at which FX becomes economically live
- Embedding FX sensitivity into IC materials
- Designing conditional responses that scale with deal certainty
- Assigning ownership across the commitment-to-close window
- Sequencing action rather than forcing binary hedge decisions

Structure first. Instruments second.

6. Intended Outcome

- USD economics anchored at commitment
- FX risk explicitly accepted, mitigated, or deferred by IC
- Elimination of silent entry-price erosion
- Clear separation between market risk and process failure
- Repeatable governance across origination cycles

This is a **decision-quality intervention**, not a trading strategy.

7. Applicability

Most relevant where:

- Deals are priced in local currency but reported in USD
- Close timelines extend weeks or months
- Platforms originate repeatedly in the same markets

Less relevant where:

- Currency is naturally matched
- FX is contractually passed through
- Close timing is near-immediate

8. IC Takeaway

This is not an FX forecasting problem. It is a **structure design problem**.

Left ungoverned, commitment-stage FX drift quietly converts disciplined underwriting into avoidable return erosion.

9. Engagement Path

Primary: Structuring-as-a-Service™ – Deal-Stage FX Ownership & Execution

Secondary / Bespoke: Rapid Diagnostic™ – commitment-to-close FX exposure mapping (typically precedes S-DaaS for new platforms)

A full structural narrative is available for readers who wish to review the underlying mechanics, trade-offs, and remediation sequencing in greater detail.

Disclaimer

Illustrative scenario for discussion purposes only.

Not a transaction summary or client-specific case study.