International
TRADE FINANCE

Single risk markets roll with global uncertainties

The Argentine government's mid-April announcement that it would nationalise Spanish oil company Repsol's controlling stake in YPF SA represents a timely advertisement for the single risk insurance market, which has lost out on significant business as a result of Eurozone problems and associated funding issues that have clearly affected the risk appetite of French banks and other major insurance users.

The value of buying political risk insurance (PRI) has been further underlined by the well-publicised multi-billion dollar payments backlog run up by Nigeria's Pipelines and Product Marketing Company (PPMC) fuel importing arm, which has brought considerable nervousness to a cluster of syndicates in the Lloyd's of London insurance market that hold PPMC risk laid off by international banks and trading companies (*ITF* 610/5; 608/4).

Given the volatility of a world where key concerns also exist over the future direction of the 'Arab Spring', some of the best news in 2012 for the PRI market, *ITF* was told by a range of insurers, has been a general lack of claims. "It has been an averagely OK year so far, but without the high volumes of the past and in a market where there is undoubtedly some over-capacity," said a senior executive at the London offices of a major US single risk insurer. He added: "The claims view is pretty clear at present. Many claims in our market started life in the financial crisis and most have now reached the payout stage."

There has nevertheless been "a general deterioration in the quality of risk", said a senior underwriter at another US-headquartered insurer. "There is no one big fear, but growth in our market is propelled by global economic growth rates, and these are currently poor. And if Greece were to pull out of the Eurozone, as is being threatened, this would have a ripple effect that would worsen business conditions for our market."

One big claim linked to the oil sector that was paid at the start of the year was cited by Jerome Swinscoe, a senior underwriter at HCC International Insurance Company, who predicted that market uncertainty will remain in place across the rest of 2012. "Argentina is obviously a concern, as shown by Repsol's experiences with YPF, and there has also been a nationalisation of a Spanish power company in Bolivia," he noted. "On the credit side, there are also reasons why it may not be a good year. There are questions over the US and European economies, and China has seemed to slow a little. This macro deterioration will affect companies' ability to pay, so we are being cautious on the credit side," he said.

More positively, a new source of demand is coming into the market, as less active Eurozone banks are being replaced by first-time buyers, according to a senior PRI underwriter in the Lloyd's market. "The new clients are mainly investing companies protecting their assets for first time. The Argentinean

Continued on page 3

May 2012 • Issue 617

IN THIS ISSUE

1 **Analysis**
Single risk markets roll with global uncertainties
Indian risks under-priced, claim underwriters
US single risk market remains under-developed, says LAU executive

2 **Editor's letter**

5 **Risk report**
Legal briefing notes limited PRI fallout for Argentina
PRI market keeps wary eye on key YPF shareholder

6 **Agencies**
Ex-Im Bank reauthorisation underway
Ex-Im Bank approves near $3bn loan for Australian LNG project
Atradius DSB issues milestone working capital guarantee

7 **OECD export credit rates**

8 **Multilaterals**
New financial architecture endorsed at ADB meeting in Manila
New JPM loss illustrates background to Asian changes, says financier
New ASEAN infrastructure fund set to commence lending

10 **Forfaiting new brief and country list**

11 **Emerging markets risk indicators**
Africa
Americas
Asia
Eastern Europe and the CIS
Middle East

17 **Development finance update**

18 **Two weeks in trade finance**

Kevin Godier, Editor

Singlelaw
www.singlelaw.com

Editor's letter

Emerging market governments and financial institutions are beginning to carve out a new funding paradigm beyond the orbit of their Western peers, some of which are seen to have failed dismally both during and after the 2008-09 financial crisis and global economic downturn.

The advent of both a BRICS development bank and an Asian crisis fighting fund to rival the International Monetary Fund (IMF) were discussed and approved at the 2-5 May annual meeting held by the Asian Development Bank (ADB). Asia alone will require $8trn in financing for domestic and cross-border infrastructure over the next 20 years, in addition to huge demands for health and education spending, according to the ADB president Haruhiko Kuroda. But the majority of market analysts see the BRICS bank and the Chiang Mai Initiative Multilateralisation (CIMM) initiative evolving due to growing frustration at the slow pace of reform of the World Bank and IMF, and the dismal level of risk oversight displayed in recent years by commercial banks in the US and Europe.

Risks in the Middle East and North Africa (MENA) region and Nigeria sit among the top of the worry lists for private underwriters operating in the single risk market, ITF was told in the first half of May. "It has been an averagely OK year so far, but without the high volumes of the past and in a market where there is undoubtedly some over-capacity," said a senior executive at the London offices of a major US single risk insurer.

A peer underwriter commented: "There is no one big fear, but growth in our market is propelled by global economic growth rates, and these are currently poor. And if Greece were to pull out of the Eurozone, as is being threatened, this would have a ripple effect that would worsen business conditions for our market."

More upbeat than most market participants was Anthony Palmer, deputy chairman at BPL Global. "Two or three new insurers are entering the market every year, while enquiry levels are up on previous years, helped in our case by our expansion into the Asia Pacific region, with an office opening in Hong Kong last year," he observed. Mr Palmer cited Russia and Egypt, followed by Brazil, Mexico, Turkey, China and Greece, as the markets triggering the greatest demand for cover so far in 2012.

In the official community, a huge sense of relief has been apparent at the Export-Import Bank of the US (Ex-Im Bank), which has finally received reauthorisation from the US House of Representatives after over six months of operating under a temporary authority. The H.R. 2072 bill permits Ex-Im Bank to continue providing export finance assistance through its fiscal year 2014 and increasing its portfolio cap to $140bn.

With the Washington-based agency on the verge of hitting its $100bn capacity limit, the House voted for H.R. 2072 on 9 May, eliminating fears that its 31 May expiration date might be reached. US lawmakers approved the plan by 330 to 93, after a year when Ex-Im Bank provided a record $32.7bn in export finance.

Kevin Godier

Organisation index

Some of the organisations, banks and companies referred to in this issue of *ITF*

ACE 5
Aeroflot 19
African Development Bank (AfDB) 17
Algeria Gulf Bank 11
AmeriGlobal Trade Risk Consulting 20
Arab Orient 18
Asaka Bank 15
Asian Development Bank (ADB) 2, 8, 9, 17
Atradius 7, 8, 18
Axis 6
Bank of Baghdad 16
Bank of Sudan 11
Bank Standard 15
BNP Paribas 6
BPL Global 2, 3
BRICS 2, 8, 9
BTA Bank 15
Chartis 5
CIGNA International 20
Coface 11, 12, 13, 14, 15, 16, 19
ConocoPhilips 7
Credit Bank of Iraq 16
Credit Suisse 6
Development Bank of Mongolia 18
Dubai International Capital 16
Ducroire Delcredere 11, 12, 13, 14, 15, 16
EN Bank 16
Euler Hermes 12, 14, 18, 19
Exotix 16
Export Credit Norway 19
Export Development Canada (EDC) 18
Export-Import Bank of the US (Ex-Im Bank) 2, 6, 7, 18
Fitch 11, 12, 13, 14, 15, 16
Formula One 16
Garanti Bank 19
Gazprom 15, 19
Glencore International 19
GLOBEX Commercial Bank 19
HCC International Insurance Company 1, 4
Holman Fenwick Willan (HFW) LLP 5, 6
HSBC 19
IMF 2, 8, 9, 15
Industrial and Commercial Bank of China 19
ING Bank 19
Inter-American Development Bank (IADB) 17
International Bank for Reconstruction and Development 17
International Bank of Azerbaijan 15
International Finance Corporation (IFC) 19
Intesa Sanpaolo 19
JPMorgan (JPM) 9
JSC GLOBEXBANK 19
Khan Bank 14
Latin American Underwriters (LAU) 4, 5, 12
Lloyds 1, 4, 5, 6, 16
London Forfaiting Company 10
Marsh & McLennan 20
Moody's 11, 12, 13, 14, 15, 16
Natixis 19
Nigerian National Petroleum Corporation 4
North Bank 16
ONDD 11, 12, 13, 14, 15, 16
Origin Energy 7
Pasargad Bank 16
Pipelines and Product Marketing Company (PPMC) 1, 4, 11
Reliance Industries 18
Repsol 1, 5, 6, 12
Rosbank 19
Royal Bank of Scotland 19
Samarye Bank 16
SapuraCrest 8
Scipion Capital 18
Standard & Poor's (S&P) 9, 15
Trade Bank of Iraq 16
UK Export Finance 19
UniCredit Bank 20
VEB-Leasing 19
WestLB 19
World Bank 2, 8, 9, 12, 17
Yapi Kredi 20
Zurich 5, 6

events have highlighted that expropriations still occur, which will help us with that first-time PRI demand. There are also some new bank faces stepping in, from all around the world, which is compensating to some extent for a drop off from banks that have regularly bought PRI cover, but now have their own issues, particularly the premium on liquidity, and so are lending less," he said.

He commented: "Although Asian banks are seeing an uptick in the trade finance space, and US banks are doing more business, this has not fully compensated for our declining European bank business."

The business traditionally laid off into single risk markets by European banks "has provided good volumes for our market over the last 3-4 years – but has reduced somewhat due to the funding issue," agreed Mr Swinscoe. "We are seeing more direct enquiries from traders that would have previously have used finance from banks. Sometimes these enquiries need more due diligence, given that traders don't always provide the same level of information as banks, which have to go through their credit committees."

David Neckar, product development director, political & credit risks, at Willis, acknowledged that some underwriters are citing "a slowish start" to 2012, but argued that a "strong underlying growth story" is nonetheless apparent. "Over the past year or so there has been a steady stream of new players coming to the market, and a trend whereby existing international banks are taking a more systematic approach to the insurance markets. It seems to us that there should be enough business to go round in 2012," he underlined.

"We have seen growth in both supply and demand: two or three new insurers are entering the market every year, while enquiry levels are up on previous years, helped in our case by our expansion into the Asia Pacific region, with an office opening in Hong Kong last year," said Anthony Palmer, deputy chairman at BPL Global. "Comparing this year to date with the same period last year, the enquiry level is 5 per cent up. The top two countries are the same, being Russia and Egypt, followed this year by Brazil, Mexico, Turkey, China - and Greece."

