



# For Your Information

Volume 6, Number 5

December 2001

## The Use of the SBA's EWCP to Augment/Support EXIM's EWCG

*By Deborah A. Conrad, Senior International Credit Officer & Regional Manager, U.S. Small Business Administration, Baltimore USEAC*

**W**ith the events of 11 September and the current changes in Eximbank's Country Limitation Schedule specifically identifying exclusions under its Export Working Capital Guarantee (EWCG), now is the time to cast a new eye at SBA's Export Working Capital Program (EWCP).

SBA's EWCP and Eximbank's EWCG are alike in a number of ways but different in others. Like Eximbank's EWCG, SBA's EWCP is a 90 percent guarantee, single sale or revolving line, can involve indirect exports, and can be used for Stand By Letters of Credit. Unlike Eximbank, SBA's EWCP has no restrictions regarding military or U.S. content and is only bound by Eximbank's Country Limitation Schedule (CLS) with regard to exclusion number seven – "Support Legally Prohibited". The EWCP also can be used for foreign purchase or contract financing.

[See EWCP on page 2](#)

## Updated Money Laundering Legislation

*By Isaac B. Lustgarten, Schultz Roth & Zabel LLP*

Summarized from International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001

**O**n October 26, 2001, the President signed into law the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the "Act") as part of an anti-terrorism package, entitled the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act").

In the Act, Congress finds that money laundering permits transnational criminal enterprises to conduct and expand their operations to the detriment and safety of American citizens, and that money launderers subvert legitimate financial mechanisms and banking relationships by using them as protec-

tive covering for the movement of criminal proceeds and the financing of crime and terrorism. The purpose of the Act is to increase the strength of United States measures to prevent, detect, and prosecute international money laundering and the financing of terrorism.\* The Act covers generally three types of financial institutions which we have labeled "Type A," "Type B," and "Foreign Financial Institutions," as indicated in the attached "Appendix A." Please note that many of the definitions in the Act require further clarification by the Treasury Department.

The provisions and amendments made by the Act will terminate after September 30, 2004 if the

[See LAUNDERING on page 2](#)

### BAFT PLATINUM SERVICE PARTNERS



## LAUNDERING continued from page 1

Congress enacts a joint resolution to that effect.

Set forth on page two is an overview of the key provisions of the Act, as described in the attached memo, addressing:

- Due Diligence Requirements
- Verification of Identification
- Prohibition on U.S. Correspondent Accounts with Foreign Shell Banks
- Anti-Money Laundering Programs
- Concentration Accounts at Type B Financial Institutions
- Special Measures Available to the Secretary
- Geographic Targeting Orders
- Jurisdictional Issues
- Consideration of Anti-Money Laundering Record in Bank Acquisitions
- Cooperation with Foreign Governments
- Enforcement of Foreign Judgments
- International Cooperation in the Investigation of Money Laundering, Financial Crimes, and the Finances of Terrorists
- Establishment of Highly Secure Network
- 120-Hour Rule
- Cooperative Efforts to Deter Money Laundering
- Liability When Reporting Suspicious Activities
- Reporting of Suspicious Activities by Securities Brokers and Dealers
- Crimes

- Forfeiture
- Reports and Future Studies

\*The Act is designed to deal with both money laundering (i.e., concealing illegal proceeds) and the financing of terrorism (i.e., using perhaps legal proceeds for illegal purposes). Note that, in addition, the Act primarily deals with money entering the United States, i.e., the establishment of accounts in the United States rather than money leaving the United States or transactions taking place within the United States only involving U.S. individuals or entities.


.....  
*If you are interested in receiving the full story, please contact Nathan Allen at [nathan@baft.org](mailto:nathan@baft.org) or by phone at 202/452-0956.*

## EWCP continued from page 1

What does this mean to you, the lender? This means that you can use the EWCP to enhance your Eximbank guaranteed line. If you are excluding defense related inventory and receivables from the borrowing base you could use the EWCP to include them. If you are excluding inventory or receivables from the borrowing base due to U.S. content you could use the EWCP to include them. If you are excluding inventory or receivables from the borrowing base due to an Eximbank CLS requirement, you could use the EWCP to include them. If your customer has a foreign purchase order or contract and not enough inventory or receivables under the borrowing base to support that draw, you could use the EWCP to finance the inventory and the receivable.

