

User Guide

THE RATE STABILIZATION (INTEREST MAKE-UP SCHEME)

(informative, non-contractual document)

01. WHAT IS THE RATE STABILIZATION (INTEREST MAKE-UP SCHEME)?

The **Rate Stabilization (“stabilisation de taux”)** is an interest make-up scheme which enables exporters and banks to offer a fixed borrowing rate to customers of French export.

On the 1st January 2023, this activity has been transferred from Natixis DAI to Bpifrance Assurance Export, acting on behalf, in the name of and under the control of the State.

In practice, this procedure provides banks the opportunity to offer a fixed rate (governed by terms determined in the OECD Arrangement on officially supported Export credits) to export credits supported by Bpifrance Assurance Export. For all new credit insurance requests, the Rate Stabilization is based on a 6-month Euribor period for the Euro, a 6-month Term SOFR period for the US Dollar and a 6-month TORF period for the JPY (for other currencies, please contact our department: d.a.i@bpifrance.fr).

The Stabilized Rate contributes to the attractiveness of the French exporter offer. The Rate Stabilization allows exporters to give more visibility to their buyer on the cost of financing of their project, due to the fixed nature of the debt rate during the drawdown and repayment periods and thanks to the possibilities of maintaining the fixed rate in the negotiation period prior to the signature of the commercial contract and during the financing closing period. Commercial contracts with a small value and originated by SMEs (which is not a subsidiary of a large group and with an annual turnover \leq €150 M) can benefit from attractive financing conditions.

The Rate Stabilization is available at the exporter's request for all export transactions benefiting from a Bpifrance Assurance Export credit insurance. The granting of the Rate Stabilization will be considered on a case-by-case basis for project financing, strategic project insurance, nuclear energy projects or for the sales of a parent company to its subsidiary.

Eligible credit institutions to the Rate Stabilization procedure are those benefiting from a European Union license (including subsidiaries and branches from non-European Union credit institutions established in the European Union zone).

02. WHICH ARE THE DIFFERENT TYPES OF STABILIZED RATES?

The Stabilized Rate can take **3 possible values**, depending on the underlying export contract:

- Commercial Interest Reference Rate, “CIRR” (« TICR »)
- Constructed Rate (“Taux Construit”)
- Adjusted Rate (“Taux Adapté”)

If the contract involves a SME which is not a subsidiary of a large group and with a turnover \leq €150 M

➔ **CIRR**

If the total amount of the contract is \leq €100 M with a construction period \leq 4 years

➔ **CIRR**

If the amount of the contract is valued between €100 M and €500 M with a construction period \leq 4 years