Where the market is serving its clients particularly well is the volume of available risk capacity, allowing deals of almost any size to find credit or PRI cover at attractive prices, insurers observed. Mr Swinscoe noted that "there is quite a lot of confiscation and expropriation capacity around", adding that the entrance into the market by several new entrants in recent years and an expansion of their risk appetite by existing players has held down pricing. "When an attractive piece of business comes up, insurers jump all over it, so pricing is slightly down this year," said another underwriter.

Mr Palmer stressed that the private insurance market is able to provide comprehensive non-payment cover for medium and long term business, an area still regarded by some as the preserve of export credit agencies. "Tenors of ten or even fifteen years are available for public sector buyers, with five or seven years being possible for private buyers - subject of course to the creditworthiness of the buyer," he said.

Basel 3 opportunity

Basel 3 is of course a factor in the single risk market's horizons. While the final implications of the protocol, especially in terms of potentially penalising trade finance as an off-balance sheet item and in terms of leverage and liquidity ratios, remain unclear, "there is no doubt that capital constraints are leading to increasing opportunities for the PRI and particularly the credit risk market", emphasised one London-based underwriter.

He commented: "However while European and to some degree even US banks are scrambling to conserve capital by laying off risk to our market, pricing remains an issue given the liquidity premia for some institutions. In short, where there is over-capacity and lots of liquidity, risks continue to be mispriced with no signs of any impact from Basel 3. Perhaps that is a reflection of the growing influence of regional players and non-traditional entrants like the Chinese or some African and Middle East banks into these markets."

There are significant variances in the pricing outlooks held by the PRI and credit risk markets, the underwriter noted. "While for PRI the gap between the bank insured and the insurer is generally not that great and can be relatively easily bridged, in the credit sphere this is not the case. Funding costs have squeezed some players' margins to such an extent that even if they also use a portion of their arrangement fees to sweeten the risk for insurers, they may still not come to a landing."

Claims scenario

Given the sizeable group of claims that were dealt with by single risk markets between 2009 and 2011, some underwriters are understandably nervous on how certain risks will pan out across the remainder of 2012. In Libya,

Indian risks under-priced, claim underwriters

Pricing for risk in India is seen by PRI underwriters as too low, in the light of the negative growth signs increasingly emanating from the country. "In emerging markets including India, China and Brazil – but especially India where the country risk profile has been deteriorating faster than many realise – banks are under-pricing risks with 3 to 10 year tenors," said a London based single risk specialist. "We have developed our own early warning system for a number of the larger emerging markets based on a number of leading indicators. Based on this, India's outlook deteriorated sharply from mid-2011 and entered our 'Red' warning zone during the second half of last year." Another underwriter said that pricing for India "remains predicated upon the expectation of further growth, and has in no way reflected the sharpness of the deterioration in the risk profile".

for example, "we don't know how the political situation will evolve, and there is still potential for some situations to turn into PRI claims," underscored Mr Swinscoe.

"Events in Argentina and Bolivia – not to mention recent political turbulence in Africa in Mali, Malawi and Guinea-Bissau, plus the renegotiation of mining royalties in Ghana - are all timely reminders that the world remains an uncertain place and we should expect further claims over the coming 12-24 months," said another of the London-based underwriters.

He added that Nigeria remains the biggest single issue for the market "and I would argue especially for Lloyds". The Lloyd's underwriter would not be drawn on the prospects for repayment on PPMC's backlog, commenting only that the situation is "very difficult". Other market sources said that those insurers with PPMC exposure are hoping that half of the outstanding payments will be repaid through a potential five-year, $3bn pre-export financing being sought by PPMC's parent, the Nigerian National Petroleum Corporation.

Vietnam represents another market concern, said Keith Thomas, director at Arthur J Gallagher International in London. "The economy is struggling, and there has been a big claim relating to the Vinashin shipyard, so new cover is difficult." The Lloyd's underwriter echoed these comments, highlighting that "the sub-sovereign issue with Vinashin not paying its debts has crystallised the risk situation in Vietnam – everybody is looking to see how the government handles this."

Spain provides another worry, commented Mr Thomas. "Certain insurers are quite concerned about a potential credit default contagion following a meltdown in Spain. Insurers have significant exposure to Latin America, where there's a prevalence of major buyers with Spanish parentage. Any Spanish default could spill over into Latin American defaults." He also highlighted an over-heating economy in Turkey, where "there is a considerable amount of insured debt". Elsewhere, Ukraine is stoking concerns after jailed former Prime Minister Yulia Tymoshenko went on hunger strike, forcing Kiev to delay a major summit in Yalta which faced a boycott by several European leaders. "Underwriters fear that Ukraine could break away into isolation, and are monitoring events very closely," he said.

Among the market's credit side concerns, "there is obviously Petroplus the Swiss registered refiner where both the Lloyds and company markets have a reasonable exposure either through financing banks or trade creditors", pointed out another underwriter.

Inevitably, Latin America featured prominently in the claims prognosis. "There could be claims in Argentina arising out of the knock-on effects of the YPF nationalisation, but in general insurers' appetite for Latin American risks remains good, apart from Venezuela," said Mr Neckar.

At Latin American Underwriters (LAU), chief executive Bob Svensk told *ITF* that he saw the YPF nationalisation as "an isolated event", and had heard of no recent claims arising from Argentina. "The country's corporates continue to produce and export and to generally get the job done – and Latin America as a whole seems surprisingly robust. Obviously the PRI market is unlikely to be writing CEND (Confiscation, Expropriation, Nationalisation and Deprivation) cover in Argentina and possibly Bolivia any time soon, but there is nothing adverse occurring in other major markets such as Chile or Mexico. Brazil always throws up the occasional claim, for all its good news, but you will only see significant claims arising if there is a serious downturn in the agricultural sector. For the most part, good, solid pre-export finance and supplier credits are no problem in Latin America."

Mr Svensk said that the Connecticut-headquartered LAU has a mandate to cover 50 per cent of its risks in Latin America, where it has particular expertise, and has so far experienced no claims during the 18 months since its inception. "Industry-wide, the good news is that no disasters seem to be coming along, based on what we see and hear around the market," he said. The result of this environment, however, is the impact on rates and "a deterioration in recent years of various terms of single risk market coverage", including shorter waiting periods and less co-insurance availability. "Softer terms and conditions are fine when the world is chugging along, but can become a difficulty when the overall credit environment starts to falter," he warned.

Market demand

A positive cited by one of the London-based underwriters was the persistence of demand for the private market's medium-term cover for structured trade credits and export finance. He added: "We see this trend in the CIS and Russia, although not as much as before, and especially for export finance into west Africa, mainly sovereign deals into Gabon, Ghana and Nigeria."

No region currently stands out in terms of generating demand, said Mr Swinscoe. "Clients are asking us to provide direct cover in markets like Latin America, Africa and to some extent in Asia." He noted that HCC's busiest African markets include Cote d'Ivoire, where last year's internecine political strife left damage to infrastructure in the water and electricity needs repairs, and that "we are seeing the usual post-event enquiries from distressed parties in Mali and Guinea-Bissau".

Demand is coming "from all over the map, including Greece, Spain, Italy, Ireland and Portugal, as well as some of the basket cases in the CIS", observed an underwriter with one of the biggest US-based insurers. The Lloyd's underwriter remarked that his clientele is now looking less at risk in Kazakhstan and Ukraine. "Because of capital constraints, we are not seeing the former demand for second and third tier risks, although there are still high

levels of activity with the top tier names". In Russia, top tier risks are viewed so positively that banks will lend on an uninsured basis, and will tend to use pre-export structures for second tier risks, he added.

MENA risk

Appetite for taking single situation risk in the Middle East and North Africa (MENA) region has inevitably been dampened by the events of 2011. "People are still very wary in terms of taking on new longer-term MENA exposures," said one of the London-based underwriters. "Not much is being done now in Egypt, which was formerly a key PRI market. There have been no recent medium-term EGPC (Egypt General Petroleum Corporation) deals backed by oil deliveries, and a slowdown in request to cover short-term payment risk on refined fuel imports."

The Lloyd's underwriter concurred on Egypt, pointing out that "there are key questions on how the government manages its FX reserves" and equally with the "unknown territory" of the coming elections due to begin on 23 May. These will be a startling new experiment for Egypt after nearly 30 years of authoritarian rule under President Hosni Mubarak. "Pricing for Egyptian risk is now in multiples of the past," he stressed.

This underwriter said he would be "surprised if anybody would write a Yemeni or Syrian risk now". And while Libyan short-term cargoes are being insured by PRI markets following the advent of the transitional government, insurers are waiting cautiously to ascertain the outcome of a National Congress election next month, Libya's first election in 45 years, before considering any longer-term risks, such as a growing demand for cover on damaged infrastructure, especially in the power sector. "In terms of what any future government would look like, and its policies, there is a wide range of vistas that cannot be pinned down, even by underwriters that are used to difficult countries," he said. Less worrying is Tunisia, which "appears to have turned a corner", he noted.

US single risk market remains under-developed, says LAU executive

Compared to their European counterparts, US banks remain disinclined to use the single situation credit risk and PRI markets, according to American Underwriters (LAU) chief executive Bob Svensk. "The interesting aspect of the US market, in my opinion, is that with the exception of one to two banks, the rest of the US banking community is not very interested in what's on offer from the private credit insurance market," Mr Svensk told *ITF*. "Much of the demand we see is from US exporters rather than banks."

He underlined that LAU's natural preference is to write supplier credit business with banks inserted as the loss payees. "But the banks tell us that although they want to be insured, they don't want the responsibilities imposed by the policy, and would prefer terms that permit them to be able to step in and take over the policy from exporters if necessary. If we agreed to that, underwriters would be in a very adverse position, where our lines would essentially become financial guarantee business, rather than trade credit policies. The market is not ready to move that way, although it may be inevitable," he said.

