

25 September 2020

Mr. Angus Brendan MacNeil MP  
Chair, International Trade Committee

Dear Mr. MacNeil,

On behalf of Standard Chartered Bank, I am delighted to respond to the International Trade Committee's call for evidence on UK Export Finance as part of your current inquiry.

Standard Chartered Bank was established in 1853 and is one of the UK's largest banks. Our core purpose is to drive commerce and prosperity through our unique diversity, and we deliver this through a network of 85,000 staff and presence in 59 markets, primarily across Asia, Africa and the Middle East. Our businesses serve three client segments (Commercial, Corporate and Institutional Banking (CCIB); Retail Banking; and Private Banking) across four regions (Europe and Americas, Africa and the Middle East, Greater China and North Asia, and ASEAN and South Asia). With our CCIB business we support over 50,000 clients ranging from local corporations and medium-sized enterprises to governments, banks and investors.

The relationship between Standard Chartered Bank and UK Export Finance is longstanding and one that we are proud of. We are one of UKEF's core banking partners, and I myself sit on the Board of Infrastructure Exports UK (IE:UK), the industry-led body which helps UK companies secure major infrastructure contracts overseas. Between 2017 and 2019, Standard Chartered and UKEF worked together on 15 separate transactions across our markets, and we continue to partner in transactions on a regular basis. Some of the transactions we have worked with UKEF on recently include:

- A €78mn project to support the design, construction and equipping of the new Eastern Regional Hospital in Ghana, announced in July 2020;
- A USD 870m project for construction of hospitals in Oman in 2019;
- A GBP 230m windfarm deal in Taiwan ("Formosa 2") in November 2019, a landmark green deal;
- A USD 73m rural infrastructure development project in Angola in July 2019.

Annexed to this letter is our full response to the questions that you have outlined as being of particular interest to the Committee. I hope you and your colleagues find this useful, and should you require any additional information please do not hesitate to get in touch.

Yours Sincerely,



Clare Francis  
CEO, Standard Chartered Bank UK

*September 2020*

## **Response to the Committee's specific questions**

### **Part 1: Operations**

#### **How comprehensive is UKEF's product offering - and how attractive are particular products when compared with private sector options?**

1. We consider UKEF's medium to long-term export credit products to be very attractive. This is due to UKEF's ability to provide 100% cover at long-term tenors. There are no private sector providers who can provide this, and as such we believe that UKEF's offering fills a gap in the market. We particularly welcome the recent developments that enable UKEF to underwrite new financing propositions that are not linked to specific projects, such as the recently launched Export Development Guarantee.
2. In terms of comprehensiveness, we would invite UKEF to go even further and consider expanding the product mix in line with the offering of other Export Credit Agencies and development agencies. We would particularly welcome the development of products that will allow UKEF to support the break costs associated with interest rate swap instruments entered into by financial institutions. Financial institutions typically enter into these separately, but in relation to the UKEF supported buyer credit facility as a way of managing their own risk where the interest rate on lending is fixed. Similarly, increasing numbers of borrowers in developing countries choose to borrow in local currencies, whereas UKEF lenders are typically international financial institutions that operate in hard currencies. To bridge the currency mismatch, we would invite UKEF to develop a cross-currency swap guarantee programme whereby UKEF would cover the swap break costs stemming from the cross-currency swaps instrument entered into by financial institutions separately, but in relation to the UKEF supported buyer credit in hard currency. We believe this would help UK exporters pursue business abroad, by leveraging attractive financing solutions that may not otherwise be available without UKEF in such scenarios.

#### **How suitable is UKEF's process for assessing applications for support?**

3. In Standard Chartered's experience, UKEF's processes generally work very well. The majority of UKEF staff are well experienced in assessing applications and approach the application process in a way that minimises unnecessary red tape or bureaucracy.
4. In certain countries where Sustainable Lending criteria must be met as a condition of approval, the application process requires the Foreign Commonwealth and Development Office's involvement. As other OECD Export Credit Agencies have their sustainable lending review in-house, to compete with these in terms of processing time UKEF need to ensure it works very closely with FCDO to ensure a seamless process.

#### **Do particular sectors, types of projects, or projects involving certain export destinations receive more UKEF support than others?**

5. We have not encountered any situations where UKEF have been unprepared to consider a project due to it being in a particular sector or jurisdiction. In our experience they have a very open approach and are prepared to consider all types of opportunities (subject of course to them falling within UKEF's core remit). Indeed, UKEF's open and flexible approach set them ahead of most other Export Credit Agencies in our experience.

