

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

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RAIL INFRASTRUCTURE

This document contains the text of the new Sector Understanding on Export Credits for Rail Infrastructure agreed by the Participants to the Arrangement on Officially Supported Export Credits. This text will be a new Annex to the 2014 Arrangement on Officially Supported Export Credits.

This Sector Understanding is effective from 1 January 2014 for a four-year trial period.

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SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RAIL INFRASTRUCTURE

The Participants to this Sector Understanding agree that the financial terms and conditions of the Sector Understanding, which complements the Arrangement, shall be implemented in a way that is consistent with the Purpose of the Arrangement.

CHAPTER I: SCOPE OF THE SECTOR UNDERSTANDING

1. SCOPE OF APPLICATION

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts for rail infrastructure assets essential to operating trains, including rail control (*e.g.* signalling and other rail IT), electrification, tracks, rolling stock, and related construction work.

CHAPTER II: PROVISIONS FOR EXPORT CREDITS

2. MAXIMUM REPAYMENT TERMS

- a) For officially supported export credits relating to contracts included within the scope of application of this Sector Understanding, the maximum repayment term is set out as follows:
 - 1) For contracts in Category I countries (as defined in Article 11 of the Arrangement): 12 years.
 - 2) For contacts in Category II countries (as defined in Article 11 of the Arrangement): 14 years.
- b) To qualify for the repayment terms set out in paragraph a) above, the following conditions shall apply:
 - 1) The transaction shall involve an overall contract value of more than SDR 10 million; and

- 2) The repayment terms shall not exceed the useful life of the rail infrastructure asset financed; and
- 3) For transactions in Category I countries, the transaction involves/is characterised by:
 - Participation in a loan syndication with private financial institutions that do not benefit from Official Export Credit Support, whereby:
 - i) The Participant is a minority partner with *pari passu* status throughout the life of the loan; and
 - ii) Official export credit support provided by the Participants comprises less than 50% of the syndication.
 - Premium rates for any official support that do not undercut available private market financing and that are commensurate with the corresponding rates being charged by other private financial institutions that are participating in the syndication.
- c) A Participant may request a waiver of the condition set out in paragraph b) 3) above, through use of a Common Line, in accordance with Articles 58 to 63 of the Arrangement. In such cases:
 - 1) the Participant making the Common Line proposal shall provide, as “other relevant information”, a comprehensive explanation for the support, including specific data on pricing, and a rationale for the need to waive the provisions of paragraph b) 3) above; and
 - 2) the provisions of paragraph a) of Article 5 of this Sector Understanding shall not apply.

3. REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

The repayment of principal and payment of interest shall be provided according to Article 14 of the Arrangement except that the maximum weighted average life of the repayment period under paragraph d) 4) of that Article shall be:

- a) For transaction in a Category I countries, six-and-a-quarter years; and
- b) For transaction in a Category II countries, seven-and-a-quarter years.

4. MINIMUM FIXED INTEREST RATES

A Participant providing official financing support for fixed rate loans shall apply, as minimum interest rates:

- a) For repayment terms of up to and including 12 years, the relevant Commercial Interest Reference Rates (CIRRs) constructed in accordance with Article 20 of the Arrangement.
- b) For repayment terms in excess of 12 years, the relevant Commercial Interest Reference Rates (CIRRs) constructed in accordance with Article 20 of the Arrangement, to which a surcharge of 20 basis points shall be added for all currencies.

CHAPTER III: PROCEDURES

5. PRIOR NOTIFICATION

- a) A Participant shall give prior notification in accordance with Article 47 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support for a transaction in a Category I country. Such notifications shall include a comprehensive explanation for the official support, including specific data on pricing.
- b) A Participant shall give prior notification in accordance with Article 48 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support for a transaction in a Category II country.

6. VALIDITY OF COMMON LINES

Notwithstanding the provisions of paragraph a) of Article 63 of the Arrangement, all Common Lines agreed under this Sector Understanding shall cease to be valid on 31 December 2018, unless the Participants agree to the extension of this Sector Understanding in accordance with paragraph d) of Article 7 of this Sector Understanding.

CHAPTER IV: MONITORING AND REVIEW

7. MONITORING AND REVIEW

- a) The Secretariat shall report annually on the implementation of this Sector Understanding.
- b) After 31 December 2014, the less than 50% syndication requirement set out in sub-paragraph ii) of the first tiret of paragraph b) 3) of Article 2 of this Sector Understanding shall be replaced by a maximum 35% syndication requirement unless the Participants agree otherwise.
- c) The Participants shall undertake a review of this Sector Understanding by no later than 30 June 2017 with a view to assessing the market conditions and other factors to determine whether the terms and conditions should be continued and or amended.
- d) After 31 December 2017, the terms and conditions of this Sector Understanding shall be discontinued unless the Participants agree otherwise.