What does this mean to your customer? More availability under the lines and less constriction on company growth. Many lenders already use SBA's EWCP for their business banking customers and then move to Eximbank when the customer grows and internal financing requirements are greater than SBA's guarantee authority. Some lenders already use SBA's EWCP to augment their customer's Eximbank guaranteed line.

While SBA loan documentation does differ from Eximbank's loan documentation, this should not be a major hurdle. Just about every lender is a domestic SBA lender. As such each lender has an internal group that handles SBA loans and is familiar and comfortable with SBA internal documentation. SBA's EWCP loan documentation is minimal.

There are some basic requirements – the company must meet SBA size standard, the company must be in business at least 12 months or have proven expertise, the principals must be a U.S. citizen or Legal Permanent Resident. Also the SBA EWCP can only guarantee a maximum loan amount of \$1.1MM. The fees to the customer are a one time up front guarantee fee of 25 basis points on the amount guaranteed under the line. The fees to the lender are 50 basis point on-going fee on the undisbursed balance. For further information go to [www.sba.gov/oit](http://www.sba.gov/oit) and look up the local SBA International Credit Officer nearest you. They are located in one of the 19 United States Export Assistant Centers across the country. 

## The Current State of Insurance Companies and Their Risk Appetite in Various Countries for Private Borrower Risk

By Daniel Riordan, Zurich Emerging Markets Solutions

**W**hile many insurance and reinsurance companies are expected to sustain significant losses in traditional lines of insurance directly related to September 11, political risk and credit insurers operating exclusively in emerging markets should go unscathed since the events occurred in the U.S. However, as the impact of the terrorist attack begins to ripple through the insurance industry, some retrenchment can be expected in the reinsurance market, which could affect the level of capacity available from political risk and credit insurance providers, especially in Lloyds where some reinsurance is written on a "whole account" basis.

For a company whose business is risk management, the events of September 11, 2001 presented an array of challenges. The nature of the terrorist attacks have added a new dimension to the risk of political violence, and the global economic downturn, which began well before September 11, could be exacerbated in the face of increased uncertainty. These developments are likely to result in a hardening of the political risk and credit insurance market, characterized by a combination of smaller lines, higher


**September 11 will likely precipitate a shakeout in the insurance and reinsurance markets, and underwriting conditions will likely harden.**

rates and a more cautious approach to risk selection, again especially in Lloyds where retrenchment had already begun following losses in recent years and changes in personnel at key syndicates.

The regions facing the greatest potential for instability as a result of September 11 are the Indian subcontinent, Middle East and Central Asia, regions where demand for political risk insurance has traditionally been somewhat limited and where political risk underwriters tend to be cautious. Opposition by Islamic communities in certain Asian countries to military actions in Afghanistan also bears watching. Generally speaking, however, the factors that have driven the political risk and credit insurance markets for some time and which are unrelated to September 11 (e.g. lack of

capacity in key markets like Brazil) will continue to have their impact on pricing and availability of capacity.

ZEMS has always maintained a balanced approach to underwriting. While the perception of political risk has heightened since September 11, we continue to utilize a set of project- and transaction-specific criteria coupled with an overall regional and country risk analysis to determine which risks to accept. ZEMS balances the threat that unfavorable macroeconomic indicators in emerging markets may pose to our customers, with the belief that a well-structured project can be successful through proper risk mitigation. This is particularly true for our medium-term credit insurance, in which ZEMS is now an active player.

In sum, September 11 will likely precipitate a shakeout in the insurance and reinsurance markets, and underwriting conditions will likely harden. However, major players such as Zurich Emerging Markets Solutions, which bring a high level of expertise, a strong balance sheet and a long-term commitment to the business, will continue to be a force in the political risk and credit insurance market. 

## Identrus Brings Improved Trust and Security to Online Payments

**P**roject Eleanor, a global e-payments solution from Identrus, offers businesses the best of both worlds, retaining the auditability of paper while introducing the efficiency of online payments processing.

According to Gartner Group, the market for business-to-business e-commerce is projected to grow to \$8.5 trillion in 2005, but the practice has so far failed to meet its true potential. Companies go online to investigate one another's products and services, and often order goods, but they usually go offline to make payments, reintroducing the inefficiencies of traditional paper-based commerce.

What trading partners need is a standard way to initiate direct electronic payments across the Internet for goods and services costing thousands or millions of dollars. Credit cards, financial EDI and traditional interbank clearing and settlement networks all have shortcomings when it comes to security, auditability and flexibility.