**Are UKEF's performance targets suitable? Is UKEF's current financial allocation from HM Treasury and risk appetite appropriate to allow it to meet these targets?**

6. Standard Chartered supports UKEF's aspiration to ensure that no viable UK export fails due to lack of finance or insurance from the private sector, and we recognise that achieving this at no net cost to the taxpayer requires a careful calibration of financial allocations and risk appetite on the part of HM Treasury.
7. However, under these current, highly uncertain economic times, we anticipate that the demand for UKEF support is likely to increase. As such, it will be important to ensure that UKEF have sufficient headroom within their allocations to be able to support UK companies as they go through a challenging period. This is particularly important in two areas:
  - a. The Direct Lending Facility: We very much welcome HM Treasury's announcement that this facility would be increased in size to £8 billion in the Spring 2020 Budget, and would encourage UKEF and HM Treasury to ensure that the size of this facility remains sufficient to meet demand.
  - b. Individual country limits: UKEF have limits for the support they can provide to transactions for export to each individual country across the globe. In situations where these limits were fully utilised, or close to being fully utilised, this would have the potential to hamper the growth of UK exports. As such, we would encourage UKEF and HM Treasury to keep this under review to ensure there is enough headroom for new business in markets where demand for UK exports is high.

**How can UKEF continue to support economic recovery from the COVID-19 pandemic?**

8. We believe UKEF has done very well in supporting UK firms through the COVID-19 pandemic so far and consider that a number of changes they have made to their product offering should stand them in good stead to continue doing so. We would particularly like to highlight the following:
  - a. The launch of the Export Development Guarantee programme, for which we anticipate significant interest among our client base, and which should provide important support to UK exporters. We welcome the direction of travel UKEF is moving towards to support the provision of financing not tied to specific projects, and would encourage them to continue on this path.
  - b. The relaxation of eligibility criteria around exports to certain jurisdictions, which we think should specifically help the sectors which have suffered the most as a result of the pandemic.
  - c. UKEF's collaboration with the Association of British Insurers (ABI) in providing support through re-insurance schemes to the private insurance market has helped us to provide continued support to our clients.
9. Finally, we would like to note that UKEF's processes have withstood the challenges of working remotely very well, with staff dealing with applications efficiently and without any increase in processing times. Maintaining this resilience in the face of ongoing restrictions will be crucial in enabling them to support the economic recovery.

## **Part 2: Engagement**

### **How user-friendly are UKEF products for its range of customers, including small and medium enterprises? How well does UKEF communicate its offering to new and existing customers?**

10. Standard Chartered does not typically bank small and medium enterprises that are exporting from the UK, and as such we do not have direct experience of how user-friendly these entities find UKEF products. However, we would stress the importance of ensuring that the language in all product documentation is as clear and straightforward as possible, and products are made accessible to customers.
11. More broadly, in our experience, UKEF do an excellent job in marketing and communicating its offering across customers. Their network of domestic advisors and international representatives is unparalleled among ECAs, constituting an important asset in connecting international buyers with opportunities in the UK. We support the extension of the network of advisors to additional markets in the near future and look forward to working closely with them.

### **How does UKEF engage with DIT, the British Business Bank and private sector partners to ensure the requirements of businesses exporting overseas are met?**

12. As set out above, overall we consider that engagement is good. UKEF has very strong leadership through its CEO, Louis Taylor and its Director of Business Development, Marketing and Communications, Richard Simon-Lewis both of whom Standard Chartered engages with at senior level on a regular basis. We would particularly commend UKEF's innovative Exporter Fair, which works very well to connect overseas buyers into the UK supply chain and proactively generate business opportunities for UK exporters.

### **To what extent does UKEF draw on external expertise and knowledge in the design and review of its products?**

13. We find UKEF open to, and responsive to stakeholder feedback. In particular, they use a variety of channels to seek the input of business partners in designing, developing and reviewing their products, including working through industry bodies (e.g. UK Finance in the case of banks) and partner banks, as well as running formal consultation processes.

### **What could UKEF learn from other successful export credit agencies around the world?**

14. Overall, we believe that UKEF compares well to other successful Export Credit Agencies, and as stated above they have been a very strong partner to Standard Chartered for many years. However, some key features of other ECAs which could strengthen UKEF's proposition even further are set out below for consideration.
  - a. Maintaining sufficient country cover limits for growing demand. Some do not in principle have a ceiling limiting the amount of cover they can provide for transactions involving a single country. This would give the flexibility to respond better to areas of high demand.

- b. Removal of the cap on the Direct Lending Facility. Most ECAs who run similar programmes do not have a total cap on the size of the facility, which provides additional confidence to overseas buyers that they can rely on the programme when considering where to procure from.