News Release

Communiqué

Minister for International Trade

Ministre du Commerce extérieur

No. 188

October 4, 1993

HOCKIN WELCOMES CHANGES TO EXPORT FINANCING GUIDELINES FOR COMMERCIAL BANKS

The Honourable Tom Hockin, Minister for International Trade, today welcomed the decision of the Office of the Superintendent of Financial Institutions (OSFI) to implement important changes to export financing guidelines. The changes will affect the amount of provisions that banks must set aside against loans in specified countries.

"The new regulations will make export financing more accessible for Canadian companies and will have significant positive implications for Canadian exporters," Mr. Hockin said in Vancouver, where he is attending the annual convention of the Canadian Exporters' Association.

The changes, which come into effect later this month, will exclude certain financing arrangements and activities from the requirement to set aside loan loss provisions for country risk. The changes are:

- Short-term trade credits with maturities of up to one year will no longer require loan loss provisions. Such transactions represent a significant percentage of the banks' total trade finance activity. Removing the requirement is a key policy change that will put Canada on an equal footing with other Organization for Economic Co-operation and Development (OECD) countries.

- Canadian banks will be exempted from setting aside loan loss provisions when they participate in co-financing arrangements with the major multilateral development banks. Many of the other OECD countries have similar exemptions. This should encourage Canada's banking industry to pursue project financing opportunities in the developing world.

- Bank exposures that are either guaranteed or insured against political risk by specified export credit agencies will also be exempted.