With every costly and cumbersome step in today's current e-payment arena, banks risk disintermediation from the payment process. What bank customers need is 'straight-through payment processing', a term that essentially means:

Payments evolve seamlessly from the negotiation and order process. They're not a separate activity.

Complete payment information – what is being ordered, paid for, when and how – is inextricably

linked to the electronic payment message itself.

The bank processes required to execute the payment are transparent to the trading partner. In other words, the buyer and seller are pre-wired to their banks, and their preferences for executing payments are preconfigured. Then banks can automatically execute the transaction according to their preferences.

### The best of both worlds

Identrus, a bank-backed firm that counts over 50 major financial institution among its global e-commerce trust system "participants," will soon offer all of these straight-through processing components in the form of Project Eleanor, a payment initiation specification. Eleanor, helps companies use the efficiency of electronic channels while retaining all the benefits of direct paper exchange. Pilots scheduled to begin in the first quarter 2002 will initially involve seven of the 15 financial institutions that are participating in Project Eleanor and a limited number of their corporate customers. Project Eleanor is expected to go into full production in the third quarter of 2002.

Eleanor's payments processing is based on a pre-established collaborative model. In the case of Eleanor, the seller anticipates the payment, possesses all of the pertinent information online, and works with the buyer to accommodate the payment's journey through the system as an inextricable part of the transaction. The key is that the

buyer and seller have implicitly communicated all payment information across the Internet without having to append fragments of data to private network payment messages, or mail invoices, or expose data to risks of breach of privacy. As a result, buyers can initiate a payment online in conjunction with negotiation and purchase, rather than through a separate offline step.

Project Eleanor operates within the Identrus global trust system, which permits buyers and sellers to conclusively identify one another using FI-issued Identrus Global IDs, communicate securely, and automatically compile an auditable record of all communications and transactions. Identrus provides a foundation of trust and certainty that no other payment schemes offer, and gives banks the certainty they need to release payments and credit to trading partners.

Importantly, Project Eleanor does not create a new interbank payment system. It is simply a new front end to initiate payments on traditional systems. Trading partners have pre-established instructions with their banks for payment authorisation, routing and settlement. In fact, once configured for Eleanor payments, companies don't even have to think about bank payment networks. Eleanor handles all transactions transparently.

Eleanor offers flexible payment options that include Payment Orders, Payment Obligation, Certified Payment Obligation,

See IDENTRUS on page 5

**IDENTRUS** from page 4

Conditional Payment Order, Conditional Payment Obligation and Certified Conditional Payment Obligation. These options enable what competing initiatives cannot—the ability to deal with different buyers on different terms.

Eleanor benefits all participants by giving them a solid foundation to engage in lucrative new e-commerce activities while managing risk. Since it is a standard payment specification using XML messaging, Eleanor also gives all players a new ability to integrate payments, payment information and legacy systems to automate the back-end processing of commercial transactions.

“As our name implies, Identrus focused first on providing Internet identity trust,” said Guy S Tallent, president and CEO. “Project Eleanor builds on identity trust by confirming precisely if, when and how a buyer is going to pay, and then makes the payment a seamless part of the business transaction. Now Identrus trading partners can go online, meet trading partners anywhere on the planet, confirm their identities, sign legally binding contracts, and make payments with certainty – all at once, online and with financial institutions managing the considerable risks.” 

*For more information on participating in Project Eleanor and the Identrus global trust system, contact John Bullard, Managing Director of Participant Relations at [john.bullard@identrus.com](mailto:john.bullard@identrus.com) to find out how your organization can get involved.*

## **BAFT Welcomes New Members**

For banks to remain competitive in today's rapidly changing environment, it is essential for them to develop new skills, innovative approaches and attractive products. At BAFT, we help our members achieve this through our conferences and seminars, which are rated among the best in the industry. Our programs provide a forum for experts and bank executives to discuss the dynamics of the marketplace and the industry, and acquire the strategies and tools necessary to succeed in the 21st century.

With that, BAFT's would like to welcome its newest members from US and non-US banks, non-bank financial institutions, and other services members. To learn more about each of the companies please check out their website in the membership directory at [www.baft.org](http://www.baft.org).