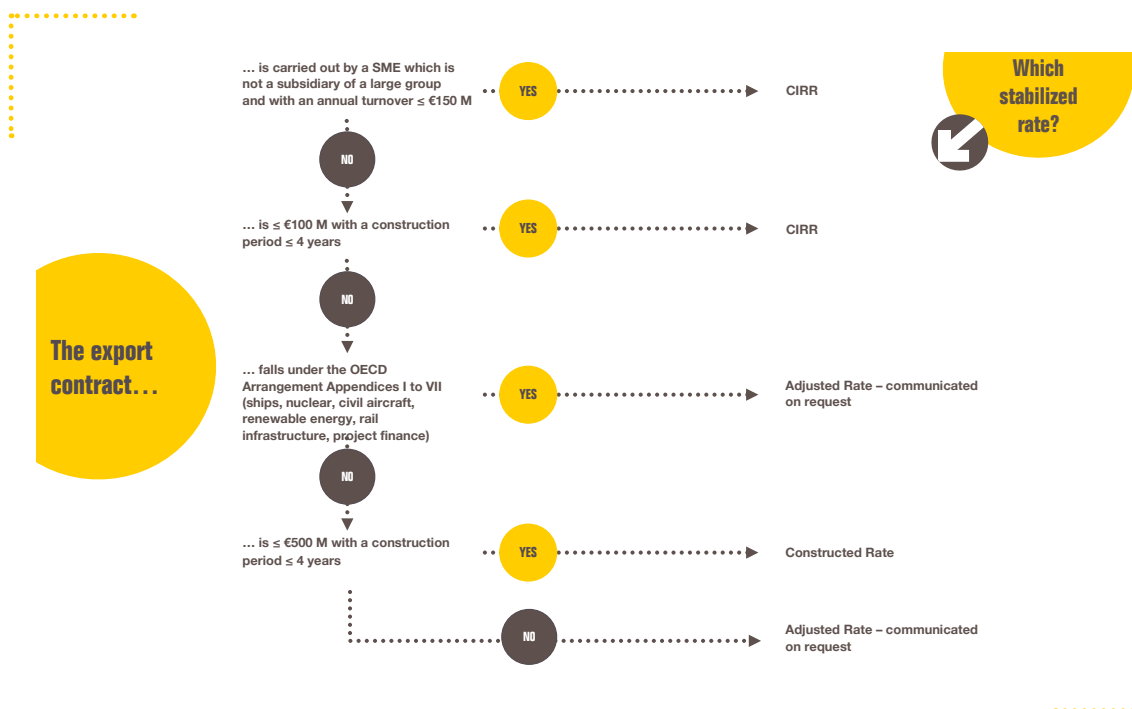
➔ **Constructed Rate**

If the total amount of the contract is $>$ €500 M or with a construction period longer than 4 years

➔ **Adjusted Rate - communicated on request** (Contact details: d.a.i@bpifrance.fr)

If the contract falls under the OECD Arrangement Appendices I to VII (ship, nuclear, civil aircraft, renewable energy, rail infrastructure, project finance)

➔ **Adjusted Rate – communicated on request** (Contact details: d.a.i@bpifrance.fr)



03. WHAT IS THE CIRR AND WHERE TO FIND ITS VALUE?

The **commercial interest reference rate CIRR** is the minimum fixed rate **set monthly by the OECD** based on the return of the highest-rated sovereign bonds increased by 100 bps. Only export credits under public support and falling under the framework of the OECD Arrangement can benefit from the CIRR. It is published no later than the 10th of each month and is valid from the 15th of the month in which it is published to the 14th of the following month. It is available for several currencies, including the Euro and US Dollar.

<https://www.bpifrance.fr/procedure-de-stabilisation-de-taux-dinteret>

04. WHAT IS THE CONSTRUCTED RATE AND WHERE TO FIND ITS VALUE?

The Constructed Rate is always higher or equal to the CIRR in force. It is set by Bpifrance Assurance Export in conjunction with the French public authorities (French Treasury, Direction générale du Trésor) and is published no later than the 10th of each month on the Bpifrance website. Its validity period is the same as the CIRR (e.g from the 15th of the current month to the 14th of the following month). If the project is eligible for the Constructed Rate, **it will automatically be the selected rate when** it is granted.

The Constructed Rate considers the construction period and the repayment period. The execution period is defined as the time between the date of signature of the Credit Agreement (usually corresponding to T0, marking the start of the exporter contractual responsibilities) and the starting point of credit as stated by the exporter.

<https://www.bpifrance.fr/procedure-de-stabilisation-de-taux-dinteret>

05. WHAT IS THE ADJUSTED RATE?

The **Adjusted Rate** is set for high value contracts (> €500 M), long-term contracts (> 4 years) and contracts falling under the OECD Arrangement Appendices I to VII (ship, nuclear, civil aircraft, renewable energy, rail infrastructure, project finance). This Adjusted Rate is quoted by Bpifrance Assurance Export and the French public authorities (French Treasury, Direction générale du Trésor) at the request of the exporter or the bank (Contact details: **d.a.i@bpifrance.fr**).

The request must be sent by email to **d.a.i@bpifrance.fr** and must state the following information:

- amount of the commercial contract,
- amount of the credit,
- the drawdown period,
- the repayment period,
- the starting point of credit,
- the interest capitalization (Yes/No),
- the premium capitalization (Yes/No),
- the Stabilized Offer Rate (Yes/No),
- the Stabilized Contract Rate (Yes/No),
- the 4-month additional lock-in period option (Yes/No),
- OECD Arrangement (Yes/No),
- OECD Sector Understandings (Yes/No – If yes, please specify)

06. WHICH MARGINS WILL BE RETROCEDED AND COVERED?

Margins retroceded to the banks by Bpifrance Assurance Export in the framework of the stabilization procedure are set at:

