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TRADE AND AGRICULTURE DIRECTORATE
PARTICIPANTS TO THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS

2008 ANNUAL RECORD OF DECISIONS IN RESPECT OF THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS

PURPOSE OF PAPER : This document records the Participants' decisions in respect of adjustments to the Arrangement on Officially Supported Export Credits since December 2007.

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2008 ANNUAL RECORD OF DECISIONS AND CORRECTIONS IN RESPECT OF THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS

I. Introduction

1. This document records the adjustments to the Arrangement on Officially Supported Export Credits (Arrangement) since the 2008 version of the Arrangement was issued as document TAD/PG(2007)28/FINAL on 21 December 2007 (English and French).

2. In the 2008, adjustments were made in relation to ANNEX I and ANNEX III of the Arrangement: the Sector Understanding on Export Credits for Ships (SSU) and the Sector Understanding on Export Credits for Civil Aircraft (ASU) respectively.

II. Changes since the 2008 version of the Arrangement

3. Since the latest version of the Arrangement TAD/PG(2007)/28/FINAL which entered into force on 1 January 2008, the following adjustments have been effected:

- *Article 1 of ANNEX I (SSU)*: New Zealand joined the Participants to the SSU [*c.f.* C/WP6(2008)10] with effect from 8 July 2008. The revised SSU text is shown in item 1 of the Attachment hereto.

- *Article 7 a) 1) in Appendix IV of ANNEX III (ASU)*: this Article was modified to allow Swap rate maturities to be used corresponding to the repayment term of the officially supported export credit; it replaces the 2007 ASU rule under which the Swap rate maturity should be equal to the interpolated weighted average life of each drawing. The modification was agreed at the 36th ASU Meeting held on 27 June 2008. The revised text is shown in item 2 of the Attachment hereto.

- *Definition of "Swap Rate" in Appendix VI of ANNEX III (ASU)*: in line with the above mentioned change of Article 7 a) 1) of Appendix VI, the definition of "Swap Rate" was modified to remove the reference to the interpolated maturity and to clarify that rates may be quoted from any independent market index provider. The modification came into effect as of 27 June 2008; the revised text is shown in item 3 of the Attachment hereto.

- *Definition of "Net Price" in Appendix VI of ANNEX III (ASU)*: also in line with the above-mentioned modification of Article 7 a) 1) of Appendix IV, the definition of "Net Price" was modified so that for a transaction of Category 2 and Category 3 aircraft, an engine certificate would be required only when it is relevant according to the form of the purchase agreement. The modification came into effect as of 27 June 2008; the revised text is shown in item 4 of the Attachment hereto.

- *Article 34 of Appendix III of ANNEX III (ASU)*: this is a new Article which allows a discount for conditional cover under Article 31 a) of Appendix III of the ASU (*i.e.* 5 basis points for official support in the form of conditional insurance cover) to be applied to the transactions

for used Category 2 and Category 3 aircraft and other goods and services. The new Article came into effect as of 27 June 2008; the text is shown in item 5 of the Attachment hereto.

II. Implementation of the Adjustments

4. The adjustments recorded in this document came into effect immediately upon the decision of the Participants to the ASU and to the SSU; these will be incorporated in the 2009 revision of the Arrangement which should be issued at the end of 2008.

ATTACHMENT

1. **Article 1** of **ANNEX I** of the Arrangement:

"**1. PARTICIPATION**

The Participants to the Sector Understanding are: Australia, the European Community, Japan, Korea, New Zealand and Norway."

2. **Article 7 a)** in **Appendix IV** of **ANNEX III** of the Arrangement:

"**7. MINIMUM FIXED INTEREST RATE**

a) The minimum fixed interest rate shall be either:

1) the swap rate, concerning the relevant currency of the officially supported export credit and with a maturity according to Table 5 below, to be set two business days prior to each drawdown date, or

Table 5

Repayment Term	*Swap Rate Maturity*
Up to 8 years	*5 years*
Up to 10 years	*6 years*
Up to 12 years	*7 years*
Up to 15 years	*9 years*

2) the Commercial Interest Reference Rate for Category 2 and Category 3 aircraft (CIRR-2) established according the provisions set out in Articles 8 to 11 of this Appendix."

3. **The definition of Swap Rate** in **Appendix VI** of **ANNEX III** of the Arrangement:

"**Swap Rate**: a fixed rate equal to the semi-annual rate to swap floating rate debt to fixed rate debt (Offer side), posted on any independent market index provider, such as Telerate, Bloomberg, Reuters, or its equivalent, at 11:00 am New York time, two business days prior to the loan drawdown date."

4. **The definition of Net Price** in **Appendix VI** of **ANNEX III** of the Arrangement:

"**Net Price**: the price for an item invoiced by the manufacturer or supplier thereof, after accounting for all price discounts and other cash credits, less all other credits or concessions of any kind related or fairly allocable thereto, as stated in a binding representation by each of the aircraft and engine

manufacturers – in the case of Category 2 and Category 3 aircraft, the engine manufacturer representation is required only when it is relevant according to the form of the purchase agreement – or service provider, as the case may be, and supported by documentation required by the provider of official support to confirm that net price. All import duties and taxes (*e.g.* VAT) are not included in the net price."

5. New **Article 34** in **Appendix III** of **ANNEX III** of the Arrangement:

"34. Except for the official support for used Category 1 aircraft, a discount of five basis points to the minimum premium rates referred to in Articles 32 and 33 above may be applied for officially supported transactions in the form of conditional insurance cover."