**Suntrust Bank**  
**Cargill, Inc.**  
**Identrus LLC**  
**Trade Source International**  
**Trade Finance Systems**  
**The Chubb Group**  
**Flores Financial Services**

## **Have You Renewed Your Membership?**


It's that time of year when you need to renew your commitment to BAFT so that we can continue to serve you. We do so in a variety of ways. First, as a “first alert” on developing issues affecting the industry and as your advocate on legislative/regulatory matters. Second, as a medium for networking with your colleagues. Third, as a provider of professional education. Over the past year BAFT held (4) highly targeted conference in the U.S. and overseas.

Your membership provides access to our network of international bankers worldwide, participation in committees and task forces addressing critical industry issues, assistance from our staff in getting answers to difficult questions, substantial discounts on selected publications and telephone services, and participation in BAFT conferences and education programs at a reduced fee.

None of this can be done without your support. If you have overlooked sending in your membership renewal for 2001-2002 we urge you to send it in today so that we can continue to serve you. If you have already renewed your membership for 2001-2002, we thank you and look forward to working with you.

If you are not a member and would like information regarding BAFT membership, please contact Bruce Portillo at (202) 452-0952 or [bruce@baft.org](mailto:bruce@baft.org).

## MEMBERS CORNER

- **UBS, Financial Services Group** would like to announce its new service offering "UBS. The Bank for Banks." UBS provides financial institutions with a unique alternative to deal with the increased complexity in the financial services industry, enabling you to reach greater scale and scope while remaining focused on your core capabilities. UBS envisions a co-operative partnership based on a modular service offering enabling you to optimize elements or the entirety of your value chain, from cash, currency and securities management to sophisticated risk management services, front to back. For more information on "UBS. The Bank for Banks." please go to their website at [www.ubs.com/b4b](http://www.ubs.com/b4b) or by calling +41 1 239 8008.
- **Ecoban Finance Limited**, a New York-based international financial services firm, has announced the restructuring of its ownership. For the past ten years, Ecoban has been a member of the SK Global family. Under the new structure the management will principally own Ecoban, though Ecoban will continue to work with SK Global on various business projects. Ecoban will continue to operate all of its existing overseas offices and intends to open new offices in selective markets as opportunities arise.
- **Banco Popular** has been awarded by the prestigious British magazine *THE BANKER*, Best Spanish Bank of the year 2001. *THE BANKER* Annual Awards have gained, since its creation, a well-deserved reputation as a source of financial information. Its rankings are considered among the banking community as the real measure of bank's performance, innovation, strategy and achievements. *THE BANKER* highlights from Banco Popular Español that it has seen off the challenge of new banks and international financial institutions that have made Spain an increasingly competitive market.
- **Proponix** Achieves Major Milestone in Completing Outsourcing Implementation for First Customer, Australia and New Zealand Banking Group with Next-generation technology developed by American Management Systems (AMS) that reduces processing costs for global trade banks. In outsourcing trade processing services to Proponix, ANZ will realize immediate benefits including improved processing speed and increased functionality. Moving all of ANZ's trade customers over to the new system will be completed in the next six months.
- **TradeCard, Inc.**, a financial supply chain services provider that enables buyers and sellers to initiate, conduct and settle their trade transactions securely over the Internet, announced an agreement with the Korea Exchange Bank to provide Korea TradeCard members online access to export financing. Financing is critical to traders who require additional working capital to manage manufacturing and receivables. Through TradeCard, traders will be able to easily apply for and access Korea Exchange Bank's trade financing services online. Korea Exchange Bank will have real-time access to these applications, increasing the speed with which the bank can respond to and approve the financing requests. 

*We'd like to know what is happening in your company. If you wish to have an item printed in the February issue, please contact Nathan Allen at 202/452-0956 or email [nathan@baft.org](mailto:nathan@baft.org).*



*The staff at BAFT would like to wish you and your family a  
Happy Holiday Season and a  
New Year filled with Peace and Prosperity.*



## Calendar of Events

- December 4-7, 2001**  
**BAFT/CLAA/USMCOG**  
**25th Annual Miami**  
**Conference on Caribbean**  
**and Latin America**  
 Hotel Inter-Continental  
 Miami, FL
- February 7-8, 2001**  
**2002 Annual Mid-Winter**  
**Strategic Issues**  
**Conference—The “New”**  
**Global Reality—Operating**  
**in an Uncertain Environment**  
 Washington Monarch Hotel  
 Washington, DC
- April 7-9, 2002**  
**80th Annual Meeting**  
**Financial Institutions:**  
**Meeting the Challenge Ahead**  
 Fairmont Hotel  
 New Orleans, LA
- October 10-11, 2002**  
**12th Annual Conference**  
**on International Trade**  
**and Finance**  
 Four Seasons Hotel  
 Chicago, IL
- May 4-7, 2003**  
**81st Annual Meeting**  
 Biltmore Hotel  
 Phoenix, AZ
- May 2-5, 2004**  
**2004 82nd Annual Meeting**  
 Boca Raton Resort  
 Boca Raton, FL


## New Conferences Planned

**B**AFT is currently creating “alliances” with other associations to greatly expand the BAFT conference calendar going forward.

