



FINANCIAL  
SERVICES  
ROUNDTABLE

June 25, 2014

The Honorable Jeb Hensarling  
Chairman  
The Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
The Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the Bankers Association for Finance and Trade (BAFT)<sup>1</sup> and the Financial Services Roundtable (FSR)<sup>2</sup>, we write to express our strong support for reauthorizing the Export-Import Bank of the United States (Ex-Im). Ex-Im plays a vital role in international trade and US job creation by providing export financing products that help fill gaps in trade financing otherwise not provided by the private sector. Ex-Im is a crucial driver of trade finance support to U.S. companies of all sizes. The banking industry recognizes this contribution and values a continued working relationship with Ex-Im. The Ex-Im Bank remains a vital partner for the lending community to increase trade finance availability and affordability that cannot be replaced solely by the private sector.

Global trade relies upon accessible financing for trade transactions and trade finance assists customers with their import and export requirements by providing import/export financing as well as country and counterparty risk mitigation. Trade finance, as a transaction banking product, is a core banking business that supports \$18-19 trillion in global commerce annually, leading to the creation of sustainable, high quality jobs through trade. Balance sheet constraints (arising from prudential capital and liquidity requirements among other factors), institutional credit, country and counterparty limitations create real challenges for lenders who work with exporting clients. In today's regulatory environment, these concerns are heightened. Many U.S. based lenders have turned to Ex-Im for decades to mitigate geopolitical and collateral risk in an effort to retain and grow client relationships and to provide viable trade financing solutions for their corporate customers. Without Ex-Im Bank programs, private-sector lenders often could not provide reasonable financing terms, which would result in lost sales for clients.

Ex-Im works creatively with banks and exporters to help create and save US jobs by helping ensure that deals are not lost to overseas competition and unfair trade practices. For example, US manufacturing companies often have to compete with foreign companies who are having their entire operation financed by their foreign export credit agency.

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<sup>1</sup>The Bankers Association for Finance and Trade (BAFT) is an international financial services trade association whose membership includes a broad range of financial institutions throughout the global community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system: [www.baft.org](http://www.baft.org)

<sup>2</sup> The Financial Services Roundtable represents the largest integrated financial services companies providing banking, insurance, payment and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America's economic engine, accounting for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs. Learn more at [FSRoundtable.org](http://FSRoundtable.org).

One way Ex-Im helps middle-market U.S. companies is through its medium term guarantees, which increases the exporter's cash flow, allowing them to export to both new and established markets with confidence. Ex-Im also supports banks through letter of credit (LC) confirmations. Ex-Im's LC policy can reduce a bank's risks on confirmations and negotiations of irrevocable letters of credit issued by overseas banks for the payment of U.S. exports. This policy affords partial commercial and political coverage to U.S. based banks when dealing with an overseas financial institution and offers greater flexibility in working with their client base.

Small and medium-sized enterprises (SME) are heavily reliant on Ex-Im in collaboration with the private sector and this important financing makes up more than 85% of Ex-Im's transactions. In particular, the Working Capital Guarantee Program encourages commercial lenders to make working capital loans by providing them with a loan backing guarantee. Working capital financing enables small business exporters to facilitate the export of goods or services and provides much needed liquidity to conduct new overseas sales by supporting a company's export related inventory and providing an advance rate on foreign account receivables. Similarly, the Ex-Im Bank Supply Chain Finance Guarantee offered to lenders benefits U.S. exporters by injecting liquidity in the marketplace and providing suppliers - particularly small firms - with access to capital faster and at a lower cost in order to help them fulfill new orders and grow their business. These are just a few ways that Ex-Im partners with banks to help small and medium-sized businesses in the global economy

For all transactions, Ex-Im support is an enhancement to a client relationship, not a primary reason for conducting a deal. Lenders will not book facilities or transactions solely due to the availability of Ex-Im support. An Ex-Im Guarantee does not make a bad deal "bankable". The loans must be commercially viable and meet not only private lender risk criteria but also Ex-Im's high support requirements. In this regard, it is important to note that commercial banks share the risk on transactions with Ex-Im and so would not enter into arrangements where the risk trumps the viability of the deal. Additionally, claims on an Ex-Im Guarantee are only filed with Ex-Im after all attempts to cure financial defaults are completed, including liquidation of available assets. As such, Ex-Im loans and guarantees present very low risks because they are backed by the underlying commercial trade transaction, with a historically low active-default rate of 0.237 percent for the last quarter of 2013.

We emphasize that Ex-Im complements rather than competes with private-sector lenders and each transaction considered for support undergoes a test by Ex-Im to determine whether an Ex-Im Guarantee is necessary to facilitate the financing of the company's export sales, including an evaluation of why funds are not available from commercial sources. As standalone private sector funding of trade transactions is not always available or affordable, Ex-Im financing helps commercial lenders, who in turn support their clients to create jobs and maintain growth. In this regard, a full and timely reauthorization of Ex-Im Bank will help sustain American competitiveness globally and we strongly encourage Congressional support to continue this important mission.

Very truly yours,



Tod R. Burwell  
President and Chief Executive Officer  
BAFT- Bankers Association for Finance and Trade



Tim Pawlenty  
President & CEO  
Financial Services Roundtable