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*"Rummaging in the government's attic"*

Description of document: Export-Import Bank of the United States "EXIM Owner's Manual," (Presidential Transition Materials), 2016

Requested date: 14-October-2018

Release date: 19-October-2018

Posted date: 08-July-2019

Source of document: FOIA Request  
Export-Import Bank of the United States  
Freedom of Information and Privacy Office  
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[Online Freedom of Information Act Request Form](#)

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October 19, 2018

**Via Electronic Mail**

**Re: FOIA Request # 201900001F**

This is the final response to your Freedom of Information Act (FOIA) request to the Export-Import Bank of the United States (Ex-Im Bank). We received your request in our FOIA Office via E-mail on October 14, 2018. You requested “an electronic copy of the EXIM “Owner’s Manual.”

We conducted a comprehensive search of the files within the Office of Ethics, FOIA Department for records that would be responsive to your request. This is the component within Ex-Im Bank in which responsive records could reasonably be expected to be found. The search produced the attached records. After carefully reviewing the responsive document, we have determined that it is partially releasable, pursuant to Title 5 U.S.C. § 552(b)(5). For your convenience, we are attaching the documents to this message as a PDF file. Any redactions are accompanied by the corresponding FOIA exemption:

**FOIA Exemption 5** protects from disclosure those inter- or intra-agency documents that are normally privileged in the civil discovery context. The three most frequently invoked privileges are the deliberative process privilege, the attorney work-product privilege, and the attorney-client privilege. Portions of the responsive documents qualify for protection under the Deliberative Process Privilege, which protects the integrity of the deliberative or decision-making processes within the agency by exempting from mandatory disclosure opinions, conclusions, and recommendations included within inter-agency or intra-agency memoranda or letters. After balancing harm to the deliberative process against the goal of maximizing discretionary disclosure, we further reviewed the withheld information pursuant to 5 U.S.C. § 552(b) in order to disclose all reasonably segregable information.

If you are not satisfied with the response to this request you may administratively appeal by writing to the Export-Import Bank of the United States, Attention: Assistant General Counsel for Administration, 811 Vermont Avenue, N.W., Washington, D.C., 20571. Your appeal must be

postmarked or electronically transmitted within 90 days of the date of the response to your request. You may also submit an appeal via E-Mail at [FOIA.Appeals@exim.gov](mailto:FOIA.Appeals@exim.gov). The phrase "FOIA APPEAL" should appear on the letter and on the outside of the envelope containing the appeal or in the "Subject" line of the E-Mail.

You may contact our FOIA Public Liaison, Ms. Lennell Jackson at (202) 565-3290 for any further assistance and to discuss any aspect of your request. Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001, email at [ogis@nara.gov](mailto:ogis@nara.gov); telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. See 5 U.S.C. §552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all of our requesters and should not be taken as an indication that excluded records do, or do not, exist.

Ex-Im Bank's FOIA regulations at 12 C.F.R.404.9 (a) state that Ex-Im Bank shall charge fees to recover the full allowable direct cost it incurs in processing request. In this instance, because the cost is below the minimum, there is no charge.

If you have any questions about this request, please contact Ms. Lennell Jackson at (202) 565-3290 or by E-Mail at [Lennell.Jackson@exim.gov](mailto:Lennell.Jackson@exim.gov).

Sincerely,

**LISA  
TERRY**  
Lisa V. Terry  
Chief FOIA Officer



Digitally signed by LISA TERRY  
DN: c=US, o=U.S. Government,  
ou=Export Import Bank, cn=LISA  
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Attachment: Responsive Documents (1 PDF file)



*Reducing Risk. Unleashing Opportunity.*

# OWNER'S MANUAL EXIM IN TRANSITION



## EXIM FY2016 Authorizations & Exposure

### SUMMARY

EXIM approved approximately 2,900 authorizations totaling \$5.0 billion to support an estimated \$8.0 billion of U.S. exports worldwide. These authorizations are supporting approximately 52,000 jobs.



52,000



\$8.0B in Export Value



\$5.0B in Authorizations



\$87.3B in Exposure

Authorizations (\$millions)	FY 2014		FY 2015		FY 2016	
	Amount	Number	Amount	Number	Amount	Number
Total Authorizations	\$20,468	3,746	\$12,383	2,630	\$5,037	2,899
Small Business	\$5,050	3,347	\$3,031	2,342	\$2,677	2,635
Minority Or Woman Owned	\$751	756	\$581	639	\$544	769
Environmentally Beneficial	\$336	117	\$227	89	\$125	118
Sub Saharan Africa	\$2,055	192	\$397	142	\$95	121

Total authorizations in FY 2016 totaled \$5,037 million, which is a decrease from \$12,383 million in FY 2015. Total exposure at the end of FY 2016 was \$87.3 billion down from \$102.2 billion at the end of FY 2015 (15% decrease).

### SMALL BUSINESS

In FY 2016, EXIM authorized \$2,677 million – 53.2% of total authorizations by dollar volume – in financing and insurance for the direct support of American small business exporters, not including support for small businesses in the supply chains of larger exporters. The 53.2% of total authorizations exceeded the congressional target of 25%. EXIM authorized more than 2,600 small business transactions – approximately 90% of the total number of EXIM transactions.



### AMOUNT SENT TO TREASURY

In October 2016, EXIM wired \$283.9 million to the U.S. Treasury to be used for deficit reduction—the latest in a long line of surplus revenues. After paying all of its operating and program costs, EXIM contributed a total of \$8.4 billion to the U.S. Treasury since 1992, of which \$3.8 billion has been contributed since FY 2009.



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# I. Introduction to EXIM

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## Owner's Manual in Brief

**The EXIM Owner's Manual will cover an initial overview and outlook of the Export-Import Bank of the United States (EXIM) for incoming political leadership.** The purpose of the EXIM Owner's Manual is to provide a functional overview of EXIM. Though not exhaustive, it should give the incoming political leadership a thorough understanding of how EXIM operates and the key issues facing EXIM. The Owner's Manual covers EXIM's organizational structure, EXIM's major programs, policies and legislation affecting EXIM, EXIM's budget and portfolio overview, and much more.

## EXIM in Brief

**EXIM is an independent, self-sustaining agency of the U.S. Government.** EXIM was established in 1934 and is headquartered in Washington, D.C. with 12 regional offices across the United States. The mission of EXIM is to create and sustain jobs by increasing U.S. exports of goods and services. EXIM can help minimize risk, level the playing field, and supplement commercial financing across a variety of industries, from medical equipment to renewable energy. In FY2015, EXIM financed an estimated \$17 billion in U.S. exports, with small business transactions representing nearly 90% of EXIM transactions.

## EXIM Products and Services

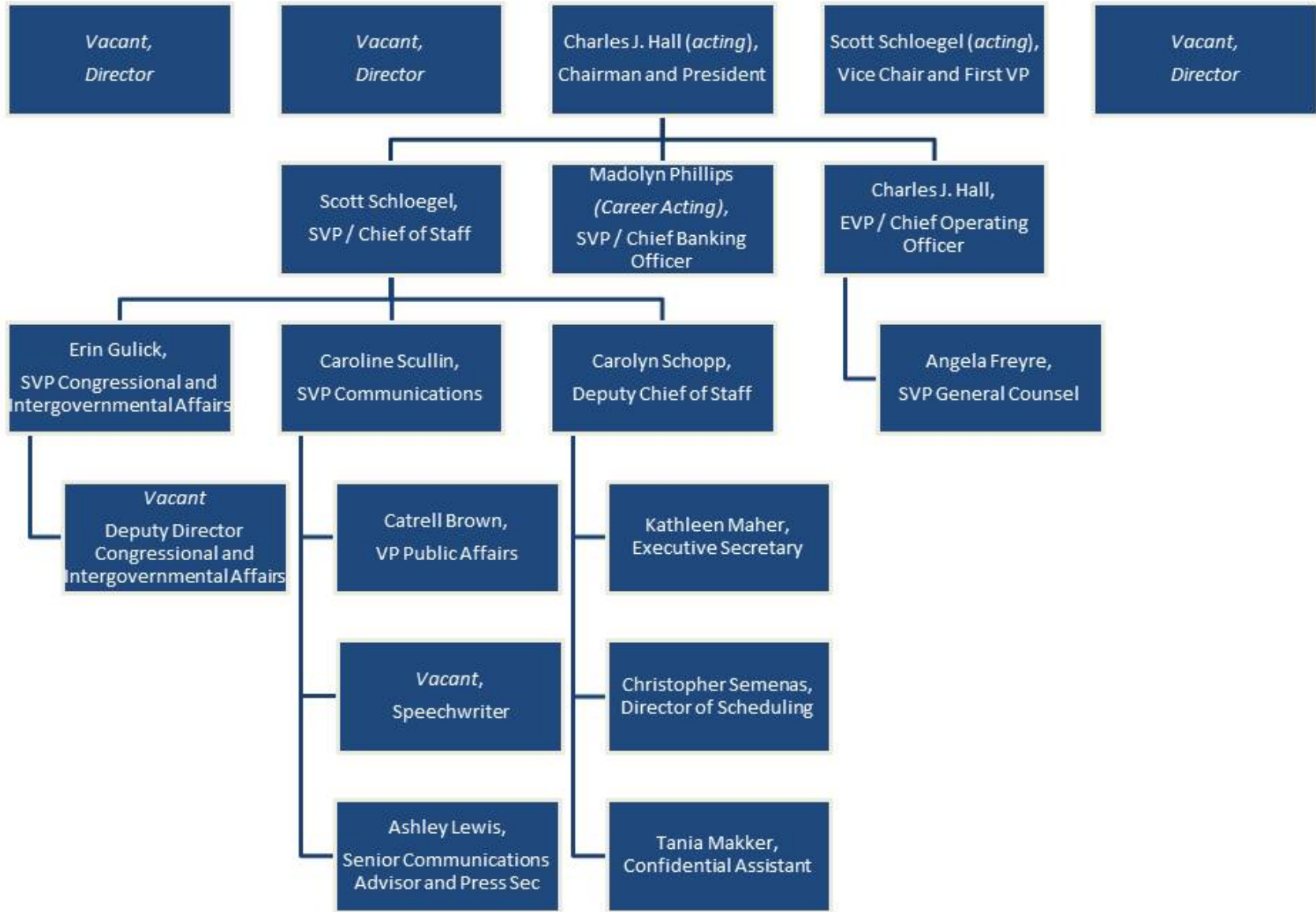
**U.S. exporters face economic, political, buyer nonpayment and cash flow risks.** While private sector financing typically protects exporters from those risks, there are gaps - and that's where EXIM comes in. EXIM provides an array of financing options tailored to the needs of the exporter - both small and large. We provide financing support to small businesses, medium-sized enterprises and larger corporations.

**EXIM financial products include:** 1) loan guarantees to cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports, 2) direct loans directly to foreign buyers of the U.S. goods and services, 3) export credit insurance against the risk of foreign buyer or other foreign debtor default for political or commercial reasons, and 4) working capital guarantees to lenders on secure, short-term working capital loans made to qualified exporters.

## Political Positions

EXIM has five Senate-confirmed Board appointees, a Senate-confirmed Inspector General, and 14 Schedule-C appointees. As required by statute, the President of EXIM serves as Chair of the Board of Directors and the First Vice-President serves as Vice Chair. If a vacancy arises in either position, the President of the United States then designates individuals to serve in an acting capacity. As such, both the Chair and Vice Chair positions are currently filled by designated acting officials. On January 5, President Obama nominated Claudia Slacik to fill a term through 2019. That nomination remains pending before the Senate Banking Committee. All other Board positions await presidential nominations. The Inspector General is appointed by the President with consent from the Senate. Major Schedule-C appointees include senior staff positions such as the Chief Operating Officer, the General Counsel, and the Chief Banking Officer.

Appointee	Positions, Current Officer
Senate-Confirmed	<p>The Board of Directors; Inspector General</p> <ul style="list-style-type: none"> <li>• <b>Chairman and President of EXIM:</b> Charles J. Hall (<i>acting</i>)</li> <li>• <b>Vice Chair and First VP:</b> Scott Schloegel (<i>acting</i>)</li> <li>• <b>Director:</b> <i>vacant</i></li> <li>• <b>Director:</b> <i>vacant</i></li> <li>• <b>Director:</b> <i>vacant</i></li> <li>• <b>Inspector General:</b> Michael T. McCarthy (<i>career acting</i>)</li> </ul>
Schedule-C	<p>Schedule-C appointees cover operations, banking, general counsel, and more</p> <ul style="list-style-type: none"> <li>• <b>EVP and Chief Operating Officer:</b> Charles J. Hall</li> <li>• <b>SVP and Chief of Staff:</b> Scott Schloegel</li> <li>• <b>SVP and Chief Banking Officer:</b> Madolyn Phillips (<i>career acting</i>)</li> <li>• <b>SVP General Counsel:</b> Angela Freyre</li> <li>• <b>SVP Congressional Affairs:</b> Erin Gulick</li> <li>• <b>SVP Communications:</b> Caroline Scullin</li> <li>• <b>Deputy Chief of Staff:</b> Carolyn Schopp</li> <li>• <b>VP Public Affairs:</b> Catrell Brown</li> <li>• <b>Executive Secretary:</b> Kathleen Maher</li> <li>• <b>Deputy Director Congressional Affairs:</b> <i>vacant</i></li> <li>• <b>Speechwriter:</b> <i>vacant</i></li> <li>• <b>Press Secretary:</b> Ashley Lewis</li> <li>• <b>Director of Scheduling:</b> Christopher Semenas</li> <li>• <b>Confidential Assistant:</b> Tania Makker</li> </ul>



## Transition Contacts

The Transition process for EXIM is supervised by Charles Hall, EVP and COO, and Michael Cushing, SVP of Resource Management, as a political appointee and a career employee, respectively. While all Senior Officers have a role in this process and inform the key issues facing EXIM, the COO and SVP of Resource Management will oversee transition operations and serve as the main points of contact for the incoming political leadership. For any questions regarding the Transition process from the EXIM perspective, please contact COO Charles Hall.

Name	Role	Email	Number	Office
Charles J. Hall	EVP and Chief Operating Officer	<a href="mailto:cj@exim.gov">cj@exim.gov</a>	202-565-3509	1211
Michael Cushing	SVP of Resource Management	<a href="mailto:michael.cushing@exim.gov">michael.cushing@exim.gov</a>	202-565-3561	1009

## Executive Vice President / Chief Operating Officer (*political*)

**The Executive Vice President and Chief Operating Officer serves as the senior executive officer to the Chairman and President on operational, and management issues.**

- Serves as one of the three principal direct reports to the Chairman and President, along with the Chief Banking Officer and the Chief of Staff. On behalf of the Chairman and President, the incumbent plays an important role in the development and implementation of EXIM policy and programs, organization of EXIM management issues for the attention of the Chairman and President, and coordination with EXIM senior executives.
- Serves as the Chief Operating Officer of EXIM. Directly assists the Chairman and President and the Board of Directors in instituting and implementing new programs (along with the Chief Banking Officer) and means of more effective use of EXIM's resources for expanded assistance of export financing, and directly assists the Chairman in key policy and administrative decisions.
- Provides advice and counsel to the Chairman and President on major EXIM policies, programs and management issues.
- Represents the Chairman and President in managing EXIM policies and issues, particularly in coordinating matters that cut across groups and offices, are controversial, or present complex issues. Acts on behalf of the Chairman to identify and resolve issues. Obtains and evaluates views on major issues and proposals of EXIM. Develops such views into appropriate recommendations for the consideration of the Chairman and President as directed. Provides EXIM officials with the decisions made by the Chairman and President to aid officials, organizations and other agencies directly concerned on matters of special significance.
- As requested, directs special projects or task forces. Represents the interest of the Chairman and President and assists in providing quick responses on major program and policy issues.
- Manages and coordinates other high level initiatives, as directed by the Chairman and President.

## Senior Vice President of Resource Management (*career*)

The Senior Vice President of Resource Management leads programs in:

- Administrative budget management
  - business planning,
  - budget planning, formulation, and execution,
  - financial, acquisition, and business systems integration
- Human resources and human capital management
  - talent acquisition, retention, and development,
  - workforce and succession planning,
  - performance management,
  - employee and labor relations, employee engagement,
  - leadership development and training, and
  - merit systems and veterans' preference policy and compliance
- Acquisition management and business services
  - business planning and budgeting,
  - acquisition strategy, planning, and business advice,
  - contract solicitation, award, and management,
  - business systems integration, and
  - acquisition policy and compliance.
- Corporate operating services
  - capital planning, construction and renovation, facilities and workplace management, environmental and sustainability programs,
  - emergency preparedness and continuity of operations,
  - records management, and
  - personnel and physical security, classified information.
- Research library
  - legal research
  - due diligence research: financial and know your customer
  - news and analysis
  - briefing materials in support of business development
  - books, magazines and journals
  - ratings, equity, corporate, and international business research
  - daily clips, legislative history, archives.
- Serves on the Executive Committee of the Small Agency Council

## II. Mission and History

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**EXIM is the official export credit agency of the United States. EXIM is an independent, self-sustaining Executive Branch agency with a mission of supporting American jobs by facilitating the export of U.S. goods and services.** When private sector lenders are unable or unwilling to provide financing, EXIM fills in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, EXIM levels the playing field for U.S. goods and services going up against foreign competition in overseas markets, so that American companies can create more good-paying American jobs.

**Because it is backed by the full faith and credit of the United States, EXIM assumes credit and country risks that the private sector is unable or unwilling to accept.** EXIM's charter requires that all transactions it authorizes demonstrate a reasonable assurance of repayment; EXIM consistently maintains a low default rate, and closely monitors credit and other risks in its portfolio.

### Mission

**The mission of EXIM is to support U.S. jobs by providing export financing through its loan, guarantee, and insurance program.** Specifically, EXIM supports U.S. through export financing in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. EXIM's Charter requires reasonable assurance of repayment for the transactions EXIM authorizes, and EXIM closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. jobs through export financing, EXIM offers four financial products: loan guarantees, working capital guarantees, direct loans and export credit insurance. All EXIM obligations carry the full faith and credit of the U.S. government.

### Strategic Plan

**EXIM Strategic Plan: 2013-2017 sets forth EXIM's strategy to maximize support for U.S. jobs through exports while also remaining a self-sustaining agency.** The most recent update to the Plan, dated August 29, 2013, evaluates EXIM's performance towards meeting the Plan's goals over the previous three years and refines the objectives and strategies to reflect EXIM's progress towards achieving these goals. The Update also incorporated new objectives and highlights EXIM's Congressional mandates, which are central to EXIM's goals and work and are therefore incorporated accordingly into EXIM's strategic goals. This Update will also drive EXIM-wide performance planning and Government Performance and Review Act (GPRA) reporting for future years.

1. **Goal 1:** Expand awareness of EXIM services through focused business development and partnerships.
2. **Goal 2:** Improve ease of doing business with EXIM.
3. **Goal 3:** Ensure effective enterprise risk management consistent with EXIM's charter requirements.
4. **Goal 4:** Create an environment that fosters high performance and innovation.

*Note: A new Strategic Plan will need to be started within 180 days of the new administration.*

## History of EXIM

**Founded in 1934, EXIM has an 82 year history of supporting America's exporters and workers.** Over the years EXIM has played a key role in major projects ranging from the Burma Road to the Marshall Plan. From the beginning EXIM's programs were designed to "supplement the facilities afforded by the rest of the financial community and, by so doing, to make available to U.S. exporters and importers the type of facilities supplied in other countries by the private capital market."