Mr Svensk speculated that the reluctance to buy single risk cover among some US banks may be linked to past market incidences where banks were unable to claim on their policies as a result of various policy terms and conditions. .

Talking about the US market composition, he cited "the usual suspects – Chartis, ACE and Zurich" – as LAU's key competitors. "LAU and Ironshore were the last new market entrants, and we see no signs of new players on the horizon," he observed. Mr Svensk also pointed to a "healthy and aggressive brokerage market with an increasing level of sophistication in regard to this business".

Risk report

Legal briefing notes limited PRI fallout for Argentina

Tensions have arisen between Argentina and Spain in the wake of Argentina's 16 April move to seize Repsol's majority stake in YPF. But for the political risk insurance (PRI) market, expropriation claims linked to the event are not expected, according to a recent briefing from law firm Holman Fenwick Willan (HFW) LLP.

Through the forced nationalisation, Buenos Aires has wiped out Repsol's 51 per cent controlling stake in YPF, and with it, has created a number of legal issues. Spain, together with the European Union (EU), have already declared dissatisfaction with Argentina's decision and have started to analyse the possible legal approaches.

The HFW bulletin, dated May 2012, pointed out that Bolivia's recent nationalisation of the Spanish-owned Red Electrica "shows that this is far from an isolated issue" in terms of investment, insurance and EU trade issues in relation to Latin America.

In the absence of full compensation, it explained that the Argentine government's seizure of Repsol's YPF shares would trigger an event under one or more of the insured risks of a (PRI) policy covering the areas of expropriation, appropriation, nationalisation, deprivation and so on. However, according to HFW's market sources, Repsol did not purchase relevant political risk coverage for YPF. This was confirmed by *ITF*'s market canvassing (see above story).

The HFW bulletin speculated that this decision may have been informed by "a combination of reasons, including the fact that YPF is a substantial asset accounting for 25% of the Repsol group's operating income, and so the extent of PRI cover available may have been limited, added to its potentially high cost". It added that Argentina, like Venezuela and Bolivia, is considered to be a higher risk for underwriters, many of whom sustained substantial losses when the Peso was devalued in the late 1990's and

PRI market keeps wary eye on key YPF shareholder

Although there is a market consensus that the political risk insurance (PRI) market is expected to avoid claims as a result of the YPF nationalisation, one market observer has suggested to *ITF* that there may be issues laying in wait. He highlighted the case of local company Peterson Energia, which has borrowed heavily from banks including BNP Paribas and Credit Suisse to finance the purchase of 25 per cent of the shares in YPF. "While I do not know the amortisation schedule for Credit Suisse I do know that the BNPP facility was due to have the final balloon repayment this month and as I recall it is about $350m," said the source.

He continued: "I believe given the nature of the financing this should be less of an issue for Lloyds syndicates than for names in the corporate market such as Axis, Zurich and so on. While I do not know for sure how much was placed with the insurance market it could be north of $200m. At the moment it seems that the Peterson holding is outside the nationalisation but there have been question marks about force majeure and political risk clauses in the contracts between Peterson and Repsol. Going forward there are also question marks about the potential YPF dividend payments which were the primary source of repayments on these loans, and also the value of the shares should the banks exercise their security and take over Peterson's 25 per cent," he said.

Argentine held dollar assets were converted into pesos. "The appetite of underwriters for political risks in Argentina may therefore not have not improved since the advent of Cristina Fernandez's government," said the bulletin.

HFW underlined that some cover for Repsol's claims against the Argentine government may be available, including potential "After the Event" insurance, which would primarily cover Repsol against any negative costs orders it may face if its claims prove to be unsuccessful. "Such alternative means of funding claims may be expensive, however, leaving Repsol to seek alternative remedies," HFW cautioned.

It said that although PRI underwriters may not have covered Repsol in respect of its expropriation loss, trade credit underwriters could face claims from counterparts to commercial agreements with Argentine companies if such agreements are affected by EU sanctions and/or trading restrictions. "Similar claims may also arise in respect of the knock-on consequences for supply chains. Whilst a "mega loss" in the insurance market appears to have been avoided, the collateral effects of the seizure of YPF is likely to be felt in the insurance market for some time," it forecast.

Agencies

Ex-Im Bank reauthorisation underway

After more than six months of operating under a temporary authority, the Export-Import Bank of the US (Ex-Im Bank) has finally received reauthorisation from the US House of Representatives, under the latter's H.R. 2072 bill that permits the export credit agency to continue providing export finance assistance through its fiscal year 2014 and increasing its portfolio cap to $140bn.

With the Washington-based agency on the verge of hitting its $100bn capacity limit, the House voted for H.R. 2072 on 9 May, reauthorizing Ex-Im Bank for another three years. This has eliminated fears that its 31 May expiration date might be reached (*ITF* 613/8). The capacity limit will jump to $120bn immediately, and then by $10bn in the next two years, on condition that the agency's default rates stay below 2 per cent, the Washington Post reported. The newspaper said that as part of the deal, the Treasury Department will have to submit regular reports on the status of negotiations with other countries to cut or reduce import and export subsidies.

Unsurprisingly, Ex-Im Bank's president and chairman Fred P Hochberg expressed delight at the House's action, highlighting that the compromise bill will allow the agency to "continue financing US exports to meet increasing foreign competition and fill the void when commercial financial support is unavailable". Mr Hochberg said Ex-Im Bank is "hopeful that the Senate will expeditiously consider and pass the bill and send it to the President for his signature".

Signalling how quickly Congress hopes to resolve the agency's future, Senate Majority Leader Harry M. Reid has said that the Senate will probably move quickly to approve the measure. US lawmakers approved the plan by 330 to 93, easily surpassing the two-thirds majority needed to pass the measure under a suspension of the normal House rules.

Before the compromise deal was reached, the issue had wallowed for a number weeks, engendering doubts that any resolution could be arrived at after conservative House Republicans baulked at plans to grow government spending by authorising more money for Ex-Im Bank. However the bank provided a record $32.7bn in FY 2011 in export finance, with some $6bn of this directly benefitting smaller firms, a key priority of conservative House leaders.

The need for the continued availability of US export financing comprised a key theme highlighted by former President Bill Clinton and other prominent voices at Ex-Im Bank's 37th annual conference, held in Washington on 12-13 April. Mr Hochberg stressed on 9 May that the reauthorisation marks a key component in President Barack Obama's National Export Initiative aimed at doubling US exports. Under Mr Hochberg's chairmanship, Ex-Im Bank's authorisations have increased from $14.4bn to $32.7bn, setting records in each of the past three years. This has helped US

OECD export credit rates

Minimum interest rates for officially supported export credits

		15 May 14 Jun	15 Apr 14 May
Australian $		4.16	4.58
Canadian $	less than 5 yrs	2.41	2.32
Canadian $	5–8.5 yrs	2.61	2.57
Canadian $	over 8.5 yrs	2.74	2.71
Czech koruna		3.47	3.17
Danish krone	less than 5 yrs	1.39	1.43
Danish krone	5–8.5 yrs	1.80	1.85
Danish krone	over 8.5 yrs	2.17	2.30
Euro*	less than 5 yrs	1.67	1.72
Euro	5–8.5 yrs	2.33	2.40
Euro	over 8.5 yrs	2.91	3.00
Hungarian forint		9.65	9.51
Japanese yen	less than 5 yrs	1.16	1.16
Japanese yen	5–8.5 yrs	1.30	1.33
Japanese yen	over 8.5 yrs	1.55	1.59
Korean won		4.64	4.69
N. Zealand $		4.28	4.61
Norwegian krone		2.62	2.89
Polish zloty		6.00	5.92
Swedish krona	less than 5 yrs	2.26	2.24
Swedish krona	5–8.5 yrs	2.45	2.51
Swedish krona	over 8.5 yrs	2.59	2.70
Swiss franc	less than 5 yrs	1.01	1.08
Swiss franc	5–8.5 yrs	1.21	1.31
Swiss franc	over 8.5 yrs	1.46	1.58
UK pound	less than 5 yrs	1.62	1.60
UK pound	5–8.5 yrs	2.11	2.12
UK pound	over 8.5 yrs	2.59	2.66
US dollar	less than 5 yrs	1.43	1.51
US dollar	5–8.5 yrs	1.89	2.02
US dollar	over 8.5 yrs	2.43	2.56

*The reference Euro bond yields are an average of the relevant spot rates for triple-A Euro government bonds in the Euro area in the previous month with the five latest observations getting a double weight. The daily spot rates are published by the ECB on its website www.ecb.int/stats/money/yc/html/index.en.html, under Statistical Data Warehouse.

Rates published monthly, normally around mid–month. A premium of 0.2 is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

A CIRR is fixed for each currency, including the euro, that is used by participants in the Consensus. CIRRs are subject to change on the 15 of each month.

companies attain record export levels, totalling over $2.1trn in 2011, 33.5 per cent above the level of national exports in 2009. Recent US Commerce Department data showed that the US exported $186.8bn in goods and services in March 2012, an all-time high.

Ex-Im Bank approves near $3bn loan for Australian LNG project

Ex-Im Bank said on 8 May that it has authorised a $2.95bn direct loan to support US exports to the $14bn Australia Pacific liquefied natural gas (APLNG) project. The transaction marks Ex-Im Bank's second largest project financing and will support Houston, Texas-based exporters ConocoPhillips and Bechtel International. Additional exporters and suppliers include numerous small businesses in Texas, Colorado, Nevada, California, Oregon and Oklahoma. The project on Curtis Island in south-central Queensland will extract natural gas from coal-seam wells and will produce 9 million tonnes of LNG per year. China Petroleum and Chemical Corporation (Sinopec) and Kansai Electric Power Company of Japan will purchase most of the LNG produced. China Ex-Im Bank and commercial lenders are also providing debt financing for the project.

The project's key sponsor Origin Energy said recently that the APLNG venture remains on track for completion in 2015. Ex-Im Bank's president Fred P. Hochberg underlined that the financing "also demonstrates how the United States and China can work together for our mutual benefit to foster trade and develop critically needed energy resources."

