Glossary

ACTIVE PORTFOLIO MANAGEMENT (APM)
The mitigation of ECGD's risks through arrangements with the private and/or international public sectors, resulting in a reduction in the Trading Fund's capital consumption and associated cost of capital.

AMOUNTS AT RISK (AAR)
AAR is equivalent to the accounting term Contingent Liability. This represents the unexpired portion of the total risks guaranteed by ECGD, thus AAR would normally be less than Maximum Liability by the amount of expired risk i.e. payment received or the unutilised amount of a loan.

APPROPRIATIONS IN AID (A. in A.)
Comprise income received by ECGD, which it's authorised to retain (rather than surrender to the Consolidated Fund) to offset related expenditure. Such income is voted by Parliament and accounted for in the Department's resource accounts. Any receipts in excess of the approved amounts form Excess A. in A. and are payable directly to the Consolidated Fund as a CFERs.

BUYER CREDIT
A medium to long-term finance facility in which, normally, a 100 per cent unconditional guarantee is given by ECGD to a UK bank. This is in respect of a loan made available to an overseas borrower to finance a contract relating to the supply of Capital Goods and Services by a UK-based supplier to a buyer in an overseas market.

CONSOLIDATED FUND EXCESS RECEIPTS (CFER's)
Comprise receipts realised or recovered by ECGD in the process of conducting services charged on public funds which are not authorised to be appropriated in aid of expenditure, but which must be paid directly to the Consolidated Fund.

CREDIT DEFAULT SWAPS (CDS)
A market instrument included in the APM programme to offload risk.

EXPORT CREDIT AGENCIES (ECA)
Most developed economies have an ECA. They exist to promote exports by providing insurance and reinsurance to exporters and banks within their own country. ECGD is the UK's official ECA.

FINANCIAL OBJECTIVES
The Department's financial aim, which is the subject of agreement with HM Treasury.

FIXED RATE EXPORT FINANCE (FREF)
Finance for export contracts involving two years or more credit provided by lending banks at fixed interest rates determined under the Consensus arrangements, and which is guaranteed by ECGD and is the subject of interest equalisation. The finance can be offered in sterling and a wide range of standard currencies. Non-standard currencies need to be cleared by HM Treasury and the Bank of England.

HEAVILY INDEBTED POOR COUNTRIES (HIPC)
Heavily Indebted Poor Countries as classified by the World Bank/IMF. See http://www.imf.org/external/np/exr/facts/hipc.htm for more information.

LINE OF CREDIT
A Buyer Credit facility under which, normally, a 100 per cent unconditional guarantee is given by ECGD to a UK bank in respect of a loan made by it to an overseas borrower, which may be used to finance a number of contracts relating to the supply of capital goods and services by UK exporters to buyers in the overseas market. Under a Project Line of Credit (PLOC), finance is provided for a series of contracts related to a specific project or programme. Under a General Purpose Line of Credit (GPLOC) the loan is not linked to an identified purpose or project.

LOCAL CURRENCY FINANCING (LCF)
A form of Buyer Credit under which the loan is denominated in the currency of the borrower and is funded by domestic funding institutions.

MULTI-COUNTRY SOURCING – THE ONE STOP SHOP
A scheme based on international reinsurance agreements that allows exporters to multi-source from a variety of countries while dealing with a single Export Credit Agency.

OVERSEAS INVESTMENT INSURANCE (OII)
ECGD facility which provides UK investors with insurance for up to 15 years against political risks in respect of new investment overseas. Also available to UK banks in respect of overseas lending, whether or not it is in connection with an UK investment or export.

PROJECT FINANCE
A sector understanding under The Arrangement allowing flexibility of repayment terms for Project Financing cases – cases which are dependant on generating sufficient revenue to service their debt, once commissioned e.g., a power station or toll road.

PROVISIONS
Amounts which are set aside within ECGD's Trading Accounts to allow for non-recovery of claims already paid and of claims to be paid in the future.

SUPPLIER CREDIT
Credit given by a UK exporter to his overseas buyer. In such cases, the normal method of financing this contract is for the bank to lend the exporter money and for the exporter to repay, usually when he receives payment from his buyer after the agreed credit period. ECGD can provide insurance for this finance under the SCF facility.

SUPPLIER CREDIT FINANCE FACILITY (SCF)
An ECGD facility for the sale of semi-capital or capital goods on two or more years of credit, providing finance to the supplier in the majority of cases without recourse.

TENDER TO CONTRACT/FORWARD EXCHANGE SUPPLEMENT COVER
Was a form of ECGD cover to protect exporters mainly against adverse movements in Forward Exchange Rates between the date of tender for a Foreign Currency Contract and the date of contract signature. It is only at the stage where the contract is awarded that an exporter can confidently enter into Forward Exchange Contracts. His tender price otherwise having to be based on estimates of rates likely to apply in those forward exchange contracts. This would leave an exposure to unexpected movements in the exchange rate which could erode or eliminate the exporters expected profits. The cover also provides protection against the unwinding risks (Unwinding Cover) and the eventuality that Forward Exchange Contracts cannot be made.

THE ARRANGEMENT
Shorthand for the OECD Arrangement on Guidelines for Officially Supported Export Credits, also known in ECGD as The Consensus. In an attempt to limit self-defeating competition on export credits all the major western trading nations who are members of the OECD have undertaken that they will operate within certain guidelines when providing official support for export credits of two years or more for all destinations. These guidelines are enshrined in The Arrangement. The Arrangement covers all officially supported export credits except those for agricultural produce and military equipment. Aircraft, ships, nuclear power plants, water and renewable energy projects are subject to separate sector understandings. The Arrangement also regulates international discipline regarding trade related aid by imposing minimum concessionality levels and by prohibiting credit for 'commercially viable' projects and to richer developing countries.

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID 186370 07/06