**Signed by President Franklin D. Roosevelt on February 2, 1934, Executive Order 6581 created the Export-Import Bank as a District of Columbia banking corporation under the name Export-Import Bank of Washington.** The stated goal was "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other Nations or the agencies or nationals thereof," with the immediate goal of making loans to the Soviet Union. A Second Export-Import Bank of Washington was created on March 9, 1934, with the specific aim to aid trade with Cuba. In 1935 EXIM made its first transaction of a \$3.8 million loan to Cuba for the purchase of U.S. silver ingots. The First and Second Export-Import Banks were combined in 1936.

**In the first decade, EXIM supported several projects that had a major impact on American jobs and the world.** EXIM's first development loan was in 1938 to Haiti for \$5.5 million to improve economic conditions. In 1938 EXIM assisted the construction of the Burma Road with a \$22 million loan to China. EXIM's first industrial development project was a \$25 million credit in 1940 toward the construction of a large steel mill at Volta Redonda in Brazil. To support exports to Latin America, Congress increased EXIM's lending authority in 1940 to \$700 million. In 1941 EXIM's first financing for the Pan American Highway was approved for road construction in Mexico, El Salvador, Honduras, Nicaragua, Costa Rica, and Ecuador.

**Congress continued EXIM as a government agency, using a series of laws between 1935 and 1943 to place it under various government departments, before making it an independent agency on July 31, 1945, with the Export-Import Bank Act of 1945.**

**In 1945 EXIM authorized over \$2 billion for post-WWII reconstruction in Europe, Asia and Africa.** In 1948 EXIM was designated by the Foreign Assistance Act to administer loans and issue guarantees authorized by the Economic Cooperation Administration under the Marshall Plan.

**Since the beginning EXIM has a long history of bipartisan support.** EXIM has been reauthorized 18 times and supported by the last fourteen United States presidents, both Republicans and Democrats. In 1963 President John F. Kennedy stated, "...the Export-Import Bank has created a wholly new program of export financing which now provides U.S. business with credit facilities equal to any in the world." In 1984 President Ronald Reagan said, "Exports create and sustain jobs for millions of American workers and contribute to the growth and strength of the United States economy. The Export-Import Bank contributes in a significant way to our nation's export sales." This bipartisan support has continued throughout its 82 year history.

**In 1958, due to increased demand for its activities in support of U.S. overseas trade, EXIM's dollar lending authority was increased to \$7 billion.** In the 1960s EXIM financed sales of U.S. commercial jets to airlines in 40 countries. The name of the agency changed in 1968 to "Export-Import Bank of the United States."

**In the first fifty years, EXIM was instrumental in supporting \$167 billion in U.S. exports.** Small Business has been a major focus of EXIM's mission. In 1985 Congress enacted a 10 percent mandate on small business authorizations, which was increased in 2002 to 20 percent and in 2015 to 25 percent. In 2006 the Small Business Division of EXIM was created. In FY 2015, nearly 90 percent of EXIM's transactions directly supported American small businesses.

**Since 1992, EXIM has fulfilled a congressional mandate to promote U.S. exports that benefit the environment.** With an aggregated total of nearly \$2 billion in financing since 2009, EXIM significantly increased its support of American exports related to renewable energy production.

**There are 85 export credit agencies like EXIM in nearly 60 countries around the world.** Almost every developed country and all the major emerging economies have an export credit agency. Over the past two decades, EXIM has generated nearly \$7 billion more than the cost of operations.

**EXIM's latest long-term reauthorization, the Export-Import Bank Reform and Reauthorization Act of 2015 (PL 114-94), reauthorizes EXIM through September 30, 2019.**

## Statutory Requirements

**EXIM was established by and operates under its statutory Charter as an independent agency of the United States and a government corporation.** The Charter sets EXIM's basic organizational structure and statutory requirements for its activities, including its objects and purposes, specific statutory mandates, reporting requirements, and restrictions on activities, among others. EXIM's mission is to support U.S. jobs through providing export financing under its loan, guarantee and insurance programs. EXIM does not provide "foreign assistance" and does not have a "development" mandate.

## Charter

### Requirements, mandates and directives established under the Charter include:

- Reasonable assurance of repayment
- Small business mandate (not less than 25%)
- Supplement and complement private sector financing
- Competitiveness mandate
- Economic impact
- Environmental review
- Exposure cap
- Default rate
- Promotion of renewable energy exports and exports to Sub-Saharan Africa
- Country restrictions (Marxist-Leninist countries)
- Defense/military export restrictions
- Competitiveness Report
- Notifications to Congress and Federal Register notices
- Iran Sanctions Certifications (Note: EXIM's Iran Sanctions Certification requirements continue to be in effect and are separate from the Joint Comprehensive Plan of Action (JCPOA))
- Tied aid
- Nonfinancial or noncommercial considerations
- Non-subordination
- Non-discrimination
- Governance structures

## Other Laws and Regulations

**EXIM also operates in compliance with other U.S. laws governing the operation of government agencies, including but not limited to the following:**

- Export Administration Act
- Federal Credit Reform Act of 1990
- Annual Foreign Operations, Export Financing, & Related Programs Appropriation Acts, 2003
- Anti-Deficiency Act
- Government Corporation Control Act
- Congressional Budget and Control Act of 1974
- Federal Financial Management Improvement Act of 1996
- Debt Collection Improvement Act
- Prompt Payment Act
- Federal Acquisition Regulations
- Federal Travel Regulations
- Walsh-Healey Public Contracts Act

- Competition in Contracting Act
- Contract Disputes Act
- Office of Federal Procurement Policy Act
- Service Contract Act of 1965
- Paperwork Reduction Act
- Government Paperwork Elimination Act of 1996
- U.S.C. Title 5 (Government Organization and Employees)
- Federal Information Security Management Act
- E-Government Act of 2002
- Clinger-Cohen Act
- Computer Security Act of 1987
- Electronic Signatures in Global and National Commerce Act of 2000
- International Emergency Powers Act
- Trade Sanctions Reform Act of 2000
- Chemical and Biological Weapons Control and Warfare Elimination Act of 1991
- Iran Sanctions Act
- Support for East European Democracy Act
- Anti-Lobbying Disclosure Requirement, 31 U.S.C. 1252
- National Environmental Policy Act
- Suspension and Debarment Regulations
- Inspector General Act of 1978
- Government Performance and Results Modernization Act of 2010
- Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010
- Endangered Species Act
- Improper Payments Elimination and Recovery Act of 2010
- Consolidated Appropriations Act

## Appropriations Act

**In addition to budgetary authorities, Appropriations Acts may provide additional statutory authorities or impose requirements on EXIM's operations.** One such example is the prior authority to compensate some employees under administratively determined (AD) pay authority.

## III. Organizational Overview

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### EXIM Board of Directors

**EXIM's Board of Directors is composed of five members.** The President of EXIM serves as Chairman, the First Vice-President serves as Vice Chair, and three additional persons appointed by the President of the United States by and with the advice and consent of the Senate. Of the five members of the Board, not more than three shall be members of any one political party. It is customary for the President to nominate two individuals recommended by the Senate leader of the opposing party. Current law requires three Board Members be present in order to constitute a quorum. Without a quorum, the Board cannot conduct any business, including consideration of applications for medium- and long-term transactions exceeding \$10 million. The Board generally meets on a weekly basis to consider individual transactions, EXIM policies, and other business that may arise. Historically, the President of EXIM has assigned business development responsibilities to Board members, with focus areas including a geographic region, sector, or constituency (i.e. Small Business). By statute, there are two ex-officio non-voting Board members: the U.S. Secretary of Commerce and the U.S. Trade Representative.

## EXIM Organization & Leadership Structure

**Three senior officers directly report to the Chairman and President of EXIM.** The EVP / Chief Operating Officer, SVP / Chief of Staff, and SVP / Chief Banking Officer directly oversee the operations and management of EXIM, including all the other SVPs.

**EVP / Chief Operating Officer oversees or directs the following offices of EXIM:**

1. Office of the Chief Financial Officer
2. Office of the General Counsel
3. Office of Ethics (reports directly to EXIM Board of Directors)
4. Office of Risk Management (Chief Risk Officer reports to EXIM President)
5. Office of Resource Management
6. Office of Information Management and Technology
7. Office of Innovation and Performance

**SVP / Chief Banking Officer oversees or directs the following offices of EXIM:**

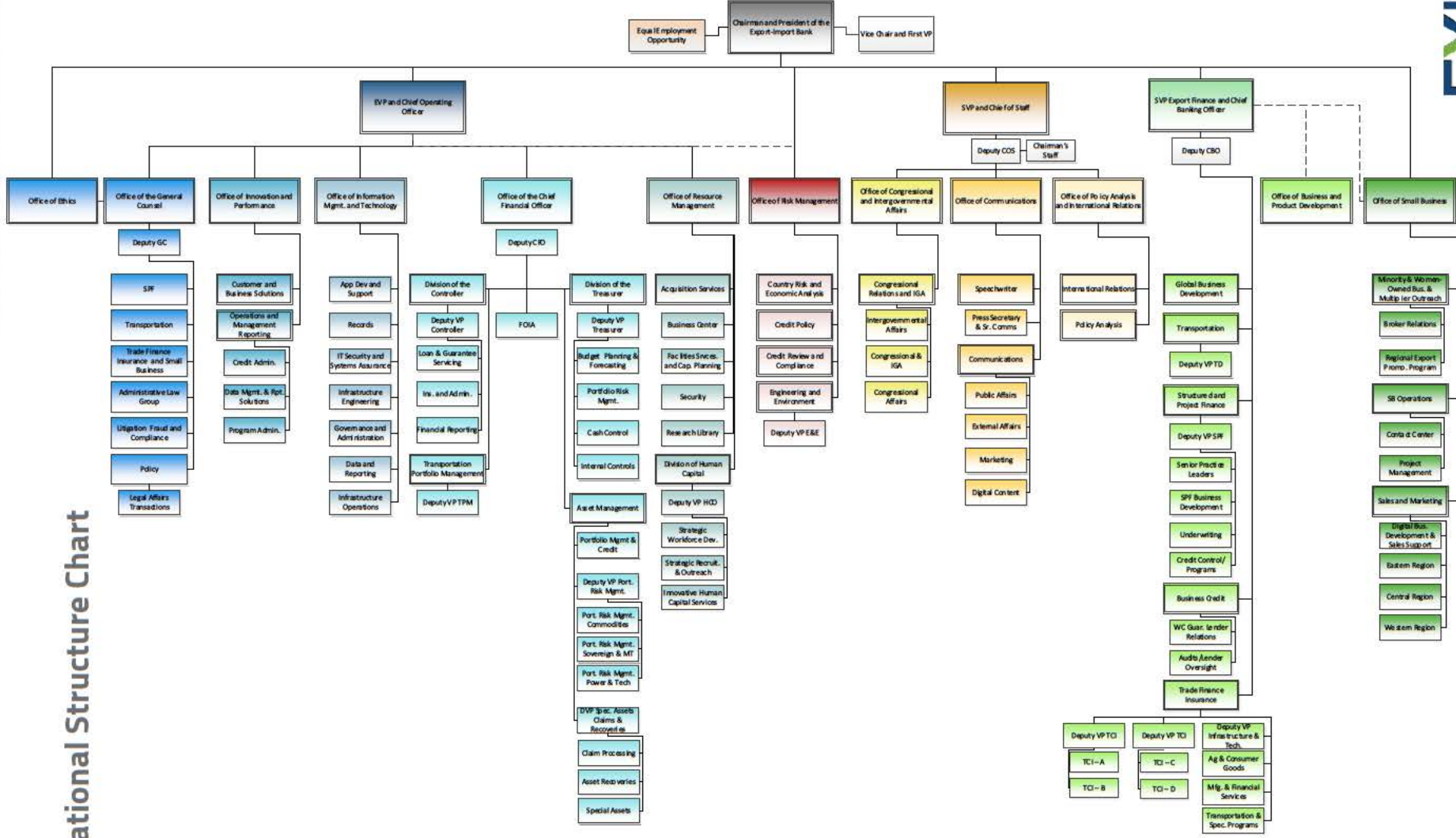
1. Office of Export Finance
2. Office of Small Business (reports to EXIM President)

**SVP / Chief of Staff oversees or directs the following offices of EXIM:**

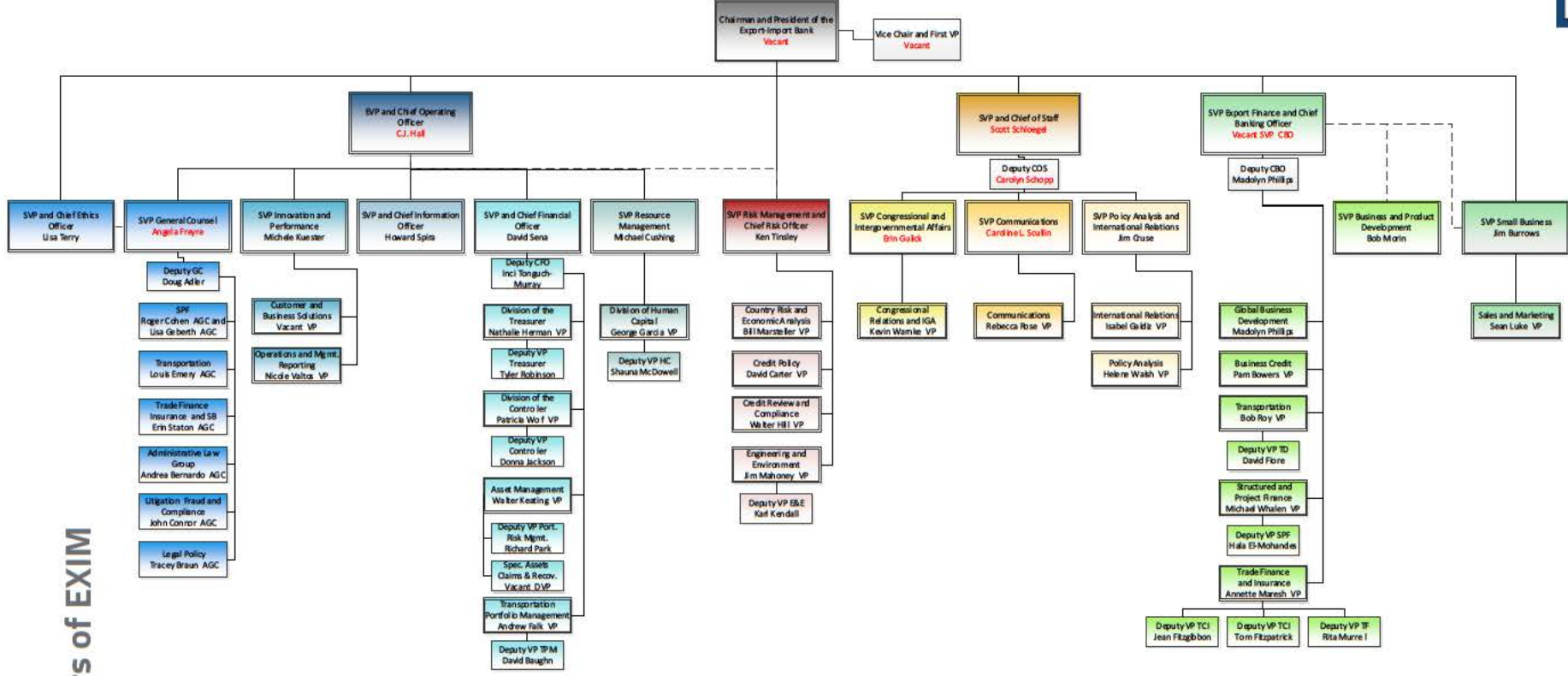
1. Office of the Chairman
2. Office of Congressional and Intergovernmental Affairs
3. Office of Communications
4. Office of Policy Analysis and International Relations

See the following charts for a detailed organizational structure and leadership overview.

# Organizational Structure Chart



# The Senior Officers of EXIM



## Offices and Divisions

**Office of the Chair:** The Office of the Chair consists of the Chief of Staff, Deputy Chief of Staff, Senior Advisor(s) and Confidential Assistant(s), similar to any government agency front office. The office advises the Chairman or Chairwoman on his or her internal and external activities and strategy; plans his or her schedule; conducts interagency, stakeholder and business engagement on his or her behalf; and works with all bank divisions to prepare briefing materials, among other duties.

**Office of the Chief Financial Officer:** The Office of the Chief Financial Officer (OCFO) is primarily responsible for matters pertaining to EXIM's funds, financial policy and operations, internal control audits, managing and reporting on EXIM's loan, guarantee, and insurance portfolio, the payment of claims and the management of recovery efforts, the preparation, monitoring, and reporting of EXIM's program and administrative budgets as well as offsetting collections, and the formulation and issuance of financial and accounting policies and procedures. The OCFO is the primary liaison with the Office of Management and Budget on budget and program-related issues. The OCFO also prepares EXIM's audited financial statements and the financial section of the annual report. EXIM's CFO serves as the Chief Freedom of Information Act (FOIA) Officer.

**Office of Communications:** The Communications Office encompasses EXIM's public affairs, external affairs, and marketing divisions and articulates EXIM's mission of supporting U.S. jobs through exports.

**Office of Congressional and Intergovernmental Affairs:** The Congressional and Intergovernmental Affairs Office (OCIA) is responsible for serving as EXIM's liaison to the U.S. Congress, and assists in communications with government agencies, state and local governments, and non-governmental organizations.

**Office of Risk Management / Office of the Chief Risk Officer:** The Office of Risk Management is composed of the following divisions: Credit Policy, Credit Review and Compliance, Country Risk and Economic Analysis, and Engineering and Environment. The Chief Risk Officer (CRO) is the head of Risk Management.

**Office of Ethics:** The Office of Ethics was mandated by Congress in EXIM's 2015 reauthorization language and is provided for in Section 3(K) of EXIM's 2016 Charter. The Office has jurisdiction over all employees of, and ethics matters related to, EXIM and is headed by the Chief Ethics Officer who is appointed by the president of EXIM and approved by the Board of Directors. The Chief Ethics Officer also serves as the Designated Agency Ethics Official pursuant to the Ethics in Government Act of 1978.

**Office of Export Finance / Office of the Chief Banking Officer:** The Export Finance Office (OEF) is responsible for all of EXIM's short-, medium- and long-term loan guarantee and insurance programs, including Transportation and Project Finance. The Chief Banking Officer (CBO) is the head of Export Finance.

**Office of General Counsel:** Legal Affairs and Office of General Counsel (OGC) includes EXIM's 30 attorneys. The office oversees diverse transaction and litigation portfolios, represents EXIM in negotiations with key external stakeholders, and provides advice on a variety of administrative law matters.

**Office of Information Management and Technology / Office of the Chief Information Officer:** The Office of Information Management and Technology's (OIMT) responsibilities include overseeing the complete information technology portfolio including personal productivity services, infrastructure, networks and telecoms, application development, program management, information security, data quality and records management. The office is headed by the Chief Information Officer.

**Office of Innovation and Performance:** The Office of Innovation and Performance (OIP) oversees both the Division of Customer and Business Solutions which delivers improvements in processes and systems for external customers and internal staff as well as the Division of Operations and Management Reporting which is responsible for strategic planning, data quality, management reporting, and performing the application input, insurance document review, and loan/guarantee disbursement process.

**Office of Inspector General:** The Office of the Inspector General (OIG) promotes economy, efficiency and effectiveness in EXIM programs and supporting operations and conducts and supervises audits, investigations, inspections and reviews relating to EXIM's export credit insurance, guaranty and loan programs and supporting operations.

**Office of Policy Analysis and International Relations:** Policy Analysis and International Relations (OPAIR) is responsible for research and analysis connected to EXIM's strategic mission of supporting U.S. exports and jobs and designing options on programs, policies, and international negotiating approaches to fulfill that mission.