For the Euro:

- **35** bps for loans \geq €10 M for high-income OECD countries
- **45** bps for loans $<$ €10 M for high-income OECD countries
- **55** bps for loans \geq €10 M for other countries
- **65** bps for loans $<$ €10 M for other countries

For the US dollar and the JPY, it is generally increased as follows:

For the US dollar (as of July 1, 2022 including cases pending):

- **78** bps for loans \geq €10 M for high-income OECD countries
- **88** bps for loans $<$ €10 M for high-income OECD countries
- **98** pbs for loans \geq €10 M for other countries
- **108** bps for loans $<$ €10 M for other countries

For JPY (as of March 1, 2022 including cases pending):

- **41** pbs for loans \geq €10 M for high-income OECD countries
- **51** pbs for loans $<$ €10 M for high-income OECD countries
- **61** pbs for loans \geq €10 M for other countries
- **71** pbs for loans $<$ €10 M for other countries

For other currencies, please contact Bpifrance Assurance Export dedicated department: d.a.i@bpifrance.fr.

Margin retroceded may be changed on a case-by-case basis by Bpifrance Assurance Export with the agreement of the French Treasury for all cases.



Is the margin retroceded for all Stabilized Rates?

Yes, the margins are retroceded for all Stabilized Rates: CIRR, Constructed Rate and Adjusted Rate.



What margin will be guaranteed by Bpifrance Assurance Export?

A margin of 20bps in addition to the Stabilized Rate can be covered by Bpifrance Assurance Export.

(Reminder: Covered margins for market rates correspond to 85pbs for countries classified in category II by the OECD and for credits $<$ €10 M, 75bps for category II countries and credits \geq €10 M, 65bps for category I countries and credits $<$ €10 M and 55 bps for category I countries and credits \geq €10 M).

07. TERMS AND CONDITIONS FOR SETTING AND MAINTAINING STABILIZED RATES

When the credit insurance application is submitted for a project, before signature of the commercial contract, the applicant may either request the:

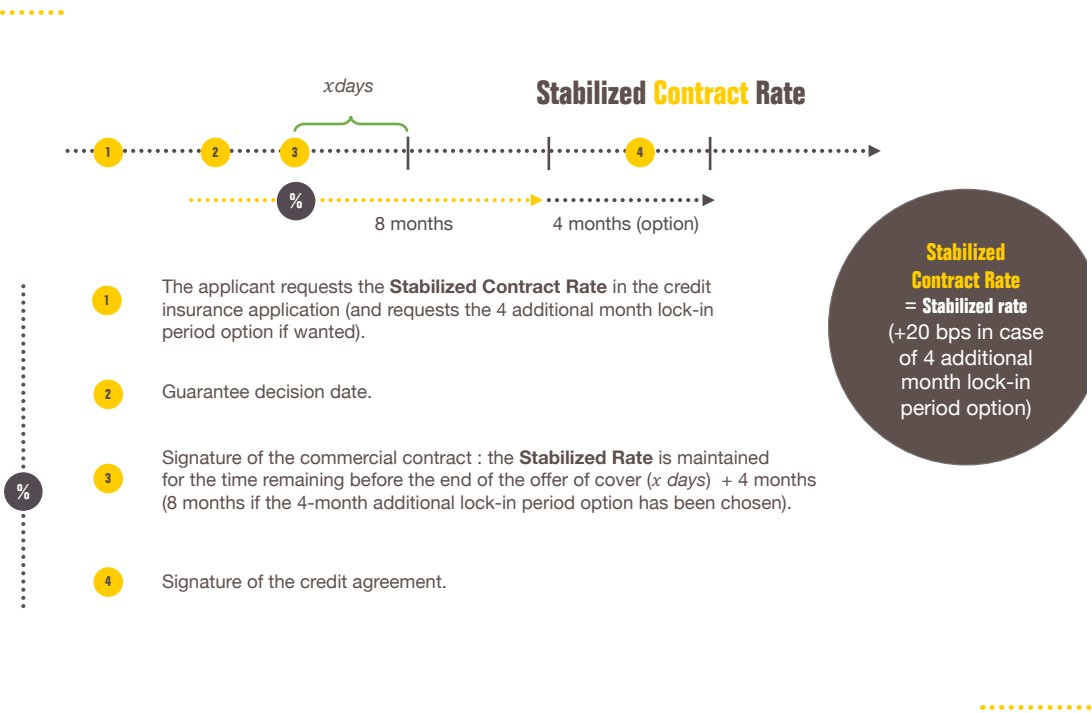
- Stabilized Offer Rate (“Taux à l’Offre”) or,
- Stabilized Contract Rate (“Taux au Contrat ») or,
- Stabilized Rate at the signing date of the Financing Contract (“Taux stabilisé au Contrat de Financement”).