The $2.95bn transaction was announced following Mr Hochberg's trip to China, where he participated during 3-4 May in the fourth round of the Strategic and Economic Development Dialogue in Beijing with Treasury Secretary Timothy F. Geithner and other officials.

Atradius DSB launches revised export credit guarantee for bank funding

Atradius Dutch State Business (DSB) is to introduce a fully revised version of its export credit guarantee, which will include an unconditional backstop by the Dutch Government. The revised guarantee from the Dutch export credit agency (ECA) will be available from 1 June 2012, when its availability is expected to attract new pools of export finance from institutional sources that will make it easier for a bank to front bigger export transactions.

The scheme will be reviewed at the end of 2014, Atradius DSB said in a 3 May statement, predicting that the new structure will make it easier for Dutch companies to attract export financing and to win contracts when their foreign buyers require financing for the goods purchased. "Especially for larger transactions that require long term financing, this guarantee can assist exporters in offering a competitive financing package to their customers," said Johan Schrijver, managing director of Atradius DSB.

In addition to its unconditionality, the changes to the existing guarantee – which was introduced in 2009 – include a considerable simplification, "adding to the marketability of the scheme", said Vinco David, Atradius DSB's head of international relations, development & marketing.

The key change flagged by the Dutch agency is a move away from the previous arrangement, whereby the guarantee was conditional to the performance of the lending bank. The impact of the global financial crisis, combined with the growing retrenchment from trade and export finance by many Eurozone banks, has brought about a situation where the long term export finance traditionally provided by banks to support capital goods exports "is no longer readily available, or only available at high prices", Atradius DSB said. "As a consequence, many companies find it increasingly difficult or costly to conclude export deals," it noted

In contrast, the revised export credit guarantee will enable banks to attract funds they can use to continue to finance export, Atradius DSB predicted. The providers of these funds to banks, such as institutional investors, can now obtain a state guarantee for the repayment risks under their investment, said the statement.

Mr David told *ITF* that banks and Atradius DSB have held discussions with institutional investors to obtain their feedback on the initial proposals, and that this feedback has been taken into consideration in the final drafting of the guarantee. "We are confident that export credits thus guaranteed can be an attractive investment opportunity for pension funds and insurance companies," he said.

Mr David explained that in return for the same counterparty risk as taken under Dutch state bonds, the potential export finance investors would receive a higher margin. "This higher margin is a compensation for the fact that ECA-covered loans are less liquid than state bonds," he noted, adding that banks have started discussions with investors to refinance specific export transactions and that "some of these discussions are in an advanced stage".

Since 2004, Atradius DSB has pushed through a range of product innovations to provide greater support for Dutch exports (*ITF* 592/8; 550/9; 571/4; 547/9; 497/5; 478/4). These have included a handful of portfolio management solutions involving risk swaps, reinsurance agreements, stand-alone cover against the risk of calls on instruments such as down-payments and performance bonds. To cater for exporters struggling to attract working capital in the wake of the financial crisis, Atradius DSB has developed a product protecting banks against exporter defaults under a working capital loan. It recently issued its largest ever working capital guarantee, to support the export of two pipelaying vessels being built in the Netherlands and sold to Malaysian customer SapuraCrest (*ITF* 615/5). Also a product known as SME Export Accelerator was introduced in February 2011, standardising and simplifying buyer credit cover for export sales of up to €5m per transaction by smaller and medium-sized Dutch companies.

Multilaterals

New financial architecture endorsed at ADB meeting in Manila

The advent of a BRICS development bank and an Asian crisis fighting fund to rival the International Monetary Fund (IMF) were discussed and approved at the 2-5 May annual meeting held by the Asian Development Bank (ADB), indicating the growing drive among emerging market governments to put in place new financial architecture as a number of Western countries continue to lose their financial standing.

Details are still relatively sparse regarding a joint development bank planned by the BRICS group of major emerging economies, comprising Brazil, Russia, India, China and South Africa. Leaders from the five countries met last month in New Delhi to discuss setting up the bank, which would fund infrastructure and act as an alternate lender to the World Bank and other finance bodies. The summit in India tasked the five finance ministers to examine the "feasibility and viability of such an initiative" and set up a joint working group for further study and to report back by the next summit in 2013.

South African President Jacob Zuma subsequently told an SA-India Business Forum on May 3 that the BRICS bank will be launched in the first quarter of next year when his country hosts the Fifth BRICS Summit.

For years the BRICS countries have demanded more influence on global financial institutions traditionally controlled by the United States and Europe, as the developing world's capital needs have burgeoned. In Manila, the ADB president Haruhiko Kuroda spoke publicly in favour of the notion. "We welcome another development bank," he told reporters in Manila. "The needs are so huge," he added, citing the fact that Asia alone will require $8trn in financing for domestic and cross-border infrastructure over the next 20 years, in addition to the vast demands for health and education spending.

Amar Bhattacharya, director of the G24 group of nations which coordinates the position of developing countries on monetary and development issues, said ministers at the ADB meetings should use the occasion to throw their weight behind the idea. He said financing by official lenders had been "quite paltry", amounting to $75-100bn a year against his estimate of an annual need of as much as $1trn. "In the coming couple of decades developing countries will need to make a large step increase in infrastructure spending to meet their development aspirations and to deal with climate change," he told Emerging Markets newspaper. "We see this as an idea whose time has very much come."

Many observers see the BRICS bank gestating as a result of growing frustration at the slow pace of reform of the multilateral Bretton Woods institutions, the World Bank and IMF. A key example of this trend was recently on view in April when a majority of wealthy countries backed Jim Yong Kim to take over as World Bank president after Robert Zoellick leaves, continuing a trend that the Bank is run by a US citizen. Mr Battacharya said he saw a BRICS bank as a "complementary and supplementary" financing mechanism. "We do not see it as a threat to the existing institutions," he was quoted as saying. "The motivation behind it is to take the growing pool of savings that is available in the south and use it for development purposes particularly for infrastructure."

CMIM fund

Many Asian countries still blame the IMF for exacerbating the region's 1997-98 economic crisis, and are working to put in place an Asian Monetary Fund in all but name, a leading Asian policymaker declared on 4 May. The late 1990s crisis prompted 13 ASEAN+3 countries to launch the Chiang Mai Initiative (CMI) in 2000 to provide emergency liquidity. The initiative began as a bilateral currency swap facility, but after the 2008-09 global economic crisis it grew into a multilateral facility, the Chiang Mai Initiative Multilateralisation (CMIM). On 3 May, ASEAN+3 announced a doubling of the CMIM funding pool to $240bn and an increase in the amount countries can access without IMF conditionalities, to be known as the CMIM Precautionary Line or CMIM-PL.

New JPM loss illustrates background to Asian changes, says financier

The huge $2bn loss recently reported by JPMorgan Chase on its derivatives trading represents another justification for Asia's moves to create its own financial systems, according to a trade financier with a major Chinese bank. The US banking giant described the loss as "egregious", while its chief executive Jamie Dimon termed the loss as "sloppy". The trade financier was scathing about the loss. "This is exactly the type of loss that banking regulators have sought to stamp out, but life on Wall Street seems to carry on as before," he told ITF. "Asia's financial systems are quietly but increasingly looking to distance themselves from that environment."

Fitch Ratings downgraded JPMorgan's debt ratings by one notch from AA- and put all of the ratings of the bank and its subsidiaries on negative ratings watch. It said that the "magnitude of the loss and ongoing nature of these positions ... raises questions regarding JPM's risk appetite, risk management framework, practices and oversight; all key credit factors."

New ASEAN infrastructure fund set to commence lending

The Association of South East Asian Nations' (ASEAN) largest financing initiative, the ASEAN Infrastructure Fund (AIF), is set to commence operations following its board's first meeting on the sidelines of the Asian Development Bank's (ADB) 45th annual meeting. The AIF will finance the development of road, rail, power, water and other critical infrastructure needs, which are estimated at about $60b a year, the ADB said.

ASEAN member countries and ADB have provided initial equity of $485m for the AIF, which will be domiciled in Malaysia. ADB will provide additional co-financing for every AIF project, and will also administer the Fund. The AIF will finance approximately six projects a year, with a $75m lending cap per project. Criteria for investments include their potential to cut poverty, increase trade and bolster investment. The ADB said that the AIF's total lending commitment through 2020 is anticipated to be approximately $4bn. With co-financing by ADB and other financiers, this could be leveraged to more than $13bn, it said.

Asia's freshly enhanced financial safety net is due to be endorsed by ASEAN+3 deputies meeting in Seoul in November, at which time the CMIM will be poised to go into operation as needed. Thai finance minister Kittiratt Na-Ranong told Emerging Markets that the need for a swift response to regional crises was among the key rationales for establishing the fund. He said that although "we trust the judgment of the IMF ... waiting for an IMF decision" on funding is less helpful than "if we send in some financial resources to help [countries] heal in early days."

Diwa Guinigundo, deputy governor of Bangko Sentral ng Pilipinas, echoed a theme sounded repeatedly by the ministers during a seminar that the possibility a future Asian crisis could not be ruled out. "We don't expect tail events [from the global crisis] or a 'black swan' to happen but these things do happen," he said.

The 13 ASEAN+3 ministers also agreed on 3 May to examine "the use of local [Asian] currencies in settlement of trade transactions." This move was linked by most analysts to the steady withdrawal of funding from Asia by European institutions grappling with the eurozone debt crisis. *ITF* was told recently that those European banks still present in Asia's trade finance market have operated in an intermittent mode since 2008, allowing stronger local and regional banks to assert their dominance (*ITF* 616/5).

Standard & Poor's has recently warned that a renewed outbreak of crisis in the eurozone would affect companies in the Asia-Pacific region because of stresses in the European banking sector. It has put a 40 per cent probability of a severe recession in the eurozone, and warned of a "material risk" of reduced appetite for lending to Asia by European banks.