**Office of Resource Management:** The Office of Resource Management (ORM) is responsible for program direction and management of all human resources, acquisition, administrative budget, operating services, capital planning and workplace, travel, security services, continuity of operations, and research library.

**Office of Small Business:** The Office of Small Business (OSB) is responsible to facilitate the export of U.S. goods and services provided by small businesses. OSB chairs EXIM's Small Business Committee and manages EXIM's network of regional branches and the units engaged in outreach to minority- and woman-owned businesses, partner identification and training, as well as small business product development.

## Workforce Data and Trends

EXIM has 483 authorized FTE positions, with 430 currently onboard. Of EXIM's authorized FTE positions, the majority, 279, are within the offices under the Chief Operating Officer. Next, 150 are within the offices under the Chief Banking Officer. Lastly, 54 are within the offices under the Office of the Chief of Staff.

### Distribution of Level

Grade / Level	Count
EX	0
SL	20
15	69
14	119
13	125
11-12	62
2-10	41
<b>Total</b>	<b>436</b>

### Type of Appointment

Appointment Type	Count
PAS	0
Sch C	10
SL-Perm	14
Comp-Perm	376
Comp-Term	1
Excepted-Perm	34
Excepted-Term	1
<b>Total</b>	<b>436</b>

### EXIM Staffing Overview

*A breakdown of the number of authorized FTEs and currently onboard by office is on the next page.*

EXIM Staffing Overview				
January 23, 2017				
Office	Division	Authorized FTEs	Currently Onboard	Current Vacancies
<b>CHIEF BANKING OFFICER</b>	<b>150 Authorized</b>			
Export Finance	96 Authorized	4	3	1
	Transportation	11	9	2
	Structured/Project Finance	16	15	1
	Business Development	7	6	1
	Trade Finance	25	23	2
	Trade Credit Insurance	21	19	2
	Business Credit	4	3	1
Small Business	54 Authorized	24	22	2
	Regional Offices	30	30	0
<b>CHIEF OPERATING OFFICER</b>	<b>279 Authorized</b>			
Chief Financial Officer	97 Authorized	9	8	1
	Treasurer	14	13	1
	Controller	20	17	3
	Asset Management	45	41	4
	Transportation Portfolio	9	8	1
General Counsel	40 Authorized	9	9	0
	Transportation	4	3	1
	Structured/Project Finance	9	8	1
	Small Business/Trade Finance	6	6	0
	Policy/Litigation	5	3	2
	Admin Law	5	3	2
Chief Ethics Officer	2 Authorized	2	1	1
Chief Risk Officer	38 Authorized	3	3	0
Credit and Risk Management	Engineering/Environment	15	14	1
	Country Risk	8	8	0
	Credit Policy	7	7	0
	Credit Review	5	5	0
Innovation and Performance	27 Authorized	1	1	0
	Customer & Business Solutions	5	3	2
	Operations	21	20	1
Information Mgmt & Technology	31 Authorized	31	30	1
Resource Management	46 Authorized	1	1	0
	Human Capital	17	15	2
	Library	6	4	2
	Security	3	3	0
	Facilities	4	4	0
	Admin/Travel Services	6	5	1
	Contracting Services	9	9	0
<b>CHIEF OF STAFF</b>	<b>54 Authorized</b>			
Policy Analysis & Int'l Relations	19 Authorized	4	4	0
	Policy Analysis	8	8	0
	International Relations	7	6	1
Congressional Relations	7 Authorized	7	7	0
Communications	15 Authorized	15	12	3
Chairman / Board (not incl 5 PAS)	13 Authorized	9	8	1
	Board Assistants	4	0	4
		Authorized	Onboard	Vacancies
FTE Total Staff		483	436	47

## Race All Employees

Race / National Origin	Count	%
WH Male	130	29.82%
WH Fem	116	26.61%
AA Male	29	6.65%
AA Fem	88	20.18%
Hisp Male	17	3.90%
Hisp Fem	14	3.21%
Asian Male	23	5.28%
Asian Fem	14	3.21%
Am In Male	4	0.92%
Am In Fem	1	0.23%
<b>Total</b>	<b>436</b>	<b>100%</b>

## Race GS 13 & Above

Race / National Origin	Count	%
WH Male	114	34.23%
WH Fem	92	27.63%
AA Male	19	5.71%
AA Fem	43	12.91%
Hisp Male	16	4.80%
Hisp Fem	12	3.60%
Asian Male	23	6.91%
Asian Fem	10	3.00%
Am In Male	3	0.90%
Am In Fem	1	0.30%
<b>Total</b>	<b>333</b>	<b>100%</b>

## Sex All Employees

Sex	Count	%
Male	202	46.33%
Female	234	53.67%
<b>Total</b>	<b>436</b>	<b>100%</b>

## Sex GS 13 & Above

Sex	Count	%
Male	175	52.55%
Female	158	47.45%
<b>Total</b>	<b>333</b>	<b>100%</b>

## Veteran Status

Name	Count
5 Point	23
10 Point	10
% of Population	7.67%
<b>Total</b>	<b>33</b>

## Retirement Eligibility by FY

Retirement Eligibility	Count	%
Bank-wide eligible Now	123	28.21%
Bank-wide eligible in 5 Years**	188	43.12%
Core Occ. eligible Now	61	28.91%
Core Occ. eligible in 5 Years**	95	45.02%

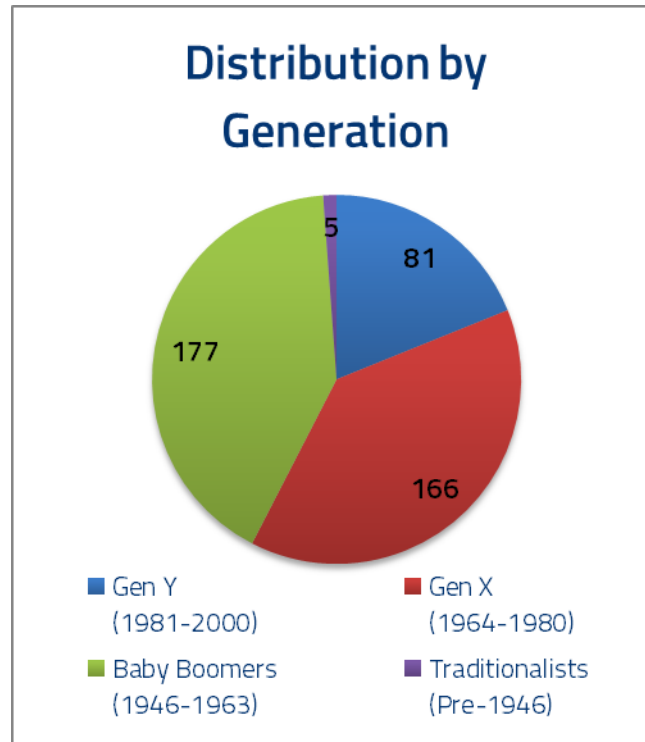
## EXIM Tenure

Grade / Level	0 - 5 Years	5-15 Years	15-30 Years	30+ Years
SL/EX	11	5	1	3
AD/15/14	82	48	52	6
13	64	27	33	2
11/12	43	6	9	5
2-10	11	6	23	1
<b>Total</b>	<b>211</b>	<b>92</b>	<b>118</b>	<b>17</b>

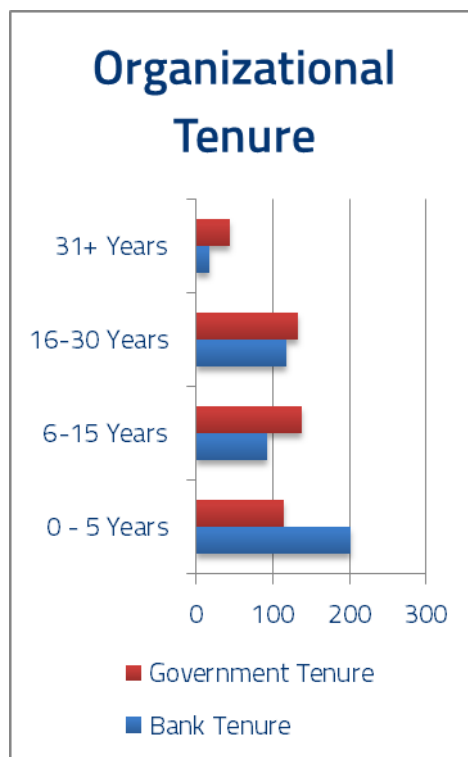
## Government Tenure

Grade / Level	0 - 5 Years	5-15 Years	15-30 Years	30+ Years
SL/EX	3	7	7	3
AD/15/14	25	75	73	14
13	42	44	30	9
11/12	36	11	11	8
2-10	10	2	19	10
<b>Total</b>	<b>116</b>	<b>139</b>	<b>140</b>	<b>44</b>

## Distribution by Generation



## Organizational Tenure



## Senior Staff

President / Chairman: Charles J. Hall (*acting*)

(Political)

Charles J. Hall was appointed the acting Chairman and President of EXIM in January 2017 by President Obama. Additionally, CJ is the Executive Vice President and Chief Operating Officer at EXIM. Prior to his current position, he served as EVP and Chief Risk Officer at EXIM. He was sworn in as EXIM EVP on November 22, 2013. Prior to joining EXIM, CJ was chief executive of Envirotrade Group, a Mauritius-incorporated group with offices in the United Kingdom and South Africa and community-based agroforestry and forest protection projects at locations in sub-Saharan Africa. Its mission was to promote food security and poverty alleviation in rural communities while at the same time addressing climate change and biodiversity challenges in Africa.

Prior to leading Envirotrade, CJ and his wife founded a UK food manufacturing business, which they later floated on the London Stock Exchange and expanded with the acquisition of two larger companies operating in the same sector. Before that entrepreneurial venture, he was an emerging markets corporate finance banker with JPMorgan & Company for nine years, based in New York, São Paulo and London and focused on clients in Brazil, India and Turkey. CJ began his career in 1972 as a US naval officer serving in both the Pacific and Atlantic Fleets. From 1978 to 1987, he was a US Foreign Service Officer, with postings in Kenya, Brazil and Washington. He holds a BS in Economics from the Wharton School at the University of Pennsylvania and a MBA from Columbia University in New York.



## First Vice President / Vice Chair: Scott Schloegel (*acting*)

(Political)

Scott Schloegel has more than 25 years of political experience working at the state and federal levels. In January 2017 President Obama appointed Scott the Acting First Vice President and Vice Chairman of the Board at EXIM. Prior to that he served as Senior Vice President and Chief of Staff from July of 2014 to January of 2017, where he oversaw the Chairman's office and had the Congressional & Intergovernmental Affairs, Communications and Policy divisions of EXIM reporting to him. His congressional committee experience has been an asset as he provided advice and leadership for a number of congressional hearings for EXIM as well as strategic planning for EXIM. He also had significant interaction with White House and Administration officials on behalf of the Chairman. Schloegel joined the Obama Administration in January of 2011 as EXIM's Senior Vice President of Congressional Affairs where he successfully led EXIM to a three year reauthorization and helped secure multiple increases in appropriations at a time when most federal agencies were seeing across the board cuts. He also led six EXIM Board members through Senate confirmation.



A Michigan native, Schloegel worked as a Legislative Aide in the Michigan House from 1990-1992. In 1993 he became District Director for Congressman Bart Stupak of Michigan and served as Stupak's Chief of Staff from 1997 through January of 2011. While serving as Stupak's Chief of Staff, Schloegel also served as Professional Staff and an Investigator on the House Energy & Commerce Committee's Oversight & Investigations Subcommittee where he investigated issues ranging from the BP Deepwater Horizon oil spill in the Gulf of Mexico, to food and drug safety recalls, to cyber security at our nation's nuclear weapons labs.

## EVP / Chief Operating Officer: Charles J. Hall

### (Political)

Charles J. Hall is Executive Vice President and Chief Operating Officer at EXIM. Prior to his current position, he served as EVP and Chief Risk Officer at EXIM. He was sworn in as EXIM EVP on November 22, 2013. Prior to joining EXIM, CJ was chief executive of Envirotrade Group, a Mauritius-incorporated group with offices in the United Kingdom and South Africa and community-based agroforestry and forest protection projects at locations in sub-Saharan Africa. Its mission was to promote food security and poverty alleviation in rural communities while at the same time addressing climate change and biodiversity challenges in Africa.

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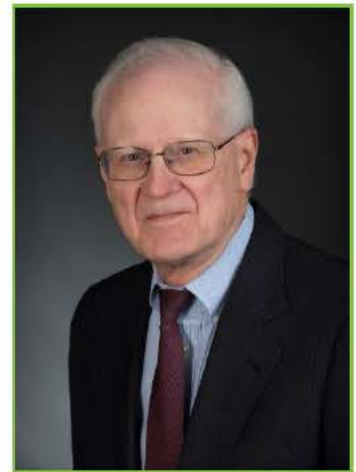
## SVP / Small Business: James G. Burrows

Jim Burrows has more than 30 years of professional experience in both the public and private sectors of the financial services industry, including commercial banking, retail banking, and investment banking. Mr. Burrows joined EXIM as the Vice President of Small Business in October 2012, and was promoted to the Senior Vice President in 2013. Mr. Burrows has also held management positions at both large and regional commercial banks in the U.S.



## SVP / Policy Analysis and Int'l Relations: James Cruse

James C. Cruse, Senior Vice President of EXIM's Policy Analysis and International Relations has spent the bulk of his 45-year career at EXIM helping the boards of directors evolve EXIM's strategic mission of supporting U.S. exports and jobs, and design the programs, policies and international negotiating approaches to fulfill that mission. Cruse joined EXIM in 1970 as a country economist and moved to the policy side when then-Chairman William Casey created the policy unit in 1975. He was named to his current post in the 2002 EXIM-wide reorganization. Since joining EXIM, Cruse has had a variety of assignments and contributed to many of the policy and program developments that are core to today's EXIM.



## SVP / Resource Management: Michael Cushing

As SVP of Resource Management, Michael Cushing provides leadership for EXIM's programs in human capital, procurement and acquisition, administrative budget planning, formulation, and execution, and corporate operating services. Cushing's previous federal government service includes positions at the Overseas Private Investment Corporation and the Office of Personnel Management. He joined EXIM in 2001. He holds an AB from Harvard College and a JD from Harvard Law School.



## SVP / General Counsel: Angela Freyre

### (Political)

Angela Mariana Frere is the 20<sup>th</sup> General Counsel and Senior Vice President of EXIM. In this capacity, she is EXIM's chief legal officer, managing its attorneys and overseeing diverse transactions and litigation portfolios, and is a member of EXIM's senior management team. She is responsible for interpreting and implementing laws applicable to or affecting EXIM. Prior to EXIM, Ms. Freyre served as SVP and Deputy General Counsel for Legal and Strategic Affairs at The Nielsen Company, a global leader in the media and marketing information business. Previously to Nielsen, Ms. Freyre practiced law in New York and Paris, developing an international corporate practice, including joint ventures, mergers and acquisitions, and complex financial transactions for ten years each at Coudert Brothers LLP and Mudge Rose Futhrie Alexander & Ferdon LLP.



## SVP / Congressional and Intergovernmental Affairs: Erin Gulick

### (Political)

As the Senior Vice President for Congressional and Intergovernmental Affairs, Gulick oversees EXIM's outreach to Congress, Governors, State Legislators, Mayors, and serves as the primary point of contact for those elected officials Members of Congress and their staff. Prior to joining EXIM in October 2014, for the past six years, Gulick served as a senior congressional advisor on international trade, banking, and tax policy matters. She most recently served as a Senior Advisor to Senator Maria Cantwell of Washington state, where she spent much of her time focused on matters before the Senate Finance Committee. Prior to that position, Gulick worked in the United States House of Representatives as a Senior Legislative Assistant to Representative Ron Kind of Wisconsin, assisting him in his role on the House Ways & Means Committee and prior to that worked with former Representative Ellen Tauscher of California. Before working on Capitol Hill, Gulick managed policy and regulatory matters at the state and federal level for the National Reverse Mortgage Lenders Trade Association and Beam Suntory.



## SVP / Innovation and Performance: Michele Kuester

In her role as senior vice president for Innovation and Performance, Michele Kuester provides leadership for EXIM's efforts to make EXIM more innovative and customer focused. Ms. Kuester serves as EXIM's Performance Improvement Officer and Senior Accountable Official. Ms. Kuester has worked at EXIM over 25 years, serving both as a claims officer and a loan officer before joining Policy and Planning as a policy analyst in 1993. Starting in 2012, Ms. Kuester led a four-year management initiative called Total Enterprise Modernization (TEM). TEM implemented projects that guided EXIM towards becoming a more modern and flexible institution, able to adapt as the environment around it changes. Ms. Kuester holds an undergraduate degree in international finance from the University of Maryland and a master's degree in international management from the Thunderbird School of Global Management. She was also a fellow in the Excellence in Government Fellows program of the Partnership of Public Service.



## Acting Inspector General: Michael T. McCarthy

Michael McCarthy is the Deputy Inspector General of EXIM and currently leads the Office of Inspector General. The Inspector General provides overall direction to the teams of auditors, investigators, and inspectors responsible for improving the programs and operations of EXIM and preventing and detecting fraud, waste, and abuse. Mr. McCarthy is a career public servant who has worked in all three branches of government. Before joining EXIM, he was a senior executive at the U.S. Department of the Treasury and the Administrative Conference of the United States, and previously served at the U.S. Department of Justice. For the U.S. House of Representatives, Mike served as general counsel to the Committee on Oversight and Government Reform and as staff director of that panel's Subcommittee on Government Management. He was law clerk to U.S. District Judge Leonie Brinkema (E.D. Va.). Mr. McCarthy graduated with honors from Harvard Law School and received a B.A. from Georgetown University.



## SVP / Business and Product Development: Robert Morin

Bob Morin is the SVP of Business & Product Development of EXIM. Following on from his over 15 years of success in leading EXIM's Transportation Division (which is responsible for all of EXIM's aircraft and rail financings), Mr. Morin has now been tasked with developing closer "working together" relationships with other U.S. exporting industries and with foreign buyers. In addition, Mr. Morin will continue to take an active role in developing new financial products (and improving existing products) offered by EXIM, such as the EXIM Guaranteed Bond, and in adopting new policies and procedures that enable EXIM to better support the export of U.S. goods and services. Prior to joining EXIM, Mr. Morin was associated with the law firm of Milbank, Tweed, Hadley & McCloy in New York where he represented banks and other financial institutions.



## Chief Banking Officer: Madolyn Phillips (career acting)

### (Political)

Madolyn Phillips has more than 25 years of professional experience in financial services in the public- and private sectors, including commercial banking, investment banking, and development finance. Ms. Phillips re-joined EXIM as the Deputy Chief Banking Officer in May 2015, having worked at EXIM as a Senior Loan Officer from 2000 to 2005. She is currently serving as acting CBO until a political appointment is made. Ms. Phillips has also held management positions at the U.S. Small Business Administration and the Millennium Challenge Corporation, and worked for Bankers Trust Company and J.P. Morgan in New York, and Wells Fargo in San Francisco.