When the commercial contract has already been concluded at the time of the credit insurance application, the applicant may either request the:

- Stabilized Rate after the signing date of the Commercial Contract (“Taux Stabilisé sur Contrat Conclu”) or,
- Stabilized Rate at the signing date of the Financing Contract (“Taux Stabilisé au Contrat de Financement”).

It is possible to request in the initial credit insurance application to benefit from a maintenance of the Stabilized Rate after signing the commercial contract (excluding the Rate at the signing date of the Financing Contract) for 4 additional months (for 2 extensions of 4 months instead of one) with an increase of 20 bps (the additional lock-in rate period margin). This additional lock-in period margin will be added to the Stabilized Rate (Stabilized Offer Rate, Stabilized Contract Rate, Stabilized Rate after the signing date of the Commercial Contract) including in case of revision of this rate based on the Stabilized Rate in force at the holding rate expiration period. **Please note: Starting from the date of the request, any additional lock-in rate period option is irreversible and cannot be cancelled. This option will apply not only to all offers of cover but also to final insurance policy.**

08. STABILIZED CONTRACT RATE



- 1 The applicant requests the **Stabilized Contract Rate** in the credit insurance application (and requests the 4 additional month lock-in period option if wanted).
- 2 Guarantee decision date.
- 3 Signature of the commercial contract : the **Stabilized Rate** is maintained for the time remaining before the end of the offer of cover (*x days*) + 4 months (8 months if the 4-month additional lock-in period option has been chosen).
- 4 Signature of the credit agreement.

What happens when the credit agreement is not signed before the end of the 8-(or 12-) month period?

The Stabilized Rate will be revised upward only, at each new 4-month extension period based on the rate in force at the expiration validity date of the offer of cover, increased by a 20 bps additional lock-in period margin in case of an additional lock-in period option up to 12 months.

10. STABILIZED RATE AFTER THE SIGNING DATE OF THE COMMERCIAL CONTRACT

Stabilized Rate after the signing date of the Commercial Contract



1 Signature of the commercial contract before the credit insurance application.

2 The applicant requests the **Stabilized Rate after the signing date of the Commercial Contract** in the credit insurance application (and requests the 4 additional month lock-in period option if wanted).

3 Guarantee decision date → following this decision, the **Stabilized Rate** is maintained for an 8-month period (CIRR, Constructed Rate, Adjusted Rate).

