

# **Export Finance and Insurance Corporation Amendment Regulations 2002 (No. 1) 2002 No. 36**

## **EXPLANATORY STATEMENT**

### **STATUTORY RULES 2002 No. 36**

Issued by the Authority of the Minister for Foreign Affairs

Subject: - *Export Finance and Insurance Corporation Act 1991*

Export Finance and Insurance Corporation Amendment Regulations 2002 (No. 1)

Section 91 of the *Export Finance and Insurance Corporation Act 1991* provides that the Governor-General may make regulations, not inconsistent with the Act, prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

Subsection 68 (1) of the Act provides that the total contingent liability at any time under insurance contracts entered into and guarantees given by the Export Finance Insurance Corporation (EFIC) shall not exceed the amount prescribed. Similarly, subsection 69 (1) provides that the total amount of money at any one time lent by EFIC and not repaid or written off shall not exceed the amount prescribed.

The purpose of the Regulations is to reallocate EFIC's statutory contingent liability and lending ceilings within the same total ceiling. There is no change to EFIC's maximum statutory ceilings.

The Regulations have increased; EFIC's maximum contingent liabilities for credit insurance (excluding overseas investment insurance) and export finance guarantees under paragraph 68 (1) (a) of the Act from A\$3600 million to A\$4900 million; and have increased EFIC's maximum contingent liabilities for overseas investment insurance under paragraph 68 (1)(b) of the EFIC Act from A\$750 million to A\$1150 million. EFIC's loan ceiling under subsection 69 (1) of the EFIC Act has decreased from A\$3 500 million to A\$1800million.

The changes reflect the changing pattern of business within EFIC over recent years. EFIC is increasingly providing a greater volume of export finance guarantees compared to direct export finance loans. Export Finance Guarantees finance exports by providing loan repayment guarantees to banks lending directly to the overseas buyers of Australian exports. In addition, there is an increased demand for Overseas Investment Insurance. Current business projections by EFIC suggest that the former ceiling set in paragraph 68 (1)(a) on credit insurance and export finance guarantees would have restricted business written by EFIC clients (Australian exporters) in 2002.

Details of the Regulations are set out in the Attachment.

The Regulations would commence on gazettal.

### **Attachment**

Regulation 1 provides that the name of these regulations is the *Export Finance and Insurance Corporation Amendment Regulations 2002 (No. 1)*.

Regulation 2 provides that the regulations commence on gazettal.

Regulation 3 provides that Schedule 3 amends the *Export Finance and Insurance Corporation Regulations*.

### **Schedule 1 - Amendments.**

Item 1 substitutes Regulation 1 to provide that the name of the regulations is the *Export Finance and Insurance Corporation Regulations 1991*.

Item 2 amends Subregulation 5 (1) by omitting "\$3,600,000,000" and inserting "\$4 900 000 000". The effect of this amendment is to increase the statutory ceiling for contingent liabilities for credit insurance (excluding overseas investment insurance) and Export Finance Guarantees.

Item 3 amends Subregulation 5 (2) by omitting "\$750,000,000" and inserting "\$1 150 000 000". The effect of this amendment is to increase the statutory ceiling for contingent liabilities for Overseas Investment Insurance.

Item 4 amends Subregulation 6 (1) by omitting "\$3,500,000,000" and inserting "\$1 800 000 000". The effect of this amendment is to reduce the statutory ceiling for lending for Export Finance.