## SVP / Chief of Staff: Scott P. Schloegel

### (Political)

Scott Schloegel has more than 25 years of political experience working at the state and federal levels. In January 2017 President Obama appointed Scott the Acting First Vice President and Vice Chairman of the Board at EXIM. Prior to that he served as Senior Vice President and Chief of Staff from July of 2014 to January of 2017, where he oversaw the Chairman's office and had the Congressional & Intergovernmental Affairs, Communications and Policy divisions of EXIM reporting to him. His congressional committee experience has been an asset as he provided advice and leadership for a number of congressional hearings for EXIM as well as strategic planning for EXIM. He also had significant interaction with White House and Administration officials on behalf of the Chairman. Schloegel joined the Obama Administration in January of 2011 as EXIM's Senior Vice President of Congressional Affairs where he successfully led EXIM to a three year reauthorization and helped secure multiple increases in appropriations at a time when most federal agencies were seeing across the board cuts. He also led six EXIM Board members through Senate confirmation. A Michigan native, Schloegel worked as a Legislative Aide in the Michigan House from 1990-1992. In 1993 he became District Director for Congressman Bart Stupak of Michigan and served as Stupak's Chief of Staff from 1997 through January of 2011. While serving as Stupak's Chief of Staff, Schloegel also served as Professional Staff and an Investigator on the House Energy & Commerce Committee's Oversight & Investigations Subcommittee where he investigated issues ranging from the BP Deepwater Horizon oil spill in the Gulf of Mexico, to food and drug safety recalls, to cyber security at our nation's nuclear weapons labs.



## SVP / Communications: Caroline Scullin

### (Political)

Caroline Scullin joined EXIM as SVP of Communications in July, 2016. Prior to EXIM, Ms. Scullin served as VP for External Relations at the Wilson Center. She has more than 25 years of experience in strategic communications and external relations. Ms. Scullin served as Communications Director for the Center for International Private Enterprise and before that as Director of Public Relations for the United States Government Printing Office. From 2001 to 2007, she operated her own project management consulting practice.



## SVP / Chief Financial Officer: David M. Sena

David M. Sena joined the Office of the Chief Financial Officer at EXIM in 2001. He previously served as the Vice President Treasurer. In February 2012, Mr. Sena was named the Chief Financial Officer. Mr. Sena, as the Chief Financial Officer, provides expertise and guidance to the President and Chairman as well as to the Board of Directors and the senior management team. His responsibilities include overseeing all asset monitoring/restructuring/recovery efforts on EXIM's \$100 billion portfolio including risk management/mitigation efforts. In addition, he is responsible for managing EXIM's revenue and expenses and other cash-related activities. He also supervises all financial and management audits and reviews.



## SVP / Chief Information Officer: Howard Spira

Howard Spira was named the Chief Information Officer of EXIM in December 2014. Howard comes to EXIM from the US Treasury where he led the technology team for the Office of Financial Stability – the team that ran the rescue program in response to the financial crisis of 2008. Prior to his federal service, Howard was a senior IT executive in the financial services industry with an extensive background in international and domestic commercial finance. His past companies include Goldman Sachs, General Electric, Smith Barney and Andersen Consulting. He brings to EXIM a wealth of industry technology experience. Mr. Spira holds a BS from Cornell University's school of Agriculture and Life Sciences and an MBA from Cornell's Johnson School of Business. Howard and his family live in Bethesda, Maryland.



## SVP / Chief Ethics Officer: Lisa Terry

Chairman Hochberg appointed Lisa V. Terry as EXIM's first Chief Ethics Officer, effective October 3, 2016. Prior to holding this position, Ms. Terry served as General Counsel at the U.S. Office of Special Counsel from 2013 to 2016. Ms. Terry has rejoined EXIM as Chief Ethics Officer after serving as a member of the Office of General Counsel from 2006 to 2013, including nearly two years as Assistant General Counsel for Administration. Ms. Terry brings 25 years of public and private sector legal experience in Washington, DC, including 18 years in the field of federal ethics law. She began her legal career as a law clerk to the Honorable Gladys Kessler at the Superior Court of the District of Columbia, and thereafter joined Feldesman, Tucker, Leifer, Fidell, LLP before entering the federal sector. She received a J.D. from Vanderbilt University School of Law and a B.A. in French Language from the University of Virginia. Ms. Terry is a fourth-generation native Washingtonian.



## SVP / Chief Risk Officer: Kenneth Tinsley

Kenneth M. Tinsley is the Chief Risk Officer and Senior Vice President of Credit and Risk Management. In addition to his duties as Chief Risk Officer, Mr. Tinsley is responsible for overseeing credit policy, credit review and compliance, country risk and economic analysis, and engineering and environmental analysis. Previously Mr. Tinsley was the Vice President of Credit Underwriting, where he was responsible on a global basis for underwriting all short and medium-term risk, financial institution credit risk, and select long-term corporate risk for EXIM.



## IV. In-Person Briefing Guide

### Briefing List

The incoming political leadership may wish to meet with both political appointees and career employees during the transition process. To ease this process, we have identified key issues facing EXIM, and have organized them according to the relevant Senior Officer. For the meetings, the Senior Officers may include key subordinates to provide breadth and perspective on the issues. In Section V, the key issues are organized according to theme, with briefers provided for each issue.

Senior Officer	Key Issue	Urgency	Page
Gulick, Congressional	<a href="#">Board Quorum / Board Appointments</a>	30 Days	45
	<a href="#">Mission &amp; Congressional Mandates</a>	30 Days	60
	<a href="#">Pay Authority</a>	30 Days	135
	<a href="#">Authorization and Appropriations</a>	180 Days	47
	<a href="#">Environmental &amp; Social Policies</a>	Background	99
Scullin, Communications	<a href="#">Annual Conference Arrangements</a>	30 Days	131
	<a href="#">Annual &amp; Competitiveness Reports</a>	90 Days	133
	<a href="#">Non-participant Stakeholder Engage</a>	Background	55
Tinsley, Chief Risk Officer	<a href="#">Risk Appetite at EXIM</a>	30 Days	69
	<a href="#">Modification of Transaction Credit Analysis</a>	Background	72
	<a href="#">Enterprise Risk Management</a>	Background	74
Phillips, Acting Chief Banking Officer	<a href="#">Business Outlook and Opportunities</a>	30 Days	101
	<a href="#">Medium-Term Program</a>	Background	114
	<a href="#">Transportation Portfolio</a>	Background	116
Freyre, General Counsel	<a href="#">Status of 2015 Reauth. Requirements</a>	30 Days	87
	<a href="#">Delegated Authority</a>	Background	118
Terry, Chief Ethics Officer	<a href="#">Ethics Program Management</a>	Background	120

Senior Officer	Key Issue	Urgency	Page
<b>Sena, Chief Financial Officer</b>	<a href="#">Risk Management Committee</a>	30 Days	123
	<a href="#">OIG Ongoing Recs and SARC</a>	60 Days	137
	<a href="#">Budget Process</a>	90 Days	49
	<a href="#">Portfolio Snapshot</a>	Background	110
	<a href="#">Portfolio Reserve Requirements</a>	Background	112
	<a href="#">Self-sustaining Status and Prospects</a>	Background	51
<b>Cruse, Policy Analysis &amp; Int'l Relations</b>	<a href="#">PEFCO</a>	90 Days	108
	<a href="#">EXIM Reliability and Competitiveness</a>	Background	53
	<a href="#">Policy Challenges in the New ECA World</a>	Background	64
	<a href="#">MARAD Requirements</a>	Background	93
	<a href="#">Content Policy and Jobs Linkages</a>	Background	95
	<a href="#">Economic Impact Policies/ Procedures</a>	Background	97
	<a href="#">Conflict in Congressional Mandates</a>	Background	91
	<a href="#">International Engagements</a>	Background	66
<b>Kuester, Innovation and Performance</b>	<a href="#">Strategic Plan and Operating Priorities</a>	180 Days	62
<b>Hall, Chief Operating Officer &amp; Cushing, Resource Management</b>	<a href="#">FTE Staffing Plan / Succession Plan</a>	90 Days	126
	<a href="#">Employee Engagement / Tier 1</a>	90 Days	129
	<a href="#">Organizational Culture Change</a>	Background	76
<b>Schloegel, Chief of Staff</b>	<a href="#">Interagency Engagement / USG</a>	Background	57
	<a href="#">Advisory Committee</a>	Background	124
<b>Burrows, Small Business</b>	<a href="#">Digital Business Development</a>	60 Days	103
<b>Morin, Business &amp; Product Dev.</b>	<a href="#">Business and Product Development</a>	Background	105
<b>McCarthy, Acting Inspector General</b>	<a href="#">Office of the Inspector General</a>	Background	78
	<a href="#">EXIM Management Challenges</a>	Background	81
<b>Spira, Chief Information Officer</b>	<a href="#">Information Security</a>	30 Days	139
	<a href="#">IMT Investment Plan</a>	90 Days	141

## Interview Guide for EXIM Officers

If the incoming political leadership requests in-person meetings, EXIM staff should be prepared to discuss major EXIM issues and policies. EXIM Senior Officers can provide an introduction of key staff and point person(s) relevant, and should be adaptable to the agenda set by incoming political leadership.

- 1. Introduction:** Introduce key staff to the new political leadership, as well as any point person(s) responsible for specific topics under discussion.
- 2. Agenda:** The incoming political leadership may have an agenda for the meeting and the transition process. EXIM staff should also provide a summary of relevant key issues facing EXIM.
- 3. Key Issues:** EXIM staff should highlight the key issues and their components, providing more detail and description of each of the issues.
- 4. Questions:** EXIM staff should be prepared for questions the incoming political leadership may ask, both from a high-level and operational perspective.
- 5. Course of Action:** EXIM Senior Officers should be available if the incoming political leadership wishes to develop an action plan moving forward during the transition process. EXIM staff should highlight the people responsible for individual components and the general timeline.
- 6. Deadlines:** The Senior Officer should notify the appropriate EXIM staff of any deadlines or schedule outline set by the incoming political leadership.

## V. Top Issues for New Leadership

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### Quick Wins in First 100 Days

The primary focus for the incoming team in the first 100 days should be getting the new Administration to nominate, and the Senate to confirm, five Board members (3 of the President's party and two not of his party) so EXIM can have a functioning Board which can vote on medium and long-term transactions above \$10 million. EXIM's mandate is to support U.S. Jobs through exports and there is a pipeline well in excess of \$30 billion worth of transactions that are at risk of being sourced from other countries around the world and that will mean job loss here at home. It is also strongly suggested that having the new Chairman of EXIM do outreach to the House Financial Services Committee and Senate Banking Committee members in order to develop relationships which will be critical in the new Administration.

### List of Top Issue Briefers

The top issues facing EXIM range from congressional mandates to operational. There are 43 top issues highlighted for the incoming political leadership. The issues are each assigned an urgency level and assigned a lead Senior Officer able to communicate these issues to the incoming political leadership. Below is a list of the top issues divided into three categories: High Level, Policies and Programs, and Administrative, with thematic groups under each. High level issues are ones that senior management have determined are core to the overall strategy and outlook of EXIM, with a wide impact across the organization. Policies and Programs issues are ones that are relevant to specific policies or programs, and are usually narrower in scope. Administrative issues are ones relevant to the functioning, staffing, and reporting of EXIM.

*The briefers can be found following the list of key issues, or by clicking on the breifier title in the tables following.*

## EXIM High Level

Key Issue	Urgency	Office	Lead	Page
<b>Board and Congress</b>				
1) Board Quorum / Board Appointments	30 days	OCIA	Gulick	45
2) Authorization and Appropriations	180 days	OCIA	Gulick	47
<b>Budget Considerations</b>				
3) Budget Process	90 days	OCFO	Sena	49
4) Self-sustaining Status and Prospects	Background	OCFO	Sena	51
<b>Public Issues</b>				
5) EXIM Reliability and Competitiveness	Background	OPP	Cruse	53
6) Non-participant Stakeholder Engage	Background	OCMM	Scullin	55
7) Interagency Engagement / USG	Background	OCOS	Schloegel	57
<b>Mission, Mandates, and Strategy</b>				
8) Mission & Congressional Mandates	30 days	OCIA	Gulick	60
9) Strategic Plan and Operating Priorities	180 days	OIP	Kuester	62
10) Policy Challenges in the New ECA World	Background	OPP	Cruse	64
11) International Engagements	Background	OPP	Cruse	66
<b>Risks</b>				
12) Risk Appetite at EXIM	30 days	OCRO	Tinsley	69
13) Modification of Credit Analysis	Background	OCRO	Tinsley	72
14) Enterprise Risk Management	Background	OCRO	Tinsley	74
<b>Management</b>				
15) Organizational Culture Change	Background	OCOO	Hall	76
16) Office of the Inspector General	Background	OIG	McCarthy	78
17) EXIM Management Challenges	Background	OIG	McCarthy	81

## EXIM Policies and Programs

Key Issue	Urgency	Office	Lead	Page
<b>Requirements</b>				
1) Status of 2015 Reauth. Requirements	30 days	OGC	Freyre	87
2) Conflict in Congressional Mandates	Background	OPP	Cruse	91
3) MARAD Requirements	Background	OPP	Cruse	93
4) Content Policy and Jobs Linkages	Background	OPP	Cruse	95
5) Economic Impact Policies/ Procedures	Background	OPP	Cruse	97
6) Environmental & Social Policies	Background	OCIA	Gulick	99
<b>Business</b>				
7) Business Outlook and Opportunities	30 days	OEF	Phillips	101
8) Digital Business Development	60 days	OSB	Burrows	103
9) New Business & Product Development	90 days	OBPD	Morin	105
10) PEFCO	90 days	OPP	Cruse	108
<b>Portfolio and Transactions</b>				
11) Portfolio Snapshot	Background	OCFO	Sena	110
12) Portfolio Reserve Requirements	Background	OCFO	Sena	112
13) Medium-Term Program	Background	OEF	Phillips	114
14) Transportation Portfolio	Background	OEF	Phillips	116
<b>Legal Considerations</b>				
15) Delegated Authority	Background	OGC	Freyre	118
16) Ethics Program Management	Background	OOE	Terry	120

## EXIM Administrative

Key Issue	Urgency	Office	Lead	Page
<b>Committees</b>				
1) Risk Management Committee	30 days	OCFO	Sena	123
2) Advisory Committee	Background	OCOS	Schloegel	124
<b>Human Capital Plans</b>				
3) FTE Staffing Plan / Succession Plan	90 days	OCOO	Hall	126
4) Employee Engagement / Tier 1	90 days	OCOO	Hall	129
<b>Annual Events and Reports</b>				
5) Annual Conference Arrangements	30 days	OCMM	Scullin	131
6) Annual & Competitiveness Reports	90 days	OCMM	Scullin	133
<b>Legal</b>				
7) Pay Authority	30 days	OCIA	Gulick	135
8) OIG Ongoing Recs and SARC	60 days	OCFO	Sena	137
<b>Information Technology</b>				
9) Information Security	30 days	ORIM	Spira	139
10) IMT Investment Plan	90 days	ORIM	Spira	141

## Key Issue Briefers

### EXIM High Level



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Erin Gulick, SVP, Congressional and Intergovernmental Affairs

**SUBJECT:** EXIM Board of Directors Quorum & Appointments

## BACKGROUND

Per its Charter, EXIM has a five member Board of Directors to consider certain individual transactions, EXIM policies, or other business that may arise. The Board consists of the President of EXIM (who also serves as Chairman), the First Vice President (also serving as Vice Chairman), and three additional persons, all of whom are appointed by the President of the U.S. with the advice and consent of the U.S. Senate. Of the five members, not more than three can be members of any one political party. A quorum on the Board requires three members; without a quorum the Board cannot conduct any business, including considering applications for long-term transactions exceeding \$10 million<sup>1</sup>. Since July 2015, there have only been two members (Chair & Vice Chair), thus lacking a quorum.

Members of the Board are appointed to fixed, four-year terms and permitted an automatic six-month extension. The terms begin in January and are staggered to provide stability and continuity. While the President nominates all of the Board Members, it is customary for the Senate leader of the opposite party of the President to recommend candidates to the President for the other two seats.

- ***President & Chairman (Party of the President)*** – January 2017-2021
- ***First Vice-President & Vice Chairman (Party of the President)*** – January 2017-2021
- ***Board Member (Opposite Party of Pres./Independent)*** – January 2017-2021
- ***Board Member (Party of the President)*** – January [2015]-2019
- ***Board Member (Opposite Party of Pres. /Independent)*** – January [2015]-2019

<sup>1</sup> In 2010, EXIM's Board of Directors delegated to certain Bank staff the authority to approve individual loan guarantees and direct loans (medium- and long-term) of up to \$10 million.

Additionally, the U.S. Secretary of Commerce and the U.S. Trade Representative serve as non-voting, ex officio Members of the Board.

EXIM has an independent Inspector General (IG), who is appointed by the President with the advice and consent of the Senate. The IG is responsible for review and oversight of EXIM. The IG does not serve a fixed term and can only be removed by the President, following a 30-day notification to Congress. The IG position has been vacant since June 2014.

## KEY ISSUES

- **Banking Committee:** The Senate Banking Committee processes and reports EXIM nominations to the full Senate. (Senate rules permit nominations to be discharged from committee and receive immediate floor consideration so long as there is no objection to a unanimous consent request.)
- **Board Member McWatters Nomination:** In January 2016, President Obama acted on the recommendation of Senate Majority Leader Mitch McConnell and nominated a Republican, Mr. J. Mark McWatters, to serve a term ending in January 2019. While no specific objections were raised, Chairman Shelby (R-AL) objected to moving McWatters' nomination. Mr. McWatters' paperwork was submitted to the Committee and he met with 18 Senators and Minority Staff from the Banking Committee. No further action has been taken to date on his nomination.
- **Board Member Slacik Nomination:** In September 2016, President Obama nominated a Democrat, Ms. Claudia Slacik to serve a term ending in January 2019. Ms. Slacik's paperwork has also been submitted to the Banking Committee.
- **IG Walker Nomination:** In addition to the Board nominations, in July, President Obama nominated Mr. Kim Walker to serve as EXIM's Inspector General. The Banking Committee has primary jurisdiction over the IG nomination. IG nominations are then referred to the Senate Homeland Security and Government Affairs Committee for no more than 20 days. No action has been taken to date on his nomination in either committee.

## ACTION ITEMS

- **Nominations:** It will be important for the nominations for the Board Members, as well as, Chair and Vice Chair positions be seen as a priority in the next Administration. If still unconfirmed, both pending Board nominations expire with the end of the 114th Congress in January and the incoming POTUS must submit new nominations in the 115th Congress. On January 20<sup>th</sup>, the terms of the Chairman and Vice Chair will expire. While they are granted an automatic six-month extension, this means that all five positions on the Board of Directors will be vacant in 2017. Given the necessity of the Board for EXIM to be fully operational, it is imperative that these nominations are given high priority.
- **IG Nomination:** Mr. Walker's nomination expires with the 114<sup>th</sup> Congress and the POTUS will need to submit a new nomination.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Erin Gulick, SVP, Congressional and Intergovernmental Affairs

**SUBJECT:** Authorization & Appropriations

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## BACKGROUND

**Authorization:** Federal agencies commonly need to be reauthorized by Congress; however, EXIM is unique in that without congressional authorization, it is explicitly prohibited from working on and approving new transactions. This means that EXIM must be affirmatively reauthorized by Congress to be fully operational. Rather, it is limited to managing its existing portfolio and monitoring any outstanding exposure. Because all preexisting loans, guarantees and insurance policies continue in full force and effect according to their terms of maturity, EXIM will continue to operate for years even with a lapse in authorization. EXIM has been reauthorized 17 times, with its most recent authorization receiving bipartisan support from three-quarters of the House and Senate in December 2015. EXIM's most recent reauthorization goes until September, 2019.

**Appropriation:** Like most federal agencies, Congress allocates the funds available to EXIM to support its authorized activities through the annual appropriations process. EXIM has been self-sustaining since 2008 and as such, EXIM receives what is known as a "net-zero" appropriation from Congress. This means that while Congress sets the level of EXIM's administrative expenses, EXIM covers all of its operation and program costs directly through fees and interest collected from its customers. This results in a net \$0 Congressional appropriation. EXIM's appropriations fall under the jurisdiction of the House of Representatives and Senate Appropriations Subcommittees on State and Foreign Operations.