New this year, in November, BAFT joined with Al Zapanta, Executive Director of the U. S. Mexico Chamber of Commerce and held an off-the-record executive level meeting in Mexico City. The agenda and participant speakers discussing the economic and investment outlook for Mexico Post September 11th included – The Honorable Jesús Silva-Herzog, former Secretary of the Treasury to Mexico and former Mexican Ambassador to the U.S.; The Honorable Luis de la Calle, Undersecretary to the Ministry of Economy for Mexico; Larry Mellinger, Senior Managing Director of AIG and Julio A. de Quesada, President, Citibank, Mexico, Grupo Financiero Banamex among others.

Board Member Michael Conwell of Hibernia Bank represented BAFT at the meeting – other topics on the high-level agenda included energy and transportation. Future meetings at the most senior level will continue over the next year and the results of this meeting and future meetings will be reported to President Vicente Fox of Mexico.

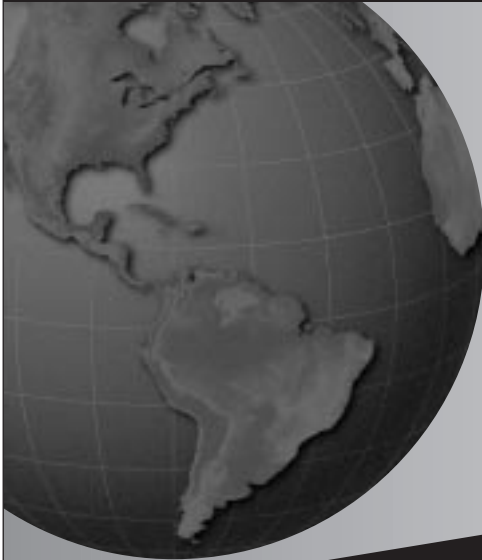
A second alliance is the initial planning stage will soon become official – BAFT has forged a new alliance with *Bank Systems Technology Magazine* to create a New York based bi-annual workshop that focuses on technology for the following sub-sets: Risk Management, Anti-Money Laundering Legislation, Global Payments and Security. The goal of the workshop is to help the various constituencies in the industry to understand the tasks at hand, evaluate where they are relative to where they need to be, and to help them develop potential action plans to incorporate technology initiatives into their respective businesses. The workshop will differentiate itself from similar workshops in the following ways:

- Present content at a 5,000 foot level as opposed to 10,000 feet by focusing on tactical information
- Will include specific breakout time immediately following the workshop for BAFT’s Technology Committee to assess/ratify their short-terms goals going forward
- BAFT’s partnership with Bank Systems & Technology and others will create an effective “information alliance” well-respected in the industry
- BAFT’s new workshop will include significant networking time and the ability to meet one-on-one 

*If you would like information on either of these initiatives or would like to learn more about BAFT conferences and how you can participate, please contact Deborah Smith, Director of Conferences at 202/452-0957 or [deborah@baft.org](mailto:deborah@baft.org).*



BANKERS' ASSOCIATION FOR FINANCE AND TRADE



Post September 11th, 2001—the impact is far-reaching and not immediately understandable. What does it mean for the global financial community-at large?

*The Midwinter Conference* will contribute to a greater understanding and discussion of the financial ramifications caused by the recent terrorist attacks in New York and Washington.

*The Midwinter Conference* will bring together government and private sector representatives as well as economists and members of academia. Space is limited to the first 250 registrants. We encourage you to register now.

## ANNUAL MIDWINTER STRATEGIC ISSUES CONFERENCE

*The "New" Global Environment—  
Operating in an Uncertain Environment*

PLATINUM SPONSORS



February 7-8, 2002  
The Washington Monarch Hotel  
Washington, DC

In cooperation with



Georgetown University

Register online at  
[www.baft.org](http://www.baft.org)