Forfaiting newsbrief and country list — 2nd Quarter 2012

EUROPE

Country	Years Max
Austria	5
Belarus	*
Belgium	5
Bosnia-Herzegovina	3
Bulgaria	3
Croatia	3
Cyprus	3
Czech Republic	3
Denmark	5
Estonia	2
Finland	5
France	5
Georgia	1
Germany	5
Gibraltar	5
Greece	*
Hungary	2
Iceland	*
Ireland	3
Italy	3
Latvia	2
Liechtenstein	5
Lithuania	2
Luxembourg	5
Macedonia	3
Malta	5
Netherlands	5
Norway	5
Poland	3
Portugal	3
Romania	2
Russia	5
Serbia	2
Slovakia	2
Slovenia	2
Spain	5
Sweden	5
Switzerland	3
Turkey	5
Ukraine	1
UK	5

ASIA PACIFIC

Country	Years Max
Australia	5
Bangladesh	1
Brunei	3
China	5
Hong Kong	5
India	5
Indonesia	3
Japan	3
Kazakhstan	1
Macau	5
Malaysia	5
New Zealand	5
Pakistan	1
Philippines	3
Singapore	5
South Korea	5
Sri Lanka	3
Taiwan	5
Thailand	5
Uzbekistan	*
Vietnam	2

AMERICAS

Country	Years Max
Argentina	1
Bahamas	3
Barbados	3
Bermuda	3
Bolivia	*
Brazil	5
Canada	5
Cayman Islands	3
Chile	5
Colombia	5
Costa Rica	1
Cuba	*
Dominican Republic	1
Ecuador	*
El Salvador	*
Guatemala	*
Honduras	*
Mexico	5
Nicaragua	*
Panama	1
Peru	3
Puerto Rico	1
Trinidad & Tobago	1
Uruguay	*
USA	5
Venezuela	*

MIDDLE EAST

Country	Years Max
Bahrain	3
Iraq	1
Israel	3
Jordan	3
Kuwait	3
Lebanon	*
Oman	3
Qatar	3
Saudi Arabia	3
Syria	*
UAE	3
Yemen	*

AFRICA

Country	Years Max
Algeria	1
Angola	1
Benin	*
Botswana	1
Burkina Faso	*
Cameroon	*
Egypt	2
Ethiopia	*
Gabon	*
Ghana	3
Kenya	1
Ivory Coast	*
Libya	*
Mali	1
Mauritania	*
Mauritius	3
Morocco	3
Namibia	*
Nigeria	1
Rwanda	1
Senegal	*
South Africa	3
Sudan	*
Togo	*
Tunisia	3
Uganda	*
Zambia	*

* Please call to check current availability

CONTACTS

Ian Lucas: ian.lucas@forfaiting.com
Simon Lay: simon.lay@forfaiting.com
Tony Knight: tony.knight@forfaiting.com

LONDON OFFICE

Tel :+44 20 7397 1510
Fax: +44 20 7397 1511

Detailed above, is an updated list of countries and credit periods which can currently be considered. For your ease of reference, recent changes are indicated in brackets either (deteriorated) or (improved).
In addition to being able to discount bills of exchange, promissory notes and deferred payment letters in these markets, London Forfaiting can also consider adding their silent confirmation to unconfirmed letters of credit dependent on specific transaction details. For many exporters, premium increases, market rate additions, non availability and additional restrictions continue to make silent confirmations of unconfirmed letters of credit a cost effective alternative to credit insurance.
Please contact London Forfaiting at the office below to discuss indicative terms for any of your current and future business. Alternatively, you can always visit their website at www.forfaiting.com, to check the latest Country List on line or obtain general information on forfeiting and the other services they provide.

The above information is kindly provided by the **London Forfaiting Company.**

Emerging markets risk indicators

Africa — Egypt poised for post-Mubarak elections

Egypt is preparing for its first presidential elections since the fall of Mubarak's regime in February 2011. The first round will be held on 23-24 May, with a possible run-off one month later. Political uncertainty may persist until the army's end-June transfer of power to an elected government. Medium-term forfaiting deals are possible for certain banks, but FX reserves have fallen by over 40 per cent year-on-year and now cover less than three months of imports of goods and services. "Pricing for Egyptian risk is now in multiples of the past," said a political risk underwriter.

West Africa has hosted two recent military coups. After President Amadou Tamani Toure's government in Mali was overthrown in March, economic sanctions imposed by regional body ECOWAS saw constitutional order restored. But an uprising in northern Mali has proclaimed the seceded state of 'Azawad', where ONDD now excludes cover. Guinea-Bissau's government was deposed by the army on 12 April. Following the swift intervention of ECOWAS, leaders of the coup pledged to relinquish power and restore democratic rule. A second round of presidential elections has been postponed.

Medium-term risks on several Nigerian banks are acceptable to trade finance practitioners. However the huge payment arrears which have been run up by the Pipeline & Product Marketing Company have traumatised the political risk insurance (PRI) market. A pre-export financing led by Standard Chartered is expected to pay down some of the arrears. Following civil unrest in the north and south, ONDD downgraded its short-term political risk rating for Nigeria, from 3 to 4.

Algeria's economy has benefited from high oil prices, and forfaiters will look at risk on state-owned banks for up to 2 years, while considering private banks such as Algeria Gulf Bank and Trust Bank on a case by case basis. In Morocco, where the reform process has been relatively pro-active, most banks can be considered for medium-term risks.

Trade financiers will now look again at banks in Libya on a case by case basis. A modicum of short-term political risk insurance cover for Libya has been opened in the wake of the 2011 civil conflict. Ghana and Sierra Leone have had a positive watch added to their respective C and D Coface ratings. Cote d'Ivoire has made progress in stabilising its security situation after a decade of division. ONDD has removed restrictions on private buyers located outside Abidjan, to allow import pre-financing cover, and to upgrade the short-term political risk rating. Oil production has all but ceased in Sudan, which remains locked in dispute over the division of oil proceeds with its new South Sudan neighbour. Case by case forfaiting transactions can be considered for Bank of Sudan, Bank of Khartoum and Omdurman National Bank mainly, up to one year. In Malawi, the lifting of foreign exchange restrictions shortly after Joyce Banda took over the presidency and installed a different central bank governor and the removal of the kwacha's peg to the dollar have effectively instigated a local currency devaluation of around 50%.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Algeria	ILC	A4	—	—	4	3
Angola	CLC	C	Ba3	BB–	3	6
Benin	CLC	B	—	BBB-	3	6
Botswana	OA	A4	A2	—	1	3
Burkina Faso	ILC	C	—	—	4	7
Burundi	CLC	D	—	—	6	7
Cameroon	ILC	C	—	BBB–	3	6
Chad	CLC	D	—	—	4	7
Comoros	CLC	—	—	—	4	7
Congo	CLC	C	—	—	3	7
Cote d'Ivoire	CIA	D	—	—	4	7
Djibouti	CLC	C	—	—	4	7
DR Congo	CLC	D	—	—	6	6
Egypt	CLC	C	B2	BB–	4	5
Equatorial Guinea	CLC	D	—	—	4	7
Eritrea	CLC	D	—	—	7	7
Ethiopia	CIA/CLC	C	—	—	4	7
Gabon	ILC	B	–	BBB–	2	5
Gambia	ILC	—	—	—	5	7
Ghana	ILC	C	—	B+	3	5
Guinea	CLC	D	—	—	6	7
Guinea-Bissau	—	D	—	—	4	7
Kenya	ILC	C	—	BB–	4	6
Liberia	CLC	D	—	—	6	7

Emerging markets risk indicators

Africa (continued)

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Libya	CIA	D	—	—	7	7
Madagascar	CLC	C	—	—	6	7
Malawi	CLC	D	—	—	6	7
Mali	ILC	C	—	—	4	6
Mauritania	ILC	C	—	—	5	7
Mauritius	OA	A3	Baa2	—	3	3
Morocco	OA	A4	Ba1	BBB	2	3
Mozambique	ILC	B	—	B	3	6
Namibia	OA	A3	Baa3 (new)	A	2	3
Niger	CIA	C	—	—	4	7
Nigeria	CLC	D	—	BB–	4	5
Rwanda	CLC	D	—	B	4	7
Senegal	ILC	B	B1	—	2	6
Seychelles	ILC	—	—	B	6	7
Sierra Leone	CLC	D	—	—	4	7
South Africa	OA	A3	A3	A	3	3
Sudan	CIA	D	—	—	7	7
Swaziland	CLC	—	—	—	5	6
Tanzania	ILC	B	—	—	3	6
Togo	ILC	C	—	—	4	7
Tunisia	ILC	A4	Baa3	BBB	3	3
Uganda	ILC	C	—	B	4	6
Zambia	ILC	C	—	BB–	3	6
Zimbabwe	CIA	D	—	—	7	7

Americas — Expropriation risks highlighted by Argentina

Argentina's renationalisation of oil company YPF two decades after it was privatised has served to reiterate the interventionist tendencies of Latin American states. The move follows recent measures by Buenos Aires to tighten foreign exchange and import controls. Argentina's access to financial markets is largely closed as the public sector is still in default, and the move on YPF has essentially closed the door on the few issuers from the country that could previously have tapped the international bond markets. "A sharp drop in commodity prices or other unpredictable events such as a sharp deterioration of relations with the UK over the Falklands or with Spain over Repsol" could result in a revision of ONDD's short-term country risk classifications, the Belgian agency warned.

Brazil's exporters have been hit by a 6 per cent tax on financial transactions, which includes medium-term loans to exporters. Loans under advance payment agreements will only be exempt if they have a duration of below 360 days and if they are provided by importers, rather than banks or trading companies. The national development bank (BNDES) will also receive a government capital injection to support new credit lines, while the government's export financing programme is to be expanded. "You will only see significant claims arising (in Brazil) if there is a serious downturn in the agricultural sector," said Bob Svensk, chief executive at Latin American Underwriters (LAU). He added that "Latin America as a whole seems surprisingly robust".

ONDD downgraded its view of Venezuela's medium-to long-term political risk to category 6 last year. Since then, the country has announced its withdrawal from the World Bank's ICSID arbitration court, further dragging down an already poor investment climate "and demonstrating that the country is less willing to pay", ONDD has underlined. Coface recently dropped its positive watch on Venezuela's C grade.