## KEY ISSUES

- **Appropriations:** EXIM's approach to the FY2018 appropriations will depend on the language it is able to receive at the end of 2016 in the FY2017 appropriations. EXIM will need to continue to ensure that its priorities are included, such as administratively determined pay.
- **Authorization:** EXIM will need to lay the ground work for the 2019 reauthorization in 2017. The Office of Congressional & Intergovernmental Affairs has developed a strategic plan which they will discuss with the incoming team.
- **Self-Sustaining/Offsetting Collections:** EXIM earns offsetting collection upon disbursement so EXIM often earns offsetting collections that permit EXIM to cover its operational costs and send any excess revenues to the Treasury. As the majority of offsetting collections are from long-term transactions approved by EXIM's Board, EXIM's ability to continue to be self-sustaining is weakened and potentially jeopardized in the future, should it continue to not have a Board with the ability to approve long-term transactions.

## ACTION ITEMS

Items that will need to be dealt with include:

- **Appropriations:** House and Senate Appropriations begin the review and drafting process after the submission of the President's budget. With the new Administration, the submission of the budget will likely be in March, rather than February. *Deadline: March 2017*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** David Sena, SVP, Chief Financial Officer

**SUBJECT:** Budget Process

## BACKGROUND

The federal budget process incorporates the requests of each agency, the policy goals of the President, and the desires of Congress. The Budget process begins 16 months prior to the fiscal year. EXIM normally requests appropriations to cover Administrative Expenses and Subsidy/Carryover Expenses. Administrative expenses are one-year while Subsidy/Carryover Expenses are available for four years. EXIM is self-sustaining - the fees earned by EXIM pay for both Administrative and Subsidy/Carryover Expenses. The Net appropriation for EXIM is \$0.

Administrative Expenses cover operational expenses. Compensation & Benefits account for more than seventy percent (70%); the remaining thirty percent (30%) includes Rent, Information Technology Operation & Maintenance Expenses, travel and other efforts such as the Security Guards contract. The Subsidy/Carryover is used for transactions where fees are insufficient to cover the reserves. Since 2009, EXIM has taken steps to reduce subsidy expenses to zero (\$0). In FY 2014, FY 2015 and FY 2016, EXIM did not use subsidy. For all transactions authorized during those years, the fees at a minimum covered all prudent reserve requirements.

### Budget Formulation: June to September

The annual budget formulation process begins sixteen months before the beginning of the fiscal year. EXIM kicks off with budget formulation by asking each division to estimate its needs for the fiscal year. Each office considers their request from an enterprise-wide perspective and aligns their needs with EXIM's strategic goals. EXIM's Strategic Plan and Chairman's priorities guide efforts at all levels of the organization and are used as a foundation for internal strategic and operational discussions including the development of the budget request. Divisions plan resource levels – such as full-time employees (FTEs) and travel expenses – with expected authorizations levels. Using data from each division, feedback from the Chairman's office, and guidance from OMB, EXIM finalizes a budget request for the agency. The request includes administrative expenses, authorization levels, subsidy expenses (EXIM has not requested a subsidy appropriation in five years (FY 2014 - FY

2018), and offsetting collections. In the second week of September, the agency transmits its request to OMB. Around Thanksgiving, OMB “passes back” an EXIM budget for the President’s Budget. EXIM may negotiate any parts of this passback with which the agency disagrees. OMB guidance may include Presidential initiatives on management agenda items such as IT and real property. Once the passback is final, EXIM inputs budget information into the President’s Budget and creates documents which describe the budget request such as Congressional Budget Justifications (CBJ). The White House then submits the President’s Budget to Congress generally on the first Monday in February. Agencies submit budget-related documents shortly thereafter.

By the end of the month of September, Congress funds the government by specific program in 12 appropriation bills. EXIM is included in the State and Foreign Operations bill. If Congress has not passed appropriation bills by the end of the fiscal year, Congress may pass a “Continuing Resolution” (CR) in order to avoid a shutdown. The CR usually keeps funding level with the previous appropriation bill (e.g. at the beginning of FY 2018 an agency would receive funding at the FY2017 level). Anomalies can be submitted as part of the CR, anomalies highlight major issues for the appropriators. In FY 2017, EXIM Board Quorum anomaly was included in the CR Appropriations Issues. Within 10 days from appropriations, EXIM apportions the appropriated funds. Under a CR, these apportionments are automatic.

### Budget Execution: October to September

During the budget execution phase, EXIM obligates and spends the funds Congress has appropriated for the agency, but are derived from the fees and interest EXIM charges its customers. At the beginning of the new fiscal year, the OCFO creates a budget for each division for the year. On a monthly basis, OCFO provides budget reports to EXIM’s divisions to ensure that each division spends within its allocation.

### KEY ISSUES

- **Operational Risk:** EXIM is affected by government shutdown if Congress fails to pass a funding bill by September 30 each year.
- **Subsidy Risk:** All transactions are fully funded, including prudent reserve, by the fees charged to the customers.

### ACTION ITEMS

- During the Budget process, the Chairman has in the past testified before the Appropriations Subcommittees on the Agency’s Budget Request.
- In prior Appropriations, EXIM had special Administrative Determined (AD) pay authority. This authority allowed for a staff with specialized expertise to be paid above the General Schedule level. This authority was inadvertently removed in the FY 2016 Appropriation Bill, and EXIM is working to have this authority restored.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** David Sena, SVP, Chief Financial Officer

**SUBJECT:** Self-Sustaining and Prospects

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## BACKGROUND

EXIM has been self-sustaining for budgetary purposes since FY 2008 and has a Net Appropriation of \$0. EXIM's program revenue (i.e., in a given year, fee and interest collections from transactions that exceed the reserve requirements on those transactions) is retained as offsetting collections and used to offset the cost of new obligations in the fiscal year, including prudent reserves to cover future losses as well as all administrative costs. Long-Term transactions generate the majority of the offsetting collections; the lack of Board Quorum jeopardizes EXIM's ability to be self-sustaining.

### What are Offsetting Collections?

Offsetting Collections are fees in excess of reserve requirements. For example: for a \$100 million authorization with a 15% fee and a 5% reserve requirement, EXIM earns \$15 million in fees from which it is required to set aside \$5 million in reserves to cover expected losses. The Balance of \$10 million (profit) is retained by EXIM as offsetting collections. When the transaction is presented to EXIM's Board for consideration, it will show a negative ten percent (-10%) subsidy. These, or any, excess funds are transferred to the Treasury at the end of each fiscal year.

### When are Offsetting Collections earned?

EXIM earns offsetting collections upon disbursement of a negative subsidy authorization. The negative subsidy percent is multiplied by the amount disbursed to calculate the offsetting collection. With multi-year disbursements for individual authorizations, EXIM earns offsetting collections during the disbursement period,

### What EXIM programs earn Offsetting Collections?

Long-Term transactions generate the majority of offsetting collections where exposure fees (established by OECD agreement) exceed reserve requirement. Medium and Short Term transactions are designed to be primarily breakeven and generally do not earn offsetting collections.

For these transactions, the fees equal the reserve requirements. Working Capital transactions are breakeven and do not earn offsetting collections.

### What does EXIM do with Offsetting Collections?

Offsetting collections are available for expenditure only during the fiscal year that they are earned. EXIM uses offsetting collections to pay all Administrative Expenses, not to exceed the Appropriation level, as well as Subsidy and Carryover Expenses, not to exceed the Appropriation level.

### What happens to the excess Offsetting Collections?

EXIM earns offsetting collections during the fiscal year. After paying all expenses appropriated for the year, all excess or unspent offsetting collections (negative subsidy) are savings to Taxpayers that are sent to the U.S. Treasury at the end of the year.

EXIM Bank's Offsetting Collections	
Fiscal Year	Sent to Treasury
FY 2012	(803.70)
FY 2013	(1,056.90)
FY 2014	(674.70)
FY 2015	(431.60)
FY 2016	(283.90)
	<u>(3,250.80)</u>

### KEY ISSUES

- **Offsetting Collections:** Balances: As of September 2016, EXIM has \$206M in undisbursed negative subsidy (profit). EXIM expects to disburse sufficient negative subsidy to fully cover expected FY 2017 expenses. In order to remain self-sustaining, EXIM will need to begin approving new Long-Term transactions.

### ACTION ITEMS

In FY 2017, EXIM estimated earning \$559 million in offsetting collections, assuming a Board Quorum. These offsetting collections not only pay for EXIM expenses, they also offset other Governmental expenses. The lack of Board Quorum prevents EXIM from supporting Long-Term transactions which earn the majority of the offsetting collections. Without this income, EXIM cannot be a self-sustaining agency nor offset other Governmental expenses. EXIM needs to approve Long-Term transactions in order to remain self-sustaining.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** Reliability and Competitiveness

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## BACKGROUND

Despite reauthorization to do business through September 30, 2019, EXIM continues to face a variety of reliability and programmatic issues. The lapse in authority in 2015, trouble establishing a Board quorum, and a short-term reauthorization of only three years have had broad damaging impacts on how EXIM’s operational reliability is viewed by its customers and the international community. From the standpoint of EXIM’s customers, the inability to provide support during the lapse, the lack of Board quorum, and the uncertainty surrounding EXIM’s ability to consistently provide support in the future have had a negative impact on their confidence in how supportive EXIM will be going forward. In an international context, foreign export credit agencies (ECAs) have undergone a large strategic realignment since the global financial crisis; they have trended away from passive lenders-of-last-resort, the current EXIM model, in favor of more aggressive trade augmentation strategies that emphasize more general economic benefits and promote broader national interests. As a result, these ECAs, in line with the policy goals of their governments, are increasingly able to provide more flexible and reliable support to customers than EXIM.

## KEY ISSUES

- **EXIM’s relationship with its customers:** Foreign buyers have reported that uncertainty surrounding EXIM’s ability to provide support has caused them to select more reliable sources, shifting procurement away from US exporters.
- **Credible threat of EXIM’s support:** The uncertainty surrounding EXIM in the long-run is causing the USG to lose leverage when negotiating to more fully establish a level playing field of official export credit support.
- **Decline of EXIM competitiveness relative to other ECAs:** Foreign governments and their ECAs are adopting more aggressive trade promotion strategies and developing newer, more flexible products and programs to implement these strategies.

## ACTION ITEMS

Items that will need to be dealt with include:

- **At EXIM:**
  - a. Evaluate risk appetite policies to ensure that they reflect a more aggressive competitive landscape.
  - b. Establish policies that more aggressively use EXIM products and programs to expand US presence in both new export markets and sectors of strategic importance; cultivate EXIM's ability to support a new expanded class of US exporters (e.g. Medium-Term) as stated in EXIM's reauthorization.
- **At the Congressional Level:**
  - a. Educate congressional stakeholders on the benefits associated with a longer term reauthorization of EXIM's Charter (e.g. 10-20 year range).
  - b. Educate congressional stakeholders on the benefits to the U.S. economy of establishing competitive Exim programs and policy parameters relative to foreign export credit providers.
- **At the Executive Level:**
  - a. Push for greater coordination and cooperation at the interagency level.
  - b. Help establish a USG negotiating strategy that focuses on pragmatic rules, based on ECAs' 'best practices' and in line with the contemporary global export credit environment, that would maximize EXIM's ability to proactively support US exporters, instead of purely filling private sector gaps.

C.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Caroline L. Scullin, SVP, Communications

**SUBJECT:** Non-Transactional Stakeholder Engagement

## BACKGROUND

Over the last year, the EXIM Communications team conducted an audit – with contributions from EXIM divisions and business groups – of existing relationships with non-transactional stakeholder groups and current levels of engagement. These have been broadly categorized and prioritized based on a variety of factors, including but not limited to: transparency with the public, benefit to EXIM and working relationships important to the continued operation of the business across industries.

There was an assessment of current levels of engagement, gaps in engagement and support and new organizations for engagement were identified to help promote the EXIM mission. Within the categories identified below, we are working with three types of stakeholders in each category: high-level influencers and thought leaders; business leaders and CEOs; and stakeholder and industry specific groups. This engagement will include global, national and domestic relationships.

Target categories for engagement:

- Academia
- Business Associations – both broad and industry specific - (e.g. US Chamber of Commerce, Business Roundtable, National Association of Manufacturers, Coalition for Employment through Exports, National Small Business Association, Business Forward, Association of Equipment Manufacturers)
- Corporate, sector-focused: Aerospace; Aviation; Agriculture; Banking & Financial Services; Energy (Nuclear, Renewable, Oil, Gas, Coal); Infrastructure; Manufacturing; Small Business
- Environmental Groups
- Labor
- Media – Domestic & International
- Minority & Women Groups and Associations

- Think Tanks – (e.g. Petersen Institute, Brookings Institution, Wilson Center, CSIS, CAP)

## KEY ISSUES

- **Strengthening current relationships:** Due to EXIM's 2015 lapse in authority and inability to engage in forward looking activities, there is a need to strengthen relationships with some of our current partners.
- **Building new relationships:** Conduct outreach to new stakeholders that share common synergies and can support EXIM's mission and business development efforts.
- **Tracking and measuring relationships:** There is a need to effectively track outreach and relationships by measuring their progress and ROI.

## ACTION ITEMS

Items in the near term include:

- **Meetings with Critical Stakeholders:** Meet with the most committed and vocal stakeholder groups, at both the leadership and staff levels to establish a relationship with the new EXIM leadership team and discuss future opportunities. It may make sense for one staff person to be a constant at all meetings and establish themselves as an individual point of contact among the new leadership team and as someone who can liaise with these groups on behalf of EXIM.
- **New Groups:** Set up meetings with new stakeholders to discuss areas of potential cooperation and future opportunities to collaborate and grow EXIM's customer base.
- **Measuring ROI:** Establish rigorous and effective measurement processes that track both impact (on stakeholders) and return on investment (for EXIM). *Deadline: Track ROI in June 2017 and again in December 2017.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Matthew Bevens, Deputy Chief of Staff

**SUBJECT:** Interagency Engagement

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## BACKGROUND

Like every government agency, EXIM has frequent and deep engagement with other U.S. government agencies. This engagement comes in three forms: (1) interagency engagement that stems from our charter or by necessity; (2) EXIM participation in interagency processes where EXIM expertise or tools are useful to broader USG efforts; and (3) ad-hoc or informal EXIM engagement. Nearly every EXIM division engages with colleagues across the U.S. Government.

## KEY ISSUES

- **White House:** The Chairman's Office coordinates White House interaction, with the Chief of Staff, COO and Deputy Chief of Staff (DCOS) working closely with NEC leadership, NSC leadership, PPO leadership (the DCOS is EXIM's official White House Liaison), and other White House-led interagency initiatives (i.e. the President's Export Council). OCIA deals directly with White House Leg Affairs and Communications coordinates directly with White House Comms; each SVP should establish clear channels of communication with their WH counterparts and loop staff into all-agency calls, etc. Other divisions of EXIM also work with NSC staff, but coordinate with the Office of the Chairman.
- **Office of Management and Budget (OMB):** The COO and OCFO are the primary points of contact for OMB on budget and personnel issues, most notably through the Administration's budget process. OCIA and OGC respond to and coordinate with OMB directly on legislative and legal issues, respectively. Occasionally OMB will coordinate USG document review exercises that reach a broader swathe of EXIM.
  - **ICRAS:** EXIM is the Secretariat for the Interagency Credit Risk Assessment System (ICRAS), an interagency process through which the U.S. government assigns one uniform credit rating for sovereign transactions and one rating for private sector transactions in all countries eligible to receive U.S. government credit. OMB chairs ICRAS, while EXIM, State, Treasury, OPIC, Agriculture, USAID and others are participants.
- **Treasury:** The Office of Policy Analysis and International Relations works most frequently with Treasury, due to their role representing the United States at the OECD. In recent years, EXIM staff and Treasury staff have occasionally experienced disagreements on how to respond to the growth of

global official export credits and negotiations to establish a new international framework. Treasury also sends a representative to all EXIM Board meetings. EXIM staff coordinates with the Office of Trade and Investment Policy, which resides under the Undersecretary for International Affairs, which is the Chair’s counterpart at the agency.

- **State:** Multiple EXIM divisions work with the State Department on a daily basis and, perhaps for that reason, State has one person whose job is to be the State liaison to EXIM and USTDA, Heather Goethert. In addition to attending every EXIM Board meeting, the Chairman’s office, Export Finance, OGC and other departments coordinate a good deal of their country-specific or issue-specific international and embassy outreach through this liaison. At the same time, EXIM staff members have their own relationships, and where State is leading country-specific interagency initiatives, State staff members often coordinate with EXIM staff directly.
- **Commerce:** Like State, multiple EXIM divisions coordinate closely with the Commerce department. As an institution, EXIM leans on the Foreign Commercial Service of ITA to identify exporters and export opportunities that could benefit from EXIM products and also coordinate overseas meetings for EXIM staff. Many Administration-wide initiatives with significant EXIM equities, both domestic and international, were led by Commerce during the Obama Administration. Domestically, EXIM business development staff work closely with—and sometimes side-by-side with Commerce-run U.S. Export Assistance Centers in cities across the country. Closer coordination with Commerce, through their overseas staff and through offices like the Advocacy Center, is recommended going forward. The Secretary of Commerce is an ex-officio member of EXIM’s Board of Directors.
  - **TPCC:** EXIM is a member agency of the Trade Promotion Coordinating Committee, which is chaired by the Commerce Department. The TPCC has grown to include 21 agencies or White House offices and works to coordinate trade-related and export-supporting efforts across the U.S. government.
- **OPIC and USTDA:** EXIM interacts with two other U.S. government trade and investment agencies: the Overseas Private Investment Corporation (OPIC) and the U.S. Trade and Development Agency (USTDA). OPIC is a development finance institution focused on supporting U.S. private sector-linked international development activities (vs. EXIM’s clear U.S. exports and U.S. employment mission). OPIC and EXIM have jointly participated in transactions, but this is uncommon given these different missions. USTDA and EXIM programs work more closely together, as USTDA’s technical assistance work often paves the way for projects or market opportunities where EXIM guarantees, loans or insurance are needed to support U.S. exports.
- **SBA:** Export Finance coordinates with SBA staff on business development efforts and our similar, but distinct lender-focused programs.
- **Justice:** OGC works closely with DOJ on a number of issues, most importantly fraud investigations.
- **Transportation:** Policy and Export Finance staff works with DOT on MARAD issues.
- **Energy:** On nuclear and renewable issues, in particular, EXIM staff (E&E, Export Finance) coordinates occasionally with DOE.
- **Labor, USTR, Agriculture:** Limited engagement on Administration-wide initiatives. The U.S. Trade Representative (USTR) is an ex-officio member of EXIM’s Board of Directors.
- **HUD, HHS, VA, EPA, Education, DHS:** Little to no engagement.

## ACTION ITEMS

- Get an update on the Treasury-EXIM relationship vis-à-vis OECD efforts and issues.
- Senior political staff should establish relationships with counterparts, and meet with State liaison.
- Senior political staff should familiarize themselves with the ICRAS process and the countries up for review in the coming year.
- Other interagency issues are driven by transactions or by Administration initiatives.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Erin Gulick, SVP, Congressional and Intergovernmental Affairs

**SUBJECT:** EXIM Mission & Congressional Mandates

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## BACKGROUND

EXIM’s mission is to support U.S. jobs through the export of U.S. goods and services. EXIM’s role is to supplement and encourage, and not compete with, private capital while seeking a reasonable assurance of repayment. EXIM fills the gaps left by the private sector, and ensures a level playing field. Specifically, EXIM is to provide guarantees, insurance, and extensions of credit at rates and on terms and other conditions which are fully competitive with the government-supported rates and terms and conditions available for the financing of exports and goods and services from the countries whose exporters compete with U.S. exporters, including countries the governments of which are not members of the OECD.