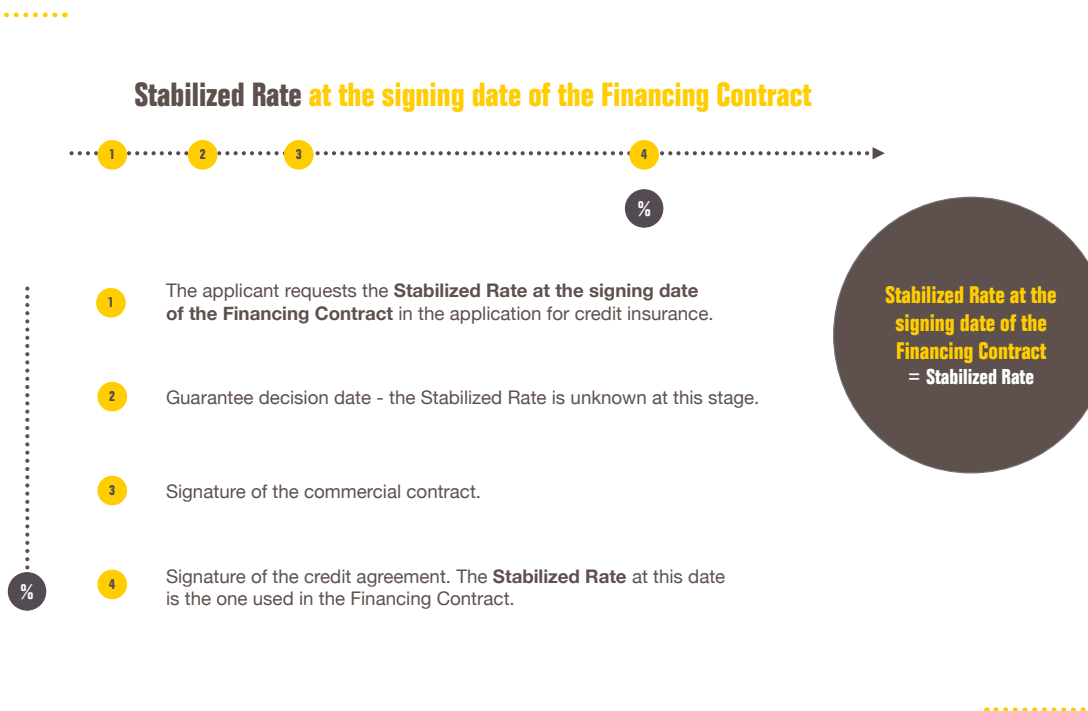
4 Signature of the credit agreement.

Stabilized Rate after the signing date of the Commercial Contract
= **Stabilized rate**
(+20 bps in case of 4 additional month lock-in period option.)

What happens when the credit agreement is not signed before the end of the 8-(or 12-) month period?

The Stabilized Rate will be revised upward only, at each new 4-month extension period based on the rate in force at the expiration validity date of the offer of cover, increased by a 20 bps additional lock-in period margin in case of an additional lock-in period option up to 12 months.

11. STABILIZED RATE AT THE SIGNING DATE OF THE FINANCING CONTRACT



What happens to the holding period of 8 (or 12) months?

This period does not exist in case of a Stabilized Rate at the signing date of the Financing Contract. Bpifrance will offer the Stabilized Rate but its value will only be determined at the signing date of the credit contract.

12. WAIVER OF CONDITIONS PRECEDENT

For loans \geq €25 M, if conditions precedent are not fulfilled (applicable to all drawings), as stated in the credit agreement, within a 8-month period after its signature, the Stabilized Rate will be revised upward based on the Stabilized Rate in force at the 8-month period expiration date (or based on a new Adjusted Rate if applicable) upon simple notification from Bpifrance Assurance Export to the policyholder. In this case, the Stabilized Rate will be revised upward only, every 4 months on simple notice by Bpifrance Assurance Export, based on the Stabilized Rate in force at this point in time, until final fulfilment of the conditions precedent, date on which the final rate will be fixed by an insurance policy amendment.

13. POSTPONEMENT OF THE STARTING POINT OF CREDIT

If the starting point of credit is postponed or in case of new tranches for multiple tranches contracts, the applied rate will be revised upward.

14. BREAKAGE COSTS SET BY BPIFRANCE ASSURANCE EXPORT

What are the breakage costs calculation modalities?

The breakage costs represent, for each repayment term, the difference between the Stabilized Rate (retroceded margin included) and the placement rate on financial markets. The difference is discounted at the placement rate for each repayment term.

When breakage costs are payable?

The breakage costs are payable in case of total or partial credit cancellation, underutilization, credit acceleration or early repayment. Breakage costs will be charged to the bank by Bpifrance Assurance Export and will be calculated on the portion cancelled or unused.

Exceptions to the rule: neglectable consumption of the price revision envelop or capitalized interests, foreign exchange effect between the commercial contract and credit agreement currencies.

A clause will automatically be added to the insurance policy establishing that Bpifrance Assurance Export' claims for breakage costs must be pari-passu with the senior debt of the transaction, separately from the export credit debt covered by Bpifrance Assurance Export. In the case of financing involving reinsurance and/ or multi-source financing, a case-by-case assessment will be made (Reminder: breakage costs are not guaranteed by Bpifrance Assurance Export under the credit insurance policy).

In case of project finance: a clause for charging adjustment costs may be required in case of a significant credit schedule change or if the starting point of credit is postponed.

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