Venezuela – and to a lesser extent Bolivia and Ecuador – provide exceptions to a generally positive view of Latin America among trade financiers. Many banks in Brazil, Chile, Colombia, Paraguay, Peru and Uruguay are seen as very bankable credits at present.

Colombia's economy grew by 5.9 per cent in 2011, its most rapid annual growth since 2007. Strong global commodity demand, which is supporting strong FDI inflows, saw the exchange rate return appreciate sharply in the early part of 2012.

Euler Hermes has predicted that GDP growth in Uruguay will moderate in 2012 to around 3.5 per cent. The government has in place contingent credit lines with external agencies, and its main risks are close dependency on Brazil and Argentina, and high commodity export dependence, Euler Hermes said.

In Central America, the Dominican Republic economy is expected to grow below 4 per cent this year. Structural problems, especially electricity supply, continue to be a constraint and the external balance remains fragile. Panama's GDP growth will moderate in 2012 to 7.5 per cent but remains boosted by the Canal expansion. Transfer risk is mitigated by formal dollarisation, and systemic political risk is "relatively low", Euler Hermes said.

Emerging markets risk indicators

Americas (continued)

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Anguilla	SD	—	—	—	5	6
Antigua	ILC	—	—	—	5	6
Argentina	ILC	C	B3	B	4	7
Aruba	SD	—	—	A–	2	3
Bahamas	OA	—	A3	—	2	3
Barbados	OA	—	Baa3	—	2	4
Belize	SD	—	Caa1	—	3	6
Bermuda	30/SD	—	Aa2	AAA	2	3
Bolivia	CLC	C	B1	B+	2	6
Brazil	OA	A3	Baa2	BBB+	2	3
Cayman Islands	SD	—	Aa3	—	2	3
Chile	OA	A2	Aa3	AA+	1	2
Colombia	ILC	A4	Baa3	BBB	1	4
Costa Rica	ILC	A4	Baa3	BBB–	2	3
Cuba	CLC	D	Caa1	—	6	7
Dominica	ILC	—	—	—	4	6
Dominican Republic	CLC	B	B1	B+	3	5
Ecuador	CLC	C	Caa2	B–	5	7
El Salvador	ILC	B	Ba2	BBB–	2	4
Grenada	ILC	—	—	—	5	6
Guatemala	ILC	B	Ba1	BBB–	2	5
Guyana	CLC	D	—	—	3	6
Haiti	CLC	D	—	—	6	7
Honduras	ILC	C	B2	—	3	6
Jamaica	ILC	C	B3	B	3	6
Mexico	OA/ILC	A4	Baa1	A–	1	3
Montserrat	ILC	—	—	—	5	7
Netherlands Antilles	OA	—	—	—	2	5
Nicaragua	ILC	D	B3	—	4	7
Panama	ILC	A4	Baa3	A	3	3
Paraguay	ILC	C	B1	—	3	5
Peru	OA	A4	Baa3	BBB+	1	3
St Kitts	SD	—	—	—	4	6
St Lucia	ILC	—	—	—	4	7
St Vincent	ILC	—	B1	—	5	5
Suriname	ILC	—	B1	B+	4	7
Trinidad & Tobago	OA	A3	Baa1	—	1	2
Turks & Caicos Islands	SD	—	—	—	2	2
Uruguay	ILC	A4	Ba1	BBB	2	3
Venezuela	CLC	C	B2	B+	5	7

Emerging markets risk indicators

Asia — India's risk profile less attractive to underwriters

With the rupee close to an all-time low against the dollar, India's government has taken a series of measures to encourage inward capital flows. Pricing for risk in India is seen by PRI underwriters as too low, in the light of the negative growth signs coming from the country. "Banks are under-pricing risks with 3 to 10 year tenors," said a London based single risk specialist. "India's outlook deteriorated sharply from mid-2011 and entered our 'Red' warning zone during the second half of last year," he said.

China's formidable economic growth looks set to continue in 2012, despite constraints on exports from slowing global growth. Euler Hermes recently predicted GDP growth "at the lower end of an 8-8.5 per cent range", based on an 8.1 per cent increase, year-on-year, during the first quarter. Forfaiters in Asia will look at most Chinese banks, including city commercial banks and rural commercial banks. In Mongolia, Trade and Development Bank, Golomth Bank and Khan Bank are seen as the best trade finance risks. Pro-democracy reforms implemented by Myanmar's new civilian government have pushed the European Union to suspend all sanctions bar its arms embargo. Japan has also written off more than half of Myanmar's bilateral debt, which will reduce the country's total external debt by a third. Forfaiters can cover short term deals on Myanmar Foreign Trade Bank case by case. Lines of up to one year can be found for most banks in Bangladesh, especially for machinery import transactions. Vietnam's FX reserves cover some 1.5 months of imports, and forfaiters prefer paper of up to one year from Vietnam's top four state-owned banks. "Everyone is looking to see how the government handles the debts of the sub-sovereign Vinashin shipyard," said a political risk underwriter.

Real GDP growth in the Philippines slowed to 3.7 per cent in 2011, from 7.6 per cent in 2010, largely as a result of sharp falls in investment and exports. The PRI market remains off-cover for North Korea, where leader Kim Jong-il died of a heart attack in December after 17 years in power, and a mid-April rocket launch has brought calls for new UN Security Council sanctions. In Pakistan, many banks can be looked at on a funded discounting or risk participation basis. Medium-term forfaiting deals are possible for Sri Lanka, where FX reserves of $8bn cited by the central bank would provide six months of import cover.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Afghanistan	CIA	D	—	—	7	7
Bangladesh	CLC	C	Ba3	—	3	6
Brunei	ILC	—	—	—	1	2
Cambodia	CLC	D	B2	—	6	6
China	ILC	A3	Aa3	A+	1	2
Fiji	ILC	—	B1	—	4	4
Hong Kong	OA	A1	Aa1	AAA	1	1
India	OA	A3	Baa3	BBB–	2	3
Indonesia	ILC	B	Baa3	BBB	2	3
Korea (North)	CLC	—	—	—	7	7
Korea (South)	OA	A2	A1	AA	1	1
Laos	ILC	D	—	—	4	7
Macau	ILC	—	Aa3	—	1	2
Malaysia	OA	A2	A3	A	1	2
Mongolia	ILC	C	B1	B+	2	5
Myanmar (Burma)	CIA	D	—	—	6	7
Nauru	ILC	—	—	—	5	5
Nepal	ILC	D	—	—	3	7
New Caledonia	ILC	—	—	—	2	4
Pakistan	CLC	D	B3	—	4	7
Palau	ILC	—	—	—	5	4
Papua New Guinea	ILC	B	B1	—	2	5
Philippines	OA	B	Ba2	BBB-	1	4
Singapore	OA	A1	Aaa	AAA	1	1
Sri Lanka	ILC	C	B1	BB-	3	6
Thailand	ILC	A3	Baa1	BBB+	2	3
Vanuatu	ILC	—	—	—	3	4
Vietnam	CLC	C	B1	B+	3	5

Emerging markets risk indicators

Eastern Europe and the CIS — Ukraine heads for October showdown

Ukraine's main opposition parties, 'Fatherland' and 'Front for Change' are to contest October's parliamentary elections through a unity list that will be the main challenger to President Yanukovych's Party of Regions that leads the existing coalition. Fatherland is led by former Prime Minister Yulia Tymoshenko, whose hunger strike has embarrassed Kiev. S&P downgraded the outlook on Ukraine's B+ sovereign rating from stable to negative in March, citing continued uncertainties relating to negotiations with the IMF and Gazprom as key refinancing risks. Gross external debt stood at $126bn at end- 2011, with a shortening maturity structure for the private sector highlighting an increasing risk aversion among international lenders. FX reserves in February covered just 52 per cent of all external debt payments due in 2012. Risks on the top five banks are generally seen as acceptable.

Russia has 15 or so banks that trade financiers will take risk on, sometimes over medium-term tenors. Kazakhstan's state-controlled BTA Bank, backed by the country's wealth fund, defaulted on a $160m interest payment due in January, its second default in three years. In February, BTA secured an agreement to postpone a $175m payment on a trade finance loan from end-March until 30 June. Nonetheless forfaiters are willing to look at paper from several local banks. Real GDP in Belarus increased by 5.3 per cent in 2011, when a major devaluation pushed up external debt to 61 per cent of GDP. FX reserves will be tested by about $7.8bn in foreign debt payments due over the next three years. Moody's lifted Azerbaijan's rating to investment grade via a one-notch upgrade of its long-term sovereign ratings to Baa3 from Ba1, with a stable outlook. International Bank of Azerbaijan, Bank Standard and Demirbank are generally seen as the country's best trade finance risks.