**Mandates:** Congress established mandates that require EXIM to support small business, environmentally beneficial exports, and exports to eligible markets in sub-Saharan Africa (SSA).

- **Sub-Saharan Africa:** In 1997, Congress directed EXIM to “promote the expansion of EXIM’s financial commitments in sub-Saharan Africa” and to establish the SSA Advisory Committee. Since 2000, EXIM has had a team dedicated to SSA. Since 2009, EXIM has authorized more than \$7 billion to SSA. In the 2015 EXIM Reform & Reauthorization Act, the authority for the Advisory Committee was aligned with EXIM’s extension of authority. Once EXIM has a quorum, a SSA Advisory Committee must be established.
- **Small Business:** In 1983, Congress enacted a small business mandate as a percentage of EXIM’s loan, guarantee, and insurance authority. This required EXIM to “make available not less than 6% of such authority” in FY1984, 8% in FY1985, and 10% in FY1986 and thereafter. Congress increased the percentage in 2002 to 20 percent, and in 2015 to 25%. Congress also included several other provisions in EXIM’s Charter reaffirming its commitment to small business, including small business representation on EXIM’s Advisory Committee, and Charter provisions regarding EXIM’s Small

Business Division, Small Business Specialists, and Small Business Committee. The SVP of Small Business reports directly to the Chairman.

- **Environmental:** Since the 1980s, Congress has required EXIM to promote the export of environmentally beneficial exports through its Charter and later years through appropriations acts. In 1989, Congress directed that EXIM should seek to provide at least 5 percent of its energy sector financing for renewable energy projects and undertake to promote renewable energy. Following that action, in 1992 a mandate was added to the Charter to require EXIM to “encourage the use of its programs to support the exports of goods and services that have beneficial effects on the environment or mitigate potential adverse environmental effects. Similarly, EXIM’s Charter specifies that its Tied Aid Program “may only be used to defend potential sales by United States companies to a project that is environmentally sound.” In 2002, Congress directed EXIM to promote exports related to renewable energy sources. Congress also mandates that EXIM have representation of the environmental community on its Advisory Committee. In addition to the Charter, from 2008 - 2015, through appropriations bills Congress gave EXIM the following goal: *“That not less than 10 percent of the aggregate loan, guarantee, and insurance authority available to EXIM under this Act should be used for renewable energy technologies or energy efficiency technologies.”* Though the 10 percent target was removed in FY2015, the appropriations legislation has continued to suspend enforcement of EXIM’s December 2013 Supplemental Guidelines for High Carbon Intensity Projects.

## KEY ISSUES

- **Congress increased the small business target to 25%.** EXIM’s support for small business was a major part of its reauthorization, with some members of congress wishing to see the allocation be much higher. Therefore, meeting the 25% mandate will be of significant interest to supporters and opponents.
- **Environmental guidelines and policies** continue to be a contentious issue in Congress, particularly as it relates to high-carbon (i.e. coal) projects. With the new OECD sector understanding, the new Administration will need to carefully consider changes to EXIM’s environmental guidelines, while considering the non-discrimination provision added to EXIM’s charter in the 2015.

## ACTION ITEMS

There are no immediate action items.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Michele Kuester, SVP, Innovation and Performance

**SUBJECT:** Strategic Plan and Operating Priorities

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## BACKGROUND

The Government Performance and Results Act (GPRA) Modernization Act of 2010 mandates that all agencies follow a performance and assessment plan that includes creation of a strategic plan, annual performance plan, and annual performance report. EXIM revised its strategic plan in 2013. The current strategic plan which EXIM is operating under extends through FY2017 (September 30, 2017). While EXIM may revise and update its strategic plan at any time, an updated strategic plan must be in place by February 5, 2018. The updated strategic plan must cover a period of not less than four years.

The current Strategic Plan identifies four goals:

- Expand awareness of EXIM services through focused business development and partnerships
- Improve ease of doing business with EXIM
- Ensure effective enterprise risk management consistent with EXIM's charter requirements
- Create an environment that fosters high performance and innovation

EXIM has established annual operating priorities to be congruent with EXIM's strategic plan. The operating priorities are congruent with and provide guidance for the execution of the strategic plan. The 2016 operating priorities:

- Strengthen small business export DNA in all programs and products
- Equip U.S. exporters to win in a rapidly changing international landscape
- Make EXIM a Tier 1 place to work
- Improve data and systems to understand and execute our business
- Continuously improve internal processes and collaboration for better effectiveness, efficiency, and risk management

EXIM uses the goals and operating priorities it has established to measure success and guide its activities. For example:

- To support the goal improve ease of doing business with EXIM, EXIM has placed a particular focus on tracking improvements in cycle time. As a result, EXIM has been able to drive and track an improvement in the percentage transactions decided within 30 days, which increased from 84% in FY 2011 to 89% in FY 2016, and in the percentage decided within 100 days, which increased from 97% to 99% over the same period.
- To improve EXIM's global competitiveness and support the goal '*Continuously improve internal processes and collaboration for better effectiveness, efficiency, and risk management*', EXIM has completed several targeted projects. These include undertaking leaning projects for Transportation Business Credit, Disbursement, and Project Finance; adopting customer-friendly policies to accept electronic documents; and streamlining and updating legal documentation for the Exporter's Certificate, Transportation Operative Memo, and the financing documentation for General Aviation aircraft.

## KEY ISSUES

- **Strategic Plan Re-Evaluation:** the environment in which EXIM operates has changed dramatically between 2013 and today. A re-evaluation of EXIM's strategic plan and operating priorities is necessary.
- **Objectives, Strategies, and Metrics:** The four strategic goals still seem appropriate today. But the objectives, strategies, and performance metrics need to be re-evaluated and adjusted to reflect the progress made to date by EXIM and the rapidly changing environment in which it operates.

## ACTION ITEMS

- **Update Operating Priorities:** the new leadership must evaluate the current operating priorities and prepare new operating priorities for 2017. *Deadline: April, 2017*
- **Update Strategic Plan:** the new leadership must evaluate the current strategic plan, including the objectives, strategies, and metrics, and prepare a new one for FY2018 onward. *Deadline: While the deadline to complete a new Strategic Plan is February 5, 2018, it is important that work on the strategic plan start within 180 days of the new administration.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** Policy Challenges in the New Export Credit Agency World

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## BACKGROUND

The main providers of medium- and long-term (MLT) export finance are Export Credit Agencies (ECAs) and commercial banks (including capital markets), constrained by the Organization for Economic Cooperation and Development (OECD) Arrangement<sup>2</sup> and Basel III respectively. In recent years, as a result of Basel III regulation requirements the overall share of capital goods exports to emerging markets done by commercial banks on their own account has decreased to around one-half; similarly, as ECAs globally have expanded their products falling outside of the Arrangement rules the overall share of official MLT activity done within OECD rules has decreased to less than one-third.

During the Financial Crisis, EXIM was the most powerful, broadest-based and most program-flexible ECA, pulling \$5 to \$10 billion of trade to the United States. Today, due to the lapse and lack of a Board, EXIM has fallen far behind as it stood still while other ECAs have rapidly adapted, and continue to do so, to radically changed market conditions.

## KEY ISSUES

Currently, the ECA parameters of narrow export-support focus, limited government involvement, level-playing-field goals, and “lender of last resort” philosophy are no longer the order of the day among the 85 other ECAs around the world. A highly rule-dominated ECA world fit the U.S. philosophical preference for a narrowly focused ECA. However, the emerging global consensus today, as a result of the factors cited below, does not appear to support such a limited role for ECAs.

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<sup>2</sup> [OECD Arrangement](#) refers to the Organization for Economic Cooperation & Development’s Agreement on Officially Supported Export Credits.

Fundamental changes in the Export Finance environment that impact the role of ECAs include:

- **Global Macroeconomics:** Expansion of exports is seen as the main available driver for growth due to high national debt levels that limit fiscal policy and near-zero central bank interest rates that limit monetary policy. Expanded and aggressive ECAs are typically the policy tool selected to expand exports in the national interest.
- **Banking:** The regulatory response (Basel III & Dodd-Frank) to the Financial Crisis has changed banks' behavior. ECAs or multilateral institutions are now needed for the larger (>\$200 million volume per case), longer (>5 to 10 years), and riskier (non-investment grade) spectrums that commercial banks now are unwilling or unable to do as a result of increased regulation.
- **ECAs:** Growth-stimulating operational changes include restructured export finance systems (France, Italy, UK), expanded funding mechanisms (China, Denmark, Finland, Norway, Sweden), and broadened mandates (Japan). Forward-leaning ideological changes include more ECA independence to meet exporters' needs, more responsibly aggressive risk appetites, and more programs in the national interest (outside of any rules), all of which serve to provide additional financing solutions in support of exports.
- **U.S. Exporters:** Some larger U.S. exporters are maximizing their access to expanding export systems worldwide while minimizing dependence on the U.S. export system. This has been done through moving export platforms for specific products to other countries.

## ACTION ITEMS

Items that will need to be dealt with include:

- Clearly lay out how EXIM can and will use current capabilities to meet the demands of the new world while meeting all Congressional mandates.
- Update the U.S. Treasury, and the interagency group, on developments in the export finance environment to inform negotiation positions for the long-term future of ECAs.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy & Planning

**SUBJECT:** International Engagements

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## BACKGROUND

### General

A cornerstone of EXIM’s ability to remain competitive is its ability to engage with its international counterparts—these engagements serve as the “eyes, ears, and voice” of EXIM to accurately assess the global competitive landscape. To date, there are 85 ECAs supporting trade-related activity of which more than two-thirds is unregulated by the established international rules for official export credit. Moreover, both the number of foreign institutions supporting trade-related activities and the various types of activities continues to increase; faced with this steadily growing competition, it is imperative that EXIM gains insight into the practices of other ECAs so that it understands the competitive landscape to appropriately target its support to level the playing field for U.S. exporters.

### Organization of Economic Cooperation and Development (OECD)

The Arrangement on Officially Supported Export Credits (“the Arrangement”), along with its various sector-specific annexes, serves as the primary rules regime for officially supported export credits globally. The Arrangement housed in the Paris-based OECD is managed by the OECD staff and provides a World Trade Organization (WTO)-compliant framework of minimum interest rates and risk fees and maximum repayment terms for the use of officially supported export credits. For over 40 years, the Arrangement has consistently proven its effectiveness at leveling the playing field among Export Credit Agencies (ECAs) party to it<sup>3</sup>. Historically, all of EXIM’s medium- and long-term financing is structured in strict accordance with the rules of the Arrangement.

OECD meetings generally occur three times a year (March, June, and November) at the OECD Headquarters in Paris, France.

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<sup>3</sup> As of 12 October, 2016, Arrangement Participants include the following countries: Australia, Canada, the 28 countries of the European Union, Japan, Korea, New Zealand, Norway, Switzerland, and the United States.

### **International Working Group on Export Credits (IWG)**

The IWG was originally founded in 2012 within the bilateral framework of the US-China Strategic and Economic Dialogue (S&ED) as a commitment to improve transparency and understanding of each other’s export credit programs and practices and work with other major export credit providers to establish guidelines on export credits that would be consistent with international best practices. The IWG includes both OECD and non-OECD participants and is led by a steering group consisting of the US, China, Brazil and the EU. Due to a wide range of both technical practices and philosophies regarding the role of export credits, progress on negotiating an agreement on export credit guidelines has been slow to date. However, if an agreement were to be reached in the IWG, that agreement would likely be viewed as a successor to the OECD Arrangement by the WTO.

IWG meetings generally occur three times a year with a rotating chair among the Steering Committee Members.

### **BERNE UNION**

Berne Union principles state: “The Berne Union is the leading international organization of public and private sector providers of export credit and investment insurance. Founded in 1934, it is an international, non-profit organization dedicated to facilitating worldwide cross-border trade and investments by fostering international acceptance of sound principles in export credits and investments insurance, and by providing a forum for professional exchanges among its members.”

Berne Union provides a forum for discussion of best practices and ECA experiences on topics of claims/recoveries, underwriting techniques, risk mitigation, country policies, repayment experience. In addition, the Berne Union regularly hosts special dedicated meetings to areas such as energy sector underwriting, MLT reinsurance, commercial risk rating and pricing, ship financing, and others which provide technical specialists with unique insights from their global peers. The Berne Union has the potential to be a major source of data on the activities of all ECAs.

The BU Spring meeting, to occur in Copenhagen on May 15-17, 2017, will be hosted by EKF, the official export credit agency of Denmark.

### **G7/12**

The annual G7 Heads of ECAs meetings are held to share information and discuss relevant issues facing the world of export credit. Typically, this is a “principals-only” meeting, and while staffers have occasionally been able to attend, discussion is reserved to high-level participants. Originally, this group included EDC – Canada, the French ministry of finance, the Germany ministry of finance, NEXI – Japan, SACE – Italy, UKEF – UK, and US EXIM. However, over the past decade the size and scope of the world of export credit has changed dramatically (particularly in the wake of the global financial crisis). As emerging markets have grown to provide a significant portion of the world’s official export credit, it became more relevant to include these providers in a meeting of the chief export credit providers. Beginning in 2011, in addition to the original meeting of the seven “G7”, a second annual meeting of the G11 ECA Heads was constituted in the spring of 2011 to include SINOSURE – China, ECGC – India, ABGF – Brazil, and EXIAR – Russia. Last year the G11 was expanded further to include KSURE of Korea, thereby becoming the G12 Heads of ECA group. The G7 Heads

of ECAs continue to meet each fall while the G12 Heads of ECAs meet in the spring. The meetings are hosted on a rotating basis.

The Spring G12 meeting, to occur in late February 2017, will be hosted by Export Credit and Guarantee Corporation of India Limited (ECGC); and the Fall G7 meeting, to occur in mid- to late-September 2017, will be hosted by Nippon Export and Investment Insurance (NEXI) of Japan.

## KEY ISSUES

- OECD:
  - While still crucial to maintaining discipline in use of export credits and to addressing current issues, the USG should continue its efforts to encourage China to become a member of the Arrangement.
  - Current issues include how to maintain categorical separation of export credits and aid, and how to maintain progress on the application of environmental standards to Arrangement activity.
- Berne Union:
  - EXIM is working on supporting a data improvement effort given that the BU data currently suffers from significant integrity/validity issues severely limiting its usefulness.
- G7/12:
  - Recent key issues have included repeated discussions on how to respond to emerging dominance of non-Arrangement official financing (e.g., China).
- IWG:
  - EXIM is pursuing transparency among IWG Members as the primary (and first) accomplishment of IWG negotiations to date.

## ACTION ITEMS

There are no immediate action items.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Kenneth Tinsley, SVP, Chief Risk Officer  
Madolyn Phillips, Acting Chief Banking Officer

**SUBJECT:** Risk Appetite at EXIM

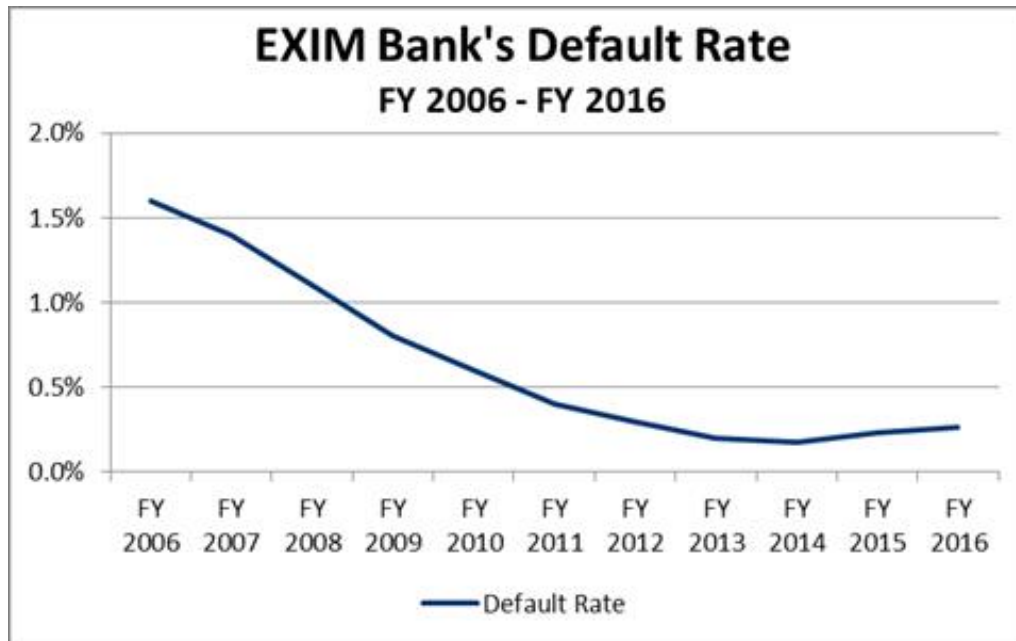
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## BACKGROUND

As the United States’ official Export Credit Agency (ECA), EXIM is mandated to support U.S. jobs through exports while not competing with the private sector to finance these exports (i.e., EXIM must assure that there is what we call “additionality” in every transaction it authorizes). EXIM provides financing for borrowers in markets in which there is little to no liquidity or bank financing available, or to counter financing offers by non-U.S. exporters that are backed by other ECAs. EXIM strives to be fully competitive with other ECAs, especially ECAs from the high income countries that are members of the Organization for Economic Cooperation and Development (OECD), but EXIM’s competitiveness has been affected by a recognized trend toward a more risk-averse credit culture.

EXIM’s Risk Appetite Statement provides a high level view of the amount of risk on an enterprise level EXIM has expressed it is willing to accept. Of late, there is a more risk-averse credit culture at EXIM. Some of the core causes of this shift are significantly increased scrutiny and criticism of EXIM during the past eight years, fear of criticism if a borrower defaults, and lack of recognition for the overwhelmingly reasonable risks taken to support U.S. exporters.

Noteworthy is the unsuccessful attempt in June 2015, just prior to the lapse in authority, to expand EXIM’s cover policy to selectively provide long-term support (up to 10 years) for higher risk markets and borrowers currently only eligible for medium-term support (up to 5 years). Lack of program budget (subsidy) has required higher fees and/or more credit enhancements to support historically higher risk credit programs, i.e., medium-term. Based on a recent comparison study of the risk appetite of EXIM and selected ECAs, EXIM’s somewhat unique use of credit enhancements represents a slightly more conservative posture than its counterparts. EXIM reauthorization contains two provisions that relate to credit risk appetite, (1) requirement of finding “reasonable assurance of repayment” for all export credit transactions approved, and (2) freezing of the exposure cap if payment defaults equal 2% or more in a reporting quarter.



EXIM senior management has begun discussions on how to address this issue including ensuring EXIM's credit risk appetite, as expressed in its "Risk Appetite Statement" approved by the Enterprise Risk Committee, is more effectively cascaded down to the underwriting units. Also, whereas EXIM has conducted "lessons learned" analysis on the defaulted credits for the benefit of future underwriting, it was decided that such analysis also will be done on credits that have been repaid in a timely fashion.

