Working Capital Delegated Authority Explained

Background

Since October 1994, EXIM Bank has given Delegated Authority (DA) to qualified lenders who apply, which allows them to commit EXIM Bank's Guarantee following the parameters laid out in the Working Capital (WC) Master Guarantee Agreement (MGA) and Delegated Authority Letter Agreement (DALA). Under the DA Program, a Lender and EXIM Bank enter into a DALA, which allows the Lender to approve Loans and receive an EXIM Bank Guarantee without having to submit individual loan applications to EXIM Bank for approval.

Requirements

- Lenders must complete the EXIM Bank DA Training Course.
- Lenders must employ at least two authorized officers (only one for Community Level DA) who have completed the EXIM Bank DA Training Course.
- Lenders must submit a formal letter to EXIM's Business Credit Division requesting DA, along with the Lender/Holding Company's annual report of three years audited financial statements (with notes); and résumés and backgrounds of key officers.

Evaluations

The EXIM Bank Staff from Business Credit evaluates the Lenders' requests for DA as follows:

- Analyzes and confirms that the DA Lenders' Know Your Customer ("KYC") procedures appear to reasonably address the objectives stated in EXIM Bank's Character, Reputational, and Transaction Integrity (CRTI) Due Diligence Policies and Procedures, and such "KYC" procedures provide a reasonable level of due diligence regarding Iran issues.
- Confirms that the DA Lenders have in place the requirement to contact EXIM Bank before approving a Loan Facility for which potential KYC or Iran issues are identified.
- Documents the DA Lenders' procedures on these points.

Six Levels of DA & Parameters

Level	Limits Per Borrower/Aggregate	Guidelines for Number and Type of Loan Facilities
Level 1	$1MM / $10MM	N/A.
Level 2	$2MM / $25MM	Minimum of 2 operative* WCGP Loan Facilities.
Level 3	$3.5MM / $50MM	Minimum of 4 operative WCGP Loan Facilities.
Level 4	$5MM / $75MM	Minimum of 10 operative DA Loan Facilities totaling at least $15MM.
Level 5	$7.5MM / $100MM	Minimum of 15 operative DA Loan Facilities totaling at least $20MM. 2 years' experience at High Level DA.
Level 6	$10MM / $150MM	Minimum of 5 operative DA Loan Facilities totaling at least $25MM, over and above any Loan Facilities at High Plus.

*Operative: historically authorized or booked

Additional Requirements -

i. For any Loan Facility of over $5,000,000 approved under "Level 6" DA Lender, the Loan Authorization Notice must be signed by two of the Lender's employees, at least one of whom must be a Senior Vice President (or the equivalent) or higher, who have been designated as authorized signers.

ii. Any Loan Facility of over $5,000,000 approved under "Level 6" DA must be monitored and serviced by an asset-based lending division of Lender.

iii. At no time may a DA Lender establish a Maximum Amount for a Loan Facility that exceeds the DA Limits per Borrower. If the Maximum Amount requested exceeds the Lender's DA (per Borrower) limit, the Lender must submit the application package to EXIM Bank for the entire Maximum Amount.

Note: EXIM Bank reserves the right to determine the level of DA authorized for each Lender.

DA Lenders Oversight

Business Credit Staff monitors Guaranteed Working Capital loans booked by DA Lenders in three ways:

- DA Lenders frequently request waivers from EXIM at loan origination or during the life of a loan. Business Credit Staff has the opportunity to review the Lenders' credit write-up (as applicable) before granting such waivers.
- Multi-year DA loans are reviewed annually by Business Credit Staff whereby DA Lenders submit their credit write-up as part of their reporting requirements.
- Business Credit Staff from Audit & Compliance conducts DA Lender Examinations of a sample of loans booked under DA periodically. The examination encompasses the review of documentation, credit underwriting, collateral inspections and administrations and financial and collateral reporting.

Qualifications for Higher DA Level

Once a Lender has reached its aggregate DA limit outlined in the table above, the Lender may make a written request for an increase. EXIM Bank's criteria for approval of an increase includes, but is not limited to, the following:

(i) Satisfactory experience under DA
(ii) Compliance with Working Capital Guarantee Program parameters; and
(iii) Satisfactory EXIM Bank DA Lender Examination(s).

If the increase is approved at EXIM's sole discretion, Lenders will be notified in writing of any increase in their DA.

DA Documents

EXIM Bank confers DA status through the DALA, or the C-DALA (Community), which outlines the specific terms and conditions between EXIM Bank and the Lender with respect to the exercise of a Lender's DA. The DALA must be executed by both the DA Lender and EXIM Bank to be effective.