Hungary needs external support from the IMF and European Union, but laws adopted in January are unaligned with its obligations under the EU treaties, preventing a financial assistance package. Moody's has lowered its government bond rating on Bosnia/Herzegovina to B3 from B2, and will continue to review for a possible further downgrade. It cited brief interruptions of payments to several multilateral financial institutions and one commercial bank. ONDD has lowered its premiums for the political risks on medium and long-term export credits for both Latvia and Lithuania. Some forfaiters will consider taking payment risk on National Bank of Uzbekistan and Asaka Bank in Uzbekistan.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Albania	CLC	C	B1	—	3	6
Armenia	CLC	C	Ba2	BB	5	6
Azerbaijan	CLC	C	Ba1	BBB–	4	5
Belarus	CIA	D	B3	—	7	7
Bosnia and Herzegovina	CIA	D	B3	—	4	7
Bulgaria	CLC	B	Baa2	BBB+	1	4
Croatia	OA	B	Baa3	BBB+	3	5
Estonia	ILC	A3	A1	AAA	1	3
Georgia	CLC	C	Ba3	BB	3	6
Hungary	ILC	B	Ba1	BBB	1	2
Kazakhstan	CLC	B	Baa2	BBB+	2	5
Kosovo	CIA	—	—	—	4	7
Kyrgyzstan	CLC	D	—	—	4	7
Latvia	ILC	B	Baa3	BBB+	1	4
Lithuania	ILC	A4	Baa1	A	1	3
Macedonia	CLC	C	—	BBB–	3	5
Moldova	CLC	D	B3	—	4	7
Montenegro	CIA/CLC	C	Ba3	—	5	6
Romania	ILC	B	Baa3	BBB+	1	4
Russia	ILC	B	Baa1	BBB+	2	3
Serbia	CLC	C	—	BB–	3	6
Tajikistan	CLC	D	—	—	6	7
Turkmenistan	CIA/CLC	D	—	—	4	6
Ukraine	CLC	D	B2	B	5	7
Uzbekistan	CIA/CLC	D	—	—	5	6

*WR = withdrawn rating

Emerging markets risk indicators

Middle East — Levantine violence worsens

Conflict in the Middle East's more impoverished states continues to darken the region's prospects. "I would be "surprised if anybody would write a Yemeni or Syrian risk now," said a political risk underwriter in the Lloyd's of London market in early May. In Syria, the internecine conflict appears to have escalated. Saudi Arabia has warned that the UN's peace initiative is in danger of failing after government forces took heavy casualties in an assault of Rastan, in Homs province. Syria's problems have steered international banks away from financing new trade flows. Tensions have also spilled across the border into Lebanon, where most banks have been acceptable as trade finance risks. Attacks on Yemen's gas pipelines continue to strain the economy during the early months of the transition period that will ease out longstanding ruler Ali Abdullah Saleh. 180-day risk on a few Yemeni banks can be taken by forfaiters.

One year after the crackdown on mass anti-government protests, civil disharmony in Bahrain erupted again in late April via opposition to the Formula One Grand Prix. Some international banks have reduced their in-country operations. Banks still willing to do business with Iran in the face of widespread sanctions are now mainly found in China, India and Russia, according to trade financiers. Risks on smaller banking names such as Samarye Bank, Pasargad Bank, Saman, EN Bank and Parsian Bank, often linked to Italian, German, French exports, are reportedly still seen as acceptable.

Most non-payment risk for Iraq taken by the political risk insurance market remains restricted to the Trade Bank of Iraq. Risks involving Kurdistan International Bank, Middle East Investment Bank, North Bank, Bank of Baghdad and Credit Bank of Iraq can all be looked at by forfaiters.

The major GCC economies have benefitted from high 2011 oil prices, and virtually all banks in Kuwait, Oman, Qatar, Saudi Arabia and UAE are seen as good credit risks. Around two thirds of Dubai's bank debt restructurings are complete after Dubai International Capital's $2.5bn restructuring on 5 April. However Exotix highlighted that creditors "are losing patience" on a remaining $12.2bn in debt still under negotiations and "are more often considering legal action". Trade finance out to 36 months is achievable for most major banks in Turkey, where the current account deficit widened to 10 per cent of GDP in 2011.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Ducroire Delcredere short-term political risk rating	ONDD medium- to long-term political risk rating
Bahrain	ILC	A4	Baa1	BBB+	3	4
Iran	CIA	D	—	—	7	7
Iraq	CIA	D	—	—	6	7
Israel	OA	A3	A1	AA–	3	3
Jordan	OA	B	Ba2	—	3	5
Kuwait	SD/OA	A2	Aa2	AA+	2	2
Lebanon	OA	C	B1	B	5	7
Oman	OA	A3	A1	—	2	2
Palestine	CLC	—	—	—	7	7
Qatar	OA	A2	Aa2	—	1	2
Saudi Arabia	OA	A4	Aa3	AA	2	2
Syria	CIA/CLC	D	—	—	7	7
Turkey	ILC	A4	Ba2	BBB–	3	4
United Arab Emirates	OA	A3	Aa2	—	2	3
Yemen	CLC	D	—	—	7	7

Glossary

CAD = Cash against documents
CIA = Cash in advance
CLC = Confirmed letter of credit
ILC = Irrevocable letter of credit
NA = Not available
OA = Open account
SD = Sight draft; 30/SD to 180/SD — days sight draft
WR = Withheld rating

Sources

Coface, EDC, Fitch, Moody's, Ducroire Delcredere, ONDD.

Development finance update

BRAZIL: The World Bank approved today a $480m loan to strengthen public investment in the State of Rio Grande do Sul.

The fourth largest economy in Brazil, the State of Rio Grande Sul recently suffered a fiscal crisis that resulted in sharp cuts in public investments and services, with a disproportionate impact on the poor. The effects of the crisis were also felt on the highway infrastructure, crucial for economic growth and market integration, and on the educational system, which has slipped from sixth to ninth in national rankings. Through a set of green growth-oriented initiatives, the World Bank project will support a range of areas including private sector development, state education and transport systems modernisation, and environmental and disaster risk management improvements. The 30-year loan from the International Bank for Reconstruction and Development is guaranteed by the federal government.

CARIBBEAN: The Inter-American Development Bank (IADB) provided a $10.6m grant to address climate change.

The banks said the grant comes from its Climate Investment Funds, and will be used to carry out a regional track of activities. At a recent meeting of the CIF's subcommittee for the Pilot Program for Climate Resilience (PPCR), members endorsed a strategic investment programme for the Caribbean region that will fund activities such as improving geospatial data and management for adaptation planning, sea level rise and storm surge impact analysis; and consolidating and expanding the regional climate monitoring network and global platform linkages. The PPCR is a collaborative effort between six participating countries: Dominica, Grenada, Haiti, Jamaica, St. Lucia and St. Vincent.

GEORGIA: The Black Sea Trade and Development Bank (BSTDB) extended a $5m trade line to Kor-Standard Bank Georgia (KSB).

The BSTDB said KSB will use the revolving facility to advance short-term sub-loans to Georgian exporting and importing companies. The bank said the line will increase the competitiveness of the Georgian export sector, mainly SMEs, and promote regional trade. The BSTDB is currently cooperating with four local banks under its trade finance programme for Georgia, which annually provides up to $27m. KSB was established in 1999, by the government of Georgia and an EU-funded project, under the name Agro-Business Bank of Georgia. Its name was changed to Standard Bank in 2006. In March 2008, the Bank was acquired by the Abu Dhabi Group and was renamed to Kor-Standard Bank.

TIMOR-LESTE: The Asian Development Bank (ADB) provided its first loan to the country, worth $40m.

The bank said that $9 from the Asian Development Fund combined with $31m from ADB's ordinary capital resources will fund the Road Network Upgrading Project. This will rehabilitate sections of roads from Dili to Liquica and Tibar to Gleno, linking Dili to Indonesia, and to the coffee growing areas of Ermera. The loans will also prepare detailed designs for upgrading the Manatuto to Natabora road, to provide a reliable road link between the north and south of the country.

TUNISIA: The European Bank for Reconstruction and Development (EBRD) president Thomas Mirow visited the country.

Mr Mirow said he expected EBRD funds to start flowing to the country in September this year. In response to calls from the international community, the EBRD is extending its mandate to the southern and eastern Mediterranean (SEMED) region to support much-needed economic reforms in the region. Along with Tunisia, Egypt, Morocco and Jordan are all seeking to benefit from EBRD funding. Mr Mirow underscored the EBRD's commitment to supporting economic development across the SEMED region, applying to these new countries its 20 years of experience in supporting transition in eastern and central Europe. "We are aware of the needs of countries in transition and we can offer our expertise and our 'know-how' to Tunisia," he said. The EBRD's operations will focus on strengthening the financial sector and developing the private sector in Tunisia and the SEMED countries. The bank's emphasis will be to encourage the growth of small and medium-sized enterprises. At the EBRD's annual meeting this month, shareholders will be asked to approve the creation of a €1bn special fund to kick-start investments ahead of full ratification of an extension of the bank's remit. The EBRD has the capacity to invest, in the medium term, up to €2.5bn a year across the SEMED region.

INSTITUTIONS

The African Development Bank (AfDB) held its inaugural Annual Syndications and Co-financiers meeting in London on 24 April.

The event was intended to broaden and deepen the pool of AfDB's co-financing partners for private sector operations, primarily among commercial investors, but also other development financial institutions and export credit agencies. Over 120 delegates attended the meeting, which was held in the London office of the European Bank for Reconstruction and Development. "This event is an excellent platform to reinforce the links with those commercial institutions that already work with us in projects across the continent as well as to engage with other players that may be considering expanding their African business," said Tim Turner, director of the AfDB's Private Sector Department.

Two weeks in trade finance

AFRICA: Scipion Capital opened its Commodity Trade Finance (CTF) fund to US investors.

The Africa investment specialist said it was decided to launch the offering to US investors including fund of hedge funds, high-net-worth individuals, family offices and institutions due to their demand for the strategy. The CTF fund was launched in August 2007, to provide loans directly to companies and financial institutions trading in soft commodities in African markets, and makes its returns through reimbursement of the loan upon the completion of each deal. Scipion only lends to those with long inventory and a genuine involvement in the supply chain. Total returns for the CTF fund since inception stand at over 68 per cent, Scipion said.

CANADA: EDC transformed its Canadians at Work: 50 International Infrastructure Projects publication into an online resource.

"Connecting Canadian companies to global infrastructure projects, and to other Canadian companies already involved in them, is another opportunity to help create trade opportunities for Canada's infrastructure sector," said Francoise Faverjon-Fortin, vice-president, infrastructure and environment, at Export Development Canada (EDC). The site was developed to deliver three key benefits for Canadian companies, EDC said. Firstly, companies can register their projects online, giving them international exposure in the infrastructure sector. Companies can also be alerted to new opportunities through local networks around the world. Third, companies can research and learn about other Canadian companies in the infrastructure sector, allowing for information-sharing and networking opportunities. More than four new projects will be posted monthly, as will a feature article discussing a specific area of Canadian innovation or expertise in the infrastructure sector, EDC said. EDC began its relationship with the Canadians at Work publication four years ago as a marketing partnership with ReNew Canada, a Canadian infrastructure publication. Between 2008 and 2011, EDC worked with over 2100 Canadian companies in the infrastructure sector, in over 175 markets.

DUBAI: Atradius appointed Schuyler D'Souza as country manager for Dubai.

Mr D'Souza replaced Peter Boberg, who is moving into a new role in Atradius Nordics. Mr D'Souza previously worked for the company before leaving in 2008 to take up a post as chief operating officer with the government-owned Atradius DSB, where he was responsible for running the UAE operation. Atradius operates its Middle East business via a regional partnership with Arab Orient.

INDIA: Reliance Industries signed a $2bn-equivalent loan guaranteed by Euler Hermes.

Reliance said the 13-year deal will help diversify the company's funding sources and extends the maturity profile of its long term debt in a cost-effective manner. Nine banks provided the loan, which will be primarily used to finance goods and services procured from German suppliers for Reliance's petrochemicals expansion projects at Jamnagar, Hazira, Silvassa and Dahej in India. "This deal received strong support from international banks, particularly from German lending institutions," said V. Srikanth, joint chief financial officer of Reliance. – Transaction has great relevance for German plant engineering. The lead arranger, KfW-IPEX, said the deal was structured in equal shares of euros and dollars, and delivered an expected delivery volume of up to €1.6bn in German engineering exports, provided by nearly 40 exporters. The transaction is among the largest Hermes guarantees to have been provided in recent years. Part of the financing will receive funding through the ERP Export Financing Programme. The agreements were signed on 7 May in Berlin.

MONGOLIA: Ex-Im Bank and the Development Bank of Mongolia (DBM) signed a memorandum of understanding (MOU).

Ex-Im Bank said the MOU will facilitate trade opportunities between the US and Mongolia. Ex-Im Bank chairman and president Fred P. Hochberg inked the MOU with his DBM counterpart Batjargal Bazarsuren, during a business development mission in Mongolia. The occasion marked the first recorded visit of an Ex-Im Bank chairman to the country. Mr Hochberg said: "Mongolia has one of the fastest growing economies in the world, and there are enormous opportunities for US businesses to help meet the country's growing infrastructure needs." Ex-Im Bank has historically had limited exposure in the country, but said that "several products are currently in the pipeline" that will increase its activity.

NIGERIA: The Nigeria Export Import Bank noted about $30bn in trade and investment opportunities with India.

Over 250 projects including infrastructure, mining, agriculture, telecoms and healthcare were discussed at the recently-concluded 8th Confederation of Indian Industry EXIM Bank Conclave on India Africa Project Partnership, according to NEXIM's chief executive Roberts U. Orya. In the bank's 2012 budget estimates he argued that Nigeria has the brightest chance among African nations of securing the bulk of the investment. He said trade between India and Nigeria had already hit $14.628bn per annum as at August 2011, more than any other African country. Moreover, in 2010, India's investment of $5bn made it the largest foreign direct investor in Nigeria, he noted. Mr Orya said the Export-Import Bank of India (EXIM India)

Two weeks in trade finance

has an ongoing partnership with NEXIM Bank which aims at fully structuring and deepening the Nigerian movie industry, based upon the Bollywood model which has received significant assistance from EXIM India.

NORWAY: A new export financing company, Export Credit Norway, was established.

The company, known domestically as Eksportkreditt Norge AS, is to be established by 1 July. It will replace Eksportfinans ASA, which is being wound down due to European capital rules limiting loans to single industries. Export Credit Norway will provide financing in the form of state-subsidised CIRR loans and CIRR- qualified market loans on commercial terms, the Industry and Trade Ministry said. The loans from the new entity "will be financed by the state, which ensures companies' access to credit in situations where credit is not available in the capital markets", said Trade and Industry Minister Trond Giske. The new company will receive grants from the government for its entire operations, which will be set in annual budgets, according to the ministry. The government has said it would support Norway's export industry with as much as NOK40bn ($6.88bn) in direct loans.

PHILIPPINES: HSBC said it is looking to expand its renminbi (RMB) market in the country.

HSBC said this would encourage more trade and financial transactions between China and the region. Spencer Lake, co-head of HSBC Global Markets, told reporters at the Asian Development Bank meeting in Manila that his bank plans to be the largest international RMB bank not just in regular banking transactions but also as an RMB bond issuer and arranger in and outside of Asia. HSBC recently raised $300m in RMB bonds in London, the first bank to successfully execute an RMB bond transaction in Europe. "We're trying to find out what kind of business we can offer to China, like export facilities," said HSBC managing director, treasurer and head of markets, Wick Veloso. At the moment the bank is providing only RMB deposits and trade finance. "We want to start to with this", he said, adding that later there could be more sophisticated bank products to be offered.

ROMANIA: Garanti Bank and IFC expanded the availability of trade finance for importers and exporters.

The International Finance Corporation extended a $15m credit line to Garanti Bank under its Global Trade Finance Program (GTFP). Garanti Bank, which operates 79 branches across Romania, will use the credit line to scale up its trade finance activity, particularly among its local clients in the agro-processing, energy, and metallurgical sectors. Romania became a member of IFC in 1990.

RUSSIA: The Antipinsky Refinery tapped a $750m multicurrency loan.

Gazprombank, Raiffeisen Bank International and ZAO Raiffeisenbank were the mandated lead arrangers. Glencore International, Vitol, GLOBEX Commercial Bank, JSC GLOBEXBANK and WestLB's London Branch were the mandated arrangers. The transaction was structured in three tranches in US dollars and Russian roubles as a combination of amortising term loans and revolving facilities, including pre-export finance and project finance security elements. The borrower is located in the Tyumen Region of Russia. The loan facility has an initial tenor of 1 year with an option to extend the maturity to March 2017. The purpose of the facility is to partially refinance existing loans and to raise funds for further development of the plant. Part of the facility will be syndicated after the financial closing of the deal. The main offtakers of Antipinsky Refinery are Glencore Energy UK and Arkham, a member of Vitol group.

RUSSIA: HSBC arranged a $300m five-year pre-export finance facility for Acron.

Acron said the facility carries an interest of one-month LIBOR plus 4.95 per cent and will be used towards working capital, general corporate purposes and refinancing the company's existing financial indebtedness. The loan is to be repaid by equal monthly instalments following a 6-month grace period. HSBC acted as facility agent bank, security agent and the major lender. During the syndication process HSBC attracted ING Bank, Natixis, Intesa Sanpaolo's London branch, ICBC (London), Industrial and Commercial Bank of China (Moscow) and Rosbank into the deal. "Acron continues to diversify its credit portfolio through various types of credit instruments," said its senior vice president Oscar Valters.

RUSSIA: VEB-Leasing tapped its first export credit agency-(ECA) backed loan.

Citigroup closed the financing, which comprised a financial leasing agreement between Russian lessor VEB-Leasing and Aeroflot covering three A321-200 aircraft costing $310.8m. The 10-year financing arrangement is expected to facilitate Aeroflot's plans for fleet renewal and expansion of its domestic and international routes. Three European ECAs supported the deal: Euler Hermes (Germany), Coface (France) and UK Export Finance. The ECA support allowed VEB-Leasing to offer competitive financing terms to Aeroflot. Royal Bank of Scotland acted as a joint lender for the delivery of the first two aircraft, delivered in February-March 2012. VEB-Leasing provided a 15 per cent down-payment financing. The third delivery will take place in August 2012.

Two weeks in trade finance

TURKEY: Yapi Kredi closed a one-year $1.47bn syndicated dual-tranche term loan facility provided by 44 banks.

Yapi Kredi said on 27 April that the loan was split into $264m and €864.5m tranches. These were priced at Libor plus 1.45 per cent and Euribor plus 1.45 per cent respectively. The transaction was a refinancing of Yapı Kredi's existing syndication loan signed in 2011. It marked the highest amount received by a Turkish bank so far this year. Yapi Kredi said the proceeds will finance pre-export and export credit facilities for Turkish exporters. UniCredit Bank Austria acted as coordinating bank, documentation and facility agent. Yapi Kredi is a joint venture between Koc Holding and Italy's Unicredit.

US: Heidi Hepburn joined the Chicago office of Lockton.

Lockton said that Ms Hepburn was appointed as vice president and account executive. She will be responsible for the production, placement, and servicing of Lockton's trade credit and political risk business. Ms Hepburn most recently ran her own trade credit and political risk insurance brokerage, AmeriGlobal Trade Risk Consulting, which she established in 2009. Prior to that, she spent 14 years with Marsh & McLennan, where she was responsible for a number of the Trade Credit Group's emerging markets programmes, captive insurance arrangements, new business procurement, and syndicated programme structures. Before that, Ms Hepburn had an 11-year career with CIGNA International.

For legal advice and training on international contracts, commercial, legal and litigation issues, competition, EU, IP and IT law, email susan@singlelaw.com.

Editor: Kevin Godier
Marketing: Susan Singleton • Tel: +44 (0)20 8866 1934 or email: susan@singlelaw.com
Production editor: Frida Fischer • fridafischer@hotmail.com
Subscription orders and back issues, sales and renewals: Call +44 (0)20 8866 1934 • email: susan@singlelaw.com • fax +44 (0)20 8866 6912.
For legal advice and training on commercial, legal and litigation issues, competition, IP and IT law, email susan@singlelaw.com.
Publisher: Susan Singleton
ISSN 1478–5544
© Singlelaw 2012
Published 21 times a year by: Singlelaw, The Ridge, South View Road Pinner HA5 3YD, UK • Tel +44 (0)20 8866 1934 • www.singlelaw.com
Copyright While we want you to make the best use of *International Trade Finance*, we also need to protect our copyright. We would remind you that unlicensed copying is illegal. However, please contact us directly should you have any special requirements. While all reasonable care has been taken in the preparation of this publication, no liability is accepted by the publishers nor by any of the authors of the contents of the publication, for any loss or damage caused to any person relying on any statement or omission in the publication. All rights reserved; no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electrical, mechanical, photocopying, recording, or otherwise without the prior written permission of the publisher.
Singlelaw is the trading name of E S Singleton.
Printed by: Premier Print Group, London

Singlelaw