## KEY ISSUES

- **EXIM Portfolio Credit Risk Indicators are Mixed:** increasing low risk posture, decreasing moderate/high risk posture.
- **Low Risk:**
  - The most recent calculated default rate for the portfolio as of September 30, 2016, was 26.6 basis points (or 0.266%), well below the 2% provision. For an ECA, which by definition takes more risk than a private-sector financial institution, EXIM's default rate suggests that the agency is not taking enough risk in furtherance of its mission.
  - The most recent weighted average risk rating of the portfolio as of September 30, 2016, was 4.03, which concords to an investment grade rating, i.e., BBB-
- **Moderate/High Risk:**
  - Historically, EXIM's credit portfolio consisted largely of sovereign and bank exposure; but now roughly 2/3 of the portfolio consists of riskier private sector, non-bank exposure.
  - EXIM's portfolio is concentrated in a number of areas (such as industry, borrow, etc.) with roughly 48% of exposure relating to large commercial aircraft.

## ACTION ITEMS

- **Risk Appetite:** Examine the extent to which EXIM's credit risk appetite, as reflected in the "Risk Appetite Statement", has been cascaded effectively to the business units, particularly given the risk-

averse culture that has recently developed.

- **Risk Agreement:** There should be a broad agreement that as an ECA, EXIM can and should assume more risk than a private-sector financial institution.
- **Future Authorizations:** EXIM should resist calls to apply portfolio concentration-related limits to future authorizations. Limits to authorizations would adversely affect the ability of US exporters to compete on a level playing field with foreign competitors being supported by their export credit agency. Also, it conflicts with the mandate to support U.S. jobs and authorize US export credit transactions on the basis of credit and policy compliance.
- **Streamlining Efforts:** EXIM should continue to make advances in streamlining its application, transaction approval, and legal documentation processes. Users of EXIM programs have cited all of these processes as having become much more difficult in the past eight years, and view additional requirements to complete a transaction as part of EXIM's increasing aversion to risk.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Kenneth Tinsley, SVP, Chief Risk Officer

**SUBJECT:** Modification of Transaction Credit Analysis

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## BACKGROUND

Beginning in 2015, there have been key changes in how EXIM conducts credit analysis that comport with industry best practice. Historically, credit analysis had been focused primarily on transaction-related issues. Portfolio considerations had been primarily borrower-focused in situations where EXIM is considering new exposure with an existing borrower.

Also, with the exception of large aircraft transactions, the credit analysis was focused on determining the probability of default, or the ability of the borrower to meet its obligations in a timely manner. The analysis conducted on large aircraft transactions includes not only estimating probability of default, but also the probability of loss given default which requires, inter alia, an analysis of risk mitigants and collateral that have value and enhance recovery prospects.

EXIM has already implemented a modification of its transaction credit analysis to include consideration of portfolio factors in underwriting individual transactions, e.g., industry/sector, major geographic. Work is ongoing to modify our non-aircraft underwriting analysis to include analysis of both of probability of default (PD) and loss given default (LGD).

The events triggering these changes were new reforms in EXIM's Reauthorization (consideration of portfolio factors) and the recommendations of outside consultants in their review of our credit risk rating models (probability of default analysis and loss given default analysis).

## KEY ISSUES

### Consideration of Portfolio-Related Factors:

- **CRO Responsibility:** Among the duties of the CRO as per the 2015 EXIM Reauthorization is to, inter alia, ensure portfolio considerations are part of the risk assessment and underwriting of individual transactions.
- **OIG Recommendation:** Among the OIG recommendations related to credit and portfolio risk management is that EXIM should ensure the risk management function appropriately informs the credit analysis and origination functions.
- **Underwriting Methodology:** EXIM has expanded its transactional underwriting methodology to include consideration of portfolio factors, such as:
  - portfolio management representation on transaction origination team
  - Board memorandum template changed to include section on portfolio-related factors, e.g., sector, major geographic region.

### Bifurcation of Credit Analysis Process:

- **Default Basis:** Credit analysis conducted by origination has largely been done on a probability of default basis with the exception of large aircraft financing; industry best practice is to also include analysis of loss given default
- **Developing Bifurcated Process:** Progress is ongoing in developing a bifurcated risk rating process, probability of default (PD) and loss given default (LGD), and credit analysis as recommended by an external consultant, S&P Capital IQ

### Expected Impacts:

- **Change Implementation:** There will likely be “growing pains” along the way in credit risk analysis at origination, portfolio management, and decision-making associated with the implementation of these changes.
- **Transparency:** Credit analysis should be more informative and provide decision-maker with greater transparency with regard to risk to EXIM.
- **Alignment with Risk Appetite:** Improved credit risk transparency through analysis of PD and LGD should facilitate ability to align credit decision-making with EXIM’s credit risk appetite as expressed in its Risk Appetite Statement.

## ACTION ITEMS

There are no immediate action items.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Kenneth Tinsley, SVP, Chief Risk Officer

**SUBJECT:** Enterprise Risk Management (ERM)

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## BACKGROUND

Recent Office of Management and Budget (OMB) guidance calls for the integration of Enterprise Risk Management (ERM) into existing Government management practices. The importance of integrating ERM into existing management practices was highlighted in the Obama Administration’s FY2017 budget. An ERM framework facilitates risk awareness and transparency, improves risk management strategies, and allows alignment of risks to risk appetite. Each agency should determine what tools and techniques work best in its unique context as ERM is an iterative process. A key element of EXIM’s current ERM framework is the Enterprise Risk Committee (ERC) whose membership is comprised of the senior management team and is chaired by the Chief Risk Officer (CRO). The purpose of the ERC is to review, evaluate, coordinate, and make recommendations to the President of EXIM and senior management on issues related to enterprise risk.

Key ERM-related actions of the ERC include approval and implementation of the following:

- Risk Appetite Statement
- Risk Nomenclature or taxonomy, primary task owners, and risk registers
- Model governance policy that pertains to all models within EXIM, i.e. credit risk and credit loss factors
- ‘Soft’ portfolio limits dashboard to assist in identifying portfolio concentration and managing portfolio

## KEY ISSUES

EXIM’s development of its ERM framework, among other things, is being impacted by the following:

- **Common Practices:** Since being appointed to the position, in addition to recent OMB guidance, EXIM’s CRO has been examining ERM common practices among ECAs, commercial banks and MDBs as well as reviewing guidance contained in COSO, ISO31000, and GAO’s Green Book.
- **OIG Evaluation:** In July 2016 OIG completed an evaluation of EXIM’s portfolio risk management procedures pursuant to which it acknowledged important progress made. The report also contained 8

recommendations, to all of which EXIM agreed.

- **OIG review of CRO Duties:** The OIG is in the process of evaluating the implementation of the duties assigned to the Chief Risk Officer under section 3(1) of the Export-Import Bank Act of 1945, as amended by section 51005. The report is expected to be completed in December.
- **OMB Circular A – 123:** In implementing ERM, OMB Circular A –123 encourages agencies to develop 'Risk Profiles' which identify risks arising from mission and mission-supported operations, and consider those risks as part of the annual strategic review process in June 2017.

## ACTION ITEMS

While still in an evolving state, based on benchmarking results conducted by the Chief Risk Officer and in an Office of Inspector General survey that was independently administered by Ernst and Young, EXIM may be a bit more advanced than many within the USG in its implementation of an ERM framework. The CRO is conducting due diligence to determine how best to organize his office in addition to how best to continue our implementation of ERM. Among the more immediate events likely impactful in that regard are the results of the OIG review of EXIM's implementation of the duties assigned to the CRO (due in early December) and new guidelines on ERM contained in OMB A-123 (currently reviewing). It's important to note that implementation of ERM will be an iterative process pursuant to which we will determine what works best for EXIM. It will take some time to determine the right fit for EXIM.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Charles J. Hall, EVP, Chief Operating Officer

**SUBJECT:** Organizational Culture Change at EXIM

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## BACKGROUND

Over the past eight years, EXIM leadership has engaged in an effort to promote culture change at EXIM in certain identified areas. This effort is reflected in the goals of the 2013-2017 Strategic Plan as well as in the supporting annual Operating Priorities, and has been aimed at improving EXIM's effectiveness in achieving its mission and serving its stakeholders.

## KEY ISSUES

Principal areas of focus in promoting culture change have been:

- **Increasing customer focus:** EXIM leadership created the position VP Customer Experience in order to have a champion and focal point for taking a more customer-centric view of EXIM's activities. A sustained effort has been placed on seeking customer feedback as well as on measuring EXIM's performance from the customer perspective, such as in tracking the decision cycle times achieved for various products.
- **Prioritizing innovation:** EXIM leadership also created the position of VP Business Processes to lead the Total Enterprise Modernization program (TEM) in order to have a champion and focal point for process innovation at EXIM. Building off of the success of TEM, EXIM created an SVP to lead a new Office of Innovation and Performance in order to create a lasting drive for innovation and development.
- **Valuing inter-divisional collaboration:** EXIM leadership in late 2013 and early 2014 identified a lack of inter-divisional collaboration as a priority risk vulnerability in its operations. Employee feedback has confirmed that collaboration and teamwork has been strong within divisions at EXIM, but has been weak between divisions. Since that time, an emphasis has been placed on collaboration between divisions in a variety of circumstances. For example, collaboration in transaction underwriting has been strengthened with the development of a "deal team" approach to transactions under which all relevant divisions (e.g. underwriting, asset management, engineering, legal) are

explicitly involved in the underwriting and deal structuring process. In other circumstances, EXIM managers have made a sustained effort to encourage and require inter-divisional collaboration to improve the quality of long-term project outcomes.

## **ACTION ITEMS**

There are no immediate action items.



## MEMORANDUM

**DATE:** October 31, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Michael T. McCarthy, Acting Inspector General

**SUBJECT:** Office of Inspector General

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## BACKGROUND

The Office of Inspector General independent entity in EXIM whose mission is to detect and deter waste, fraud, abuse, and misconduct in EXIM programs and personnel, and to promote economy and efficiency in those programs. The OIG was created by statute in 2002 and the first Inspector General was nominated and confirmed in 2007.

The Office of Inspector General has approximately 30 employees to conduct audits, inspections and evaluations, and investigations at EXIM. OIG conducts statutorily-required annual audits of EXIM financial statements, cybersecurity, and improper payments, as well as risk-based audits of EXIM programs. OIG also includes an inspections and evaluations component, which conducts in-depth reviews of selected major transactions, as well as policy evaluations. The OIG investigations division is a federal law enforcement agency comprised of special agents and investigative analysts who work with the Department of Justice to prosecute fraud committed against EXIM, as well as investigate allegations of employee misconduct.

## KEY ISSUES

### Inspector General Independence:

The Inspector General Act of 1978 governs the role of Inspectors General in federal agencies. Under the terms of the IG Act, IGs are located within the agency but must conduct their audits, investigations, and evaluations independently from the agency. IGs are non-partisan and are selected without regard to political affiliation. They have a dual reporting requirement -- to their agency heads and to Congress. IGs are required by the Act to keep both the agency and Congress fully and currently informed about problems and deficiencies in their agencies’ programs and

operations, as well as the necessity for and progress of corrective action. IGs should meet regularly with the heads of each agency to foster effective communications. According the Act, IGs must have direct and prompt access to the agency head.

The OIG's independence is crucial to its ability to pursue allegations of misconduct, fraud, waste, and abuse. For example, the agency head may not prevent the IG from initiating, carrying out, or completing any audit or investigation. The IG Act provides the OIG with general authority to conduct investigations and issue reports that are, "in the judgment of the Inspector General, necessary or desirable." To maintain independence from the agency, the OIG receives a direct appropriation separately from EXIM, and the IG has budget and personnel authority for the OIG.

### **Cooperation with the OIG:**

Under the IG Act, IGs are given broad statutory authorities, including access to all agency records and information. IGs also have the authority to subpoena relevant documents and information from non-federal organizations and individuals.

EXIM has a generally positive record of cooperation with the OIG. In 2014, the Chairman issued a policy on cooperation with the OIG requiring all employees to cooperate with OIG inquiries and provide access to all records requested by the OIG. Although OIG has sometimes encountered delays in receiving information requested, EXIM has not denied access to records. Other federal departments and agencies have refused to provide IGs with records in contravention of the IG Act, which has prompted Congress to reiterate in statements and appropriations bills that the law requires OIGs to have unfettered access to all records of the agency.

### **Inspector General Vacancy:**

The Inspector General at EXIM is appointed by the President and confirmed by the Senate. The position has been vacant since the resignation of the last Senate-confirmed IG in June 2014. The Deputy Inspector General, a career employee, has been serving as Acting IG since that time. In July 2016, President Obama nominated Kim J. Walker to serve as Inspector General. The Senate has not taken action on this nomination. If Mr. Walker is confirmed, he may remain in place through the transition. Reflecting their independent non-partisan role, unlike other political appointees IGs typically remain in office when Administrations change. This general practice has been followed since the IG Act of 1978 was enacted. If Mr. Walker has not been confirmed, EXIM leadership should work with the White House and Senate to nominate and confirm an Inspector General.

## **ACTION ITEMS**

- Schedule regular meetings between the OIG and EXIM leadership.
- If a permanent Inspector General is not confirmed before the current Congress adjourns, work with the White House and Senate to nominate and confirm an Inspector General.



## MEMORANDUM

**DATE:** October 13, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Michael T. McCarthy, Acting Inspector General

**SUBJECT:** Inspector General Assessment of Major Management Challenges

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## BACKGROUND

The Office of Inspector General is a statutorily-created independent entity in EXIM whose mission is to detect and deter waste, fraud, abuse, and misconduct in EXIM programs and personnel, and to promote economy and efficiency in those programs.

The Reports Consolidation Act of 2000 requires an annual summary of what the Inspector General considers to be the most serious management and performance challenges facing the agency and a brief assessment of the agency’s progress in addressing those challenges. Through our audits, inspections and investigations, we work with EXIM management in recommending actions that best address those challenges. We have identified the following topics as the top management challenges facing EXIM at the beginning of FY 2017.

## KEY ISSUES

### Managing Lapses in Exim’s Authorization and Board Quorum

In FY 2016, we reported that the top management challenge facing EXIM was managing the lapse in authorization to incur new obligations, which under the terms of EXIM’s charter had expired on June 30, 2015 and had not been renewed by Congress. As a result, at the beginning of FY 2016, EXIM lacked the authority to enter into new transactions, but continued to fulfill existing commitments and manage its existing portfolio, which was more than \$100 billion at that time. In December 2015, Congress passed a law renewing the authority of EXIM to engage in new transactions and making reforms to EXIM’s risk management and governance structure, which was signed by the President on December 4, 2015. Despite the renewed statutory authority as of December 2015, EXIM’s ability to execute its mission has been limited by the absence of a quorum on its Board of Directors since

July 2015. At the time of this report, two of the five Presidentially-appointed, Senate-confirmed director positions are filled, with two additional Presidential appointments pending before the Senate. Because the charter requires a minimum of three Board members as a quorum to take action, EXIM cannot currently approve new medium-term and long-term transactions over \$10 million, or approve the appointment of a Chief Risk Officer and Chief Ethics Officer as required by the reauthorization legislation. The House and Senate Appropriations Committees have included in the FY 2017 appropriations bills a provision that would waive the charter’s quorum requirement when there are multiple vacancies, so that the directors in place could execute decisions under the charter. However, this provision has not yet been enacted into law.

Managing the effects of the lapse in authorization, the lapse in Board quorum, and uncertainty about the future of EXIM is the top management challenge facing EXIM. Although EXIM continues to accept applications and conduct underwriting and due diligence activities for larger transactions in anticipation of eventual restoration of a Board quorum, the uncertainty about if and when EXIM will be able to give final approval to these applications adds difficulty to EXIM customer relations and outreach activities. As the lapse in authority to approve larger transactions grows longer, EXIM becomes less likely to be viewed as a credible and reliable source of funding in the marketplace. EXIM management must also consider how to deploy employees and other resources efficiently in light of the uncertainty over when full authority might be restored. While it may be a prudent management practice to continue preparing transactions so that they are ready for consideration once Board authority is restored, management should also reconsider whether resources should continue to be expended on processing applications for larger transactions if the lapse in the Board quorum persists. Management should consider whether to reallocate employees to functions such as short-term and working capital programs, or monitoring of operative transactions, which continue even in the absence of a Board quorum.

The lapses in authority and uncertainty about EXIM’s future also add complications to managing human capital, which we have consistently identified as a major management challenge. EXIM faces challenges in employee recruitment, retention and morale. EXIM competes not just with the private sector, but also with multilateral development agencies such as the World Bank and other federal financial agencies such as the Federal Reserve and the Securities and Exchange Commission, all of which offer a higher pay scale. During the lapse in authorization, EXIM instituted a hiring freeze. After the authorization was reinstated, EXIM began recruiting for vacant positions, but managers report that top candidates have turned down employment offers, citing uncertainty over the future of EXIM. Although most divisions report low attrition of key personnel over the past 18 months, senior managers are concerned that EXIM will not retain experienced credit underwriting personnel with expertise in aircraft finance and structured finance as the lapse in authority to complete large transactions continues.

## **Implementing the 2015 Reauthorization Bill**

In December 2015, Congress passed and the President signed a bill extending the authorization of EXIM to September 30, 2019 and making several reforms to the EXIM Charter. Major new requirements of the 2015 reauthorization law included appointment of a Chief Risk Officer and establishment of a Risk Management Committee, appointment of a Chief Ethics Officer and establishment of a new ethics office; an increase in the small business financing target to 25 percent; an increase in loss reserve to be not less than 5 percent of disbursed and outstanding loans, guarantees, and insurance; and establishment of a pilot program for risk sharing.

A key mandate from the 2015 reauthorization is improving EXIM’s enterprise risk management structure. The law establishes a Chief Risk Officer, who is directed to oversee all issues relating to risk within EXIM and report to the President of EXIM. The law also establishes a Risk Management Committee, comprising the non-management Members of the Board of Directors, with the president and First Vice President of EXIM serving as ex officio members. The Risk Management Committee replaces EXIM’s Audit Committee and is directed to (i) provide oversight to periodic stress testing of the entire EXIM portfolio and the monitoring of industry, geographic, and obligor exposure levels and (ii) to review all required reports on the default rate of EXIM before submission to Congress. The risk-related reforms in the 2015 reauthorization are consistent with risk management recommendations from previous OIG reports, which advised EXIM to adopt a variety of governance reforms to better evaluate risks of the entire EXIM and its portfolio as a whole, in addition to transaction-level risk analysis. The reforms in the reauthorization are also consistent with new guidance issued by OMB for all federal agencies on internal controls and enterprise risk management.

EXIM has begun to implement the requirements of the 2015 reauthorization by identifying the discrete requirements and forming working groups to implement each one. While some progress has been made, some of these initiatives are complex and will require sustained management attention to fully implement. The lapse in Board quorum also prevents EXIM from fully implementing the initiatives that require Board action, including confirming the appointment of the Chief Risk Officer and Chief Ethics Officer as required by the new law. EXIM has selected these officials and they have begun working at their assignments; however, they are not finally installed in these positions pending a quorum on the Board to approve them. Similarly, EXIM management has initiated meetings of the Risk Management Committee with the two management directors who are ex-officio members of the committee, but the committee will not fulfill the governance role that Congress envisioned until non-management directors have been confirmed by the Senate.

Management also faces challenges in implementing differing requirements of the 2015 reauthorization law that are not necessarily in harmony. For example, the law places an emphasis on reducing risk at EXIM, with provisions that reduce the portfolio cap if the default rate exceeds 2 percent. At the same time, the law increases the target for lending to small businesses and

encourages EXIM to expand the medium-term lending program, both of which have historically been higher risk and have produced higher default rates than other EXIM lines of business. Implementing all of the requirements of the 2015 reauthorization law will require management to carefully plan and structure new programs, policies, and procedures, since many of the new requirements have interrelated effects.

