FX Loans:

A saga of 40 years that always ended in tears

General observations

- FX loans for private individuals been around for ca. 40 years
- 1980s Australia
- 1990s New Zealand, Italy, Germany, Austria
- 2000s Iceland, Eastern Europe, Russia,
 Ukraine = Emerging/inexperienced Markets

Silent banks and regulators:

- Loans / mortgages 10-20 years maturity
- FX loans: 2 (or more) currencies involved => currency & interest rates fluctuations
- Weak / inattentive regulators
- Inherent sub-prime risk

General observations

• FX LOANS as mass product = WANDERING CURSE FOR CA. 40 YEARS



Iceland winter 2008-09



Iceland FX saga — why unique?

- Relatively swift action post-collapse
- Mostly positive outcome for borrowers
- Political support: failed banks & foreign owners

Lessons

- Australia 1980s: "...nobody in their right mind, if they had done a proper analysis of what could happen, would have gone ahead with it (i.e. FX loans)."
- Österreichische National Bank (2008) 2013:
- "FOREIGN CURRENCY LOANS TO PRIVATE CONSUMERS ARE NOT SUITABLE AS A MASS PRODUCT..."

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