### **Succession Planning and Presidential Transition**

As already noted, the EXIM Board of Directors currently has three of five seats vacant. The terms of the two seats that are currently filled expire on January 20, 2017. The Presidentially-appointed, Senate-confirmed position of Inspector General has been vacant since June 2014. The senior management position of Chief Banking Officer has been vacant since April 2016 and leadership does not plan to fill the position before the next President takes office. The senior career positions of Chief Acquisition Officer and Chief Human Capital Officer have been vacant since July 2015 and December 2015, respectively. EXIM managers have expressed concern that several key senior officials with extensive institutional memory are eligible to retire.

Although turnover in top positions is typical of any Presidential transition, the Presidential transition occurring at a time when there are multiple vacancies in key positions and great uncertainty about the future of EXIM exacerbates the risks of the transition. To ensure effective internal controls and risk management, EXIM leadership should ensure that well-trained individuals are prepared to perform the duties of positions that may be vacant during the transition. Also, EXIM leadership should make sure that the transition team is fully aware that key EXIM positions need to be filled promptly, and continued vacancies in top leadership positions imperil the mission of EXIM and increase risks of ineffective governance. EXIM leadership should also take action to fill senior career positions that have been vacant for extended lengths of time.

### **Administrative Functions**

EXIM’s core banking functions are supported by an administrative infrastructure which presents its own management challenges. As discussed above, the positions of Chief Acquisition Officer and Chief Human Capital Officer have been vacant for an extended time. OIG audit and investigative reports have found serious problems in the operations of the contracting and human resources functions. A recent audit found EXIM did not have adequate internal controls to ensure EXIM’s contracting processes complied with federal contracting regulations. Specifically, EXIM lacked a comprehensive set of written policies and procedures; many EXIM employees did not understand the roles and responsibilities of contracting officers; Contracting Officer Representatives were not properly certified; the contract characteristics or thresholds requiring the involvement of the Office of General Counsel were not identified; and contract data was not readily available. As a result, the audit found improper, duplicate and untimely payments; unauthorized commitments; and

incomplete contract files. OIG completed several investigations in response to complaints received regarding hostile work environment and prohibited personnel practices. Although these cases generally did not find violations of law or regulation, the investigations revealed significant employee morale issues and a poor management climate, along with significant personnel turnover, within the HR function. These findings were referred back to EXIM management for appropriate action, and senior HR managers have left EXIM. In addition, several different EXIM executives and division heads independently discussed their dissatisfaction with the support provided to their functional areas by the contracting and HR offices. EXIM leadership should focus on improving the contracting and human resources functions, including filling key vacancies by appointing senior executives to lead those functions and improve the service and support provided to EXIM’s operating offices.

We have previously reported information technology management at EXIM as a major management challenge. In the past two years, EXIM has installed experienced senior IT leadership, has deployed new systems, and has improved EXIM’s IT infrastructure. EXIM managers who rely upon IT systems report that significant progress has been made and are encouraged by the plans for new systems and more functionality. OIG has completed mandatory audits of information security and found substantial compliance with the relevant requirements. OIG is including in our annual audit plan for FY 2017 an assessment of EXIM’s IT function to review progress made since previous reports, which will inform whether information technology continues to be among the top management challenges facing EXIM.

## **ACTION ITEMS**

None.

# Key Issue Briefers

## EXIM Policies and Programs



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Angela Mariana Freyre, SVP, General Counsel

**SUBJECT:** Status of Reauthorization Requirements

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## BACKGROUND

The Export-Import Bank Reform and Reauthorization Act of 2015 (the Act) became law on December 4, 2015. The Office of General Counsel (OGC) performed a detailed section-by-section analysis. The analysis included a description of the specific requirements of the Act and timing for their implementation. Twenty working groups were assembled with the mandate to analyze and make recommendations.

## KEY ISSUES

Congress divided the Act into several sections:

- a. Taxpayer Protection and Increased Accountability
- b. Promotion of Small Business Exports
- c. Modernization of Operations
- d. General Provisions
- e. Other Matters

See the attached table for the key reauthorization provisions and the associated time frame and status of the working group recommendations.

## ACTION ITEMS

As noted under the "Timing" and "Status" columns in the table. A majority of the working groups have completed their tasks. Unless otherwise noted, the working groups are on schedule.

### STATUS OF 2015 REAUTHORIZATION REQUIREMENTS (as of 11-03-2016)

Provision	Export-Import Bank Reform and Reauthorization Act of 2015 (P.L. 114-94 - H.R. 22/S. 819)	Timing	Status
<b>TITLE I: TAXPAYER PROTECTION PROVISIONS AND INCREASED ACCOUNTABILITY</b>			
<b>1. Exposure Cap</b>	<b>Sec. 51001. Reduction in authorized amount of outstanding loans, guarantees, and insurance.</b> Lowers EXIM's limit on aggregate loan, guarantee, and insurance exposure to \$135 billion. Should EXIM's statutorily defined default rate rise above 2%, EXIM's lending cap would be frozen and it would not be allowed to undertake new exposure until the default rate falls back below 2%.	2015-2019	Policies drafted. Approval of procedure is in progress.
<b>2. Loss Reserves</b>	<b>Sec. 51002. Increase in loss reserves.</b> Requires EXIM to build and hold in reserve at least 5% of the value of its portfolio (amounts disbursed and outstanding).	December 4, 2016	Procedure agreed with OMB and process underway
<b>3. Review of Fraud Controls &amp; Report</b>	<b>Sec. 51003. Review of fraud controls.</b> Reinstates the requirement that GAO review fraud controls at EXIM, such audits to be performed at least once every four years. The GAO report includes how EXIM prevents, detects, and investigates fraudulent applications for loans and guarantees, and an audit of sample of EXIM transactions.	December 4, 2019 (+ every 4 yrs. after)	No EXIM action required until GAO initiates audit
<b>4. Office of Ethics, Chief Ethics Officer Position &amp; Duties</b>	<b>Sec. 51004. Office of Ethics.</b> Creates a non-political Chief Ethics Officer, appointed by the President of EXIM and approved by and reporting to the Board, to serve as EXIM's designated agency ethics official, recommend actions, and establish or enforce standards of official conduct.	June 1, 2016	Chief Ethics Officer appointed; awaiting Board approval
<b>5. Chief Risk Officer</b>	<b>Sec. 51005. Chief Risk Officer.</b> Creates a non-political Chief Risk Officer, appointed by the President of EXIM and approved by the Board, to oversee all issues relating to risk within EXIM.	June 1, 2016	Chief Risk Officer appointed; awaiting Board approval

6. Risk Management/Audit Committee	<b>Sec. 51006. Risk Management Committee.</b> Creates the Risk Management Committee, comprised of the Board (with the President and First Vice President of EXIM serving as ex officio members), to oversee the stress testing and comprehensive risk exposure of EXIM's portfolio and review default reports to Congress. Terminates EXIM's Audit Committee.	June 1, 2016	Risk Management Committee created; awaiting Board action to make conforming changes to by-laws
7. Independent Audit	<b>Sec. 51007. Independent audit of EXIM portfolio.</b> Requires the Inspector General to audit the risk management procedures of EXIM no less than once every three years.	December 4, 2016; not less than every 3 yrs. after	EXIM is cooperating with IG
8. Risk-Sharing by Private Lenders	<b>Sec. 51008. Pilot program for reinsurance.</b> Allows EXIM to institute a pilot program for reinsurance of up to \$10 billion to balance EXIM's risk exposure, and requires annual reports to Congress on the program.	December 4, 2016 (expires 2019)	Solicitation issued; responses are under evaluation
<b>TITLE II - PROMOTION OF SMALL BUSINESS EXPORTS</b>			
9. Increase Small Business Lending	<b>Sec. 52001. Increase in small business lending requirements.</b> Increases EXIM's small business lending target from 20 percent to 25 percent.	FY2016	Completed
10. Small & Medium-sized Enterprises	<b>Sec. 52002. Report on programs for small and medium-sized businesses.</b> Requires EXIM to include in its annual report to Congress its efforts to support businesses with less than \$250 million in revenue.	First year after December 4, 2016	Report in process
<b>TITLE III - MODERNIZATION OF OPERATIONS</b>			
11. Electronic Payments & Documents	<b>Sec. 53001. Electronic payments and documents.</b> Requires EXIM to implement policies for accepting electronic documents and payments within two years.	December 4, 2017	Procedures agreed. Draft of policy being reviewed
12. Information Technology Updating	<b>Sec. 53002. Reauthorization of information technology updating.</b> Allows EXIM to continue using administrative funds of up to 1.25% of EXIM's surplus (but no more than \$20 million) for technology systems infrastructure.	2015-2019	Ongoing
<b>TITLE IV - GENERAL PROVISIONS</b>			
<i>Extension of Authority</i>	<i>Sec. 54001. Extension of authority. Extends EXIM's authority through September 30, 2019.</i>	<i>2015-2019</i>	<i>N/A</i>
<i>Dual Use Exports</i>	<i>Sec. 54001 Extends EXIM's ability to finance dual use exports as long as EXIM's governing charter has been extended.</i>	<i>2015-2019</i>	<i>N/A</i>

13. Reauthorization of Sub-Saharan Africa Advisory Committee	<b>Sec. 54001 - Provides for a reauthorization of the Sub-Saharan Africa Advisory Committee, tying its expiration to the charter's sunset date.</b>	2015-2019	Nominations being solicited
14. Updated Definition Loan Terms	<b>Sec. 54002. Certain updated loan terms and amounts.</b> Increases EXIM's maximum loan size for medium-term financing from \$10 million to \$25 million.	FY2016 +	Revised IDA Memorandum in Process
15. Updated Loan Amounts	<b>Sec. 54002. Certain updated loan terms and amounts.</b> Increases EXIM's threshold triggering a competitive process for insurance from \$10 million to \$25 million in loan amount.	FY2016 +	Completed
16. Updated Small Business Export Amounts	<b>Sec. 54002. Certain updated loan terms and amounts.</b> Sense of Congress to increase EXIM's loan threshold triggering approval by EXIM's small business specialists from \$10 million to \$25 million.	FY2016 +	Revised IDA Memorandum in Process
17. Updated Environmental Effects Consideration	<b>Sec. 54002. Certain updated loan terms and amounts.</b> Increases EXIM's maximum loan size that triggers review from \$10 million to \$25 million (or such lower amount as consistent with international obligations).	FY2016 +	Completed
<b>TITLE V - OTHER MATTERS</b>			
18. Prohibition on Industry-Based Discrimination	<b>Sec. 55001. Prohibition on discrimination based on industry.</b> Prohibits EXIM from denying financing of an application or promulgating policies that discriminate solely based on the industry, sector, or business involved in the application.	December 4, 2015	Completed
19. Negotiations to End or Limit Export Credit Financing	<b>Sec. 55002. Negotiations to end credit export financing.</b> Shifts the responsibility for creating a strategy to end government-supported export subsidies among major exporting countries from the Secretary of the Treasury to the President of the United States and requires various reports.	December 4, 2015; first Treasury report due June 1, 2016	Completed
20. Study of Financing for Information & Communications Technology Systems	<b>Sec. 55003. Study of financing for information and communications technology systems.</b> Requires EXIM to conduct a study on the use of its products by information and communications technology and services and goods companies.	June 1, 2016	Completed



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** Conflicts within the EXIM Charter

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## BACKGROUND

EXIM's fundamental mandate is to be competitive with other ECAs and fill gaps in financing when the private sector is unable or unwilling to take on that risk. However, EXIM has several specific "good for U.S." public policy mandates requiring EXIM to act in a way explicitly contrary to what the other 85 ECAs do. Examples are outlined below. Moreover, the recently enacted Charter (2015) sends a message that EXIM should be averse to taking on risk, and will be severely penalized for taking on risk by having its lending cap frozen in the event the default rate reaches 2% or more.

## KEY ISSUES

- 1) The key mandates in EXIM's charter are:
  - a) **Being competitive with foreign ECAs:** A leading Charter requirement (sec. 2(b)(1)(B)) for EXIM is that its loans, guarantees and insurance be competitive with foreign ECAs in order to neutralize the effect of foreign credit on international sales competition.
  - b) **Fill financing gaps:** Also required by 2(b)(1)(B), EXIM should "supplement and encourage, and not compete with, private capital." This mandate generally entails EXIM taking on risk the private sector will not.
- 2) However, in context of "good for U.S." Public policy, EXIM has the following mandates, that add uncertainty and costs the other 85 ECAs do not impose. These mandates directly conflict with being competitive with foreign ECAs (mandate 1a, above):
  - a) **United States Maritime Administration (MARAD) Shipping Requirements:** Public Resolution 17 (or PR-17) requires certain U.S. Government Agency supported export cargos to be shipped on U.S. flagged vessels for specified transactions (i.e., EXIM guarantees over \$20 million or longer than 7-year repayment terms and all direct loans).

- b) **Economic Impact Assessments:** EXIM is required by Sec. 2(b)(1)(B) to “take into account any serious adverse effect of such loan or guarantee on the competitive position of United States industry.”
- 3) Moreover, the 2015 Charter mandates the following, which limits EXIM’s risk-taking appetite. This requirement conflicts with mandate 1b, above, to fill financing gaps:
  - a) **Risk Aversion:** Sec. 2(b)(1)(B) of the Charter directs EXIM to avoid risk by the requirement for a reasonable assurance of repayment. This mandate is expressed in Sec. 6 of the charter, where a default rate in excess of 2% will immediately trigger a freeze in all new EXIM financing above existing exposure. This means any maturities in the portfolio could be replaced/rolled-over, but the total dollar amount of the portfolio is frozen.

## ACTION ITEMS

While there is strong bipartisan political support for MARAD and economic impact, there are minor tweaks that could be made in order to manage conflict, e.g., it may be possible to improve competitiveness by working with MARAD to raise exemption levels on U.S. shipping requirements. Also EXIM should consider educating stakeholders about the effect of the 2% default rate and related freeze in exposure on EXIM’s risk-taking ability and overall competitiveness.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** MARAD: U.S.-Flag Shipping Requirement (Public Resolution-17)

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## BACKGROUND

Congress requires that certain U.S.G.-supported cargo be shipped on U.S.-flagged carriers. For EXIM, this requirement flows from Public Resolution 17 (PR-17) which was enacted in 1934. The Secretary of Transportation administers PR-17 and generally delegates the responsibility to the Maritime Administration (MARAD), an agency within the Department of Transportation. As currently administered, EXIM transactions subject to PR-17 include all direct loans and guaranteed loans valued greater than \$20 million or with repayment terms in excess of seven years (long-term guarantees).

PR-17 supports the national policy objective of maintaining a fleet of U.S.-flagged vessels, crewed by a well-trained cadre of U.S. citizen-mariners, which the U.S. Government can potentially use as auxiliary military support during times of war or national emergency.

Some U.S. exporters contend that PR-17 results in high shipping costs and logistical delays which negatively impact their competitiveness. These issues are most relevant to large, irregular-shaped products that have to be shipped on "break-bulk" cargo ships (of which there are relatively few compared to container lines). Other ECAs do not require exporters to ship cargo on home country vessels.

Under certain relatively rare conditions (e.g., non-availability of a U.S.-flagged ship), MARAD allows use of non-U.S.-flag vessels.

## KEY ISSUES

### **Short-Term**

- In December 2015, Congress increased the dollar limit for EXIM's medium-term program from \$10 to \$25 million. In July 2016, EXIM staff approached MARAD staff about revising the current \$20 million PR-17 threshold to \$25 million, given the Congressional mandate to increase the medium-term threshold and to avoid the complexity and administrative burdens of establishing two separate rules and documentary requirements within the medium-term program. MARAD staff refused to consider the EXIM request.

### **Long-Term**

- The small, but vocal, subset of U.S. exporters that use EXIM programs and have transactions subject to PR-17 contend that the U.S. shipping policy places them at a competitive disadvantage relative to non-U.S. producers supported by foreign ECAs. Specifically, they complain about MARAD's processing time, difficulty in obtaining "waivers" when U.S.-flagged vessels are not available or when the U.S. shipping cost is substantially higher than foreign alternatives, and the practical necessity of having to obtain the services of expensive shipping experts (such as former MARAD Administrator Captain Bill Schubert) to help U.S. exporters comply with PR-17 shipping requirements.

## **ACTION ITEMS**

**Meet with Secretary of Transportation:** Request a meeting with the Secretary of Transportation to discuss issues, establish a positive environment for interagency dialogue, and determine points of contact at the senior management levels.

1. If the "short-term"/technical issue of moving the dollar cap from \$20 to \$25 million has not been resolved (current management is readying an appeal), the new management team shall consider addressing the issue at the political level. *Deadline: TBD (once presidential appointments for EXIM and Transportation are confirmed).*
2. Given the probable necessity of working with the U.S. shipping requirement (which has strong U.S. military support due to the role U.S.-flag carriers can play in U.S. defense readiness and sealift), the new Chair should meet with the Secretary of Transportation. Discussion would focus on how EXIM can help MARAD be more transparent and contextual. *Deadline: In first year.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** Jobs and Content Policy

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## BACKGROUND

Though the Charter does not mandate limits on foreign content in EXIM transactions, EXIM’s content policy reflects the Charter mandate to support U.S. jobs through exports. Specifically, EXIM relies on the content included in an export transaction to function as a proxy indicator for EXIM’s support for U.S. jobs. The level of EXIM support for any specific transaction is contingent upon the amount of U.S. content in the export. In the last year operating at full capacity (no lapse or lack of quorum), FY2014, EXIM supported 164,000 U.S. jobs. In FY2016, with the lack of board quorum, 52,000 U.S. jobs were supported.

## KEY ISSUES

1. **Competitiveness:** Surveys of exporters indicate that EXIM’s medium and long-term content policy is clearly much more restrictive than other ECAs. Key issues that differentiate EXIM from other G-7 ECAs are requirements that foreign content be shipped from the U.S., requirement of at least 85% U.S. content for maximum cover (and therefore automatic reduction of cover when foreign content exceeds 15%), and generally the inability to transform foreign inputs into domestic content via domestic assembly or processing. These policies, while not charter mandated, reflect EXIM’s understanding of the Charter mandate to support U.S. jobs through exports.
2. **Content issues raised in the Charter the last time EXIM was reauthorized:**
  - a. **Information and Communications Technology:** When EXIM was reauthorized in December 2015, EXIM was required to report to Congress by June 1st 2016 on the extent to which the products offered by EXIM are available and used by companies that export information and communications technology (ICT) services and related goods. The findings of the report indicated that the ICT industry is challenged to meet EXIM’s content requirements due to complex and fragmented supply chains that result in goods and services that do not lend themselves to specific origin labels (e.g., “made in the USA”). Changes proposed by the ICT industry would significantly depart from EXIM’s historical practice of financing U.S.-made goods and services in support of U.S. workers and U.S. jobs, and are generally outside EXIM’s established practice as communicated consistently to Congress.

- b. **Reinsurance with private sector:** When EXIM was reauthorized in December 2015, EXIM was encouraged to consider establishing a pilot program under which EXIM may enter into private reinsurance agreements. The broad feasibility analysis is complete and the private reinsurance market has expressed interest in the concept.

## ACTION ITEMS

1. **Reinsurance Agreements:** As stipulated in the Charter, EXIM is exploring the technical, financial and operational feasibility of entering into reinsurance agreements with the private sector. The exploration of transactional reinsurance with the private sector seeks to expand the base of potential exporters (especially medium-sized exporters), by addressing EXIM’s content limitations without changing the content policy. This policy allows EXIM to keep U.S. exporters competitive while acknowledging the reality of global supply chains resulting in output that is multinational. Congress has requested a report on the effort by December 5<sup>th</sup>, 2016, and EXIM anticipates meeting that deadline.
2. **ICT Sector Requirements:** As a follow-up to the mandate to report on EXIM’s support for the ICT sector, EXIM is exploring how content requirements apply to high-tech, R&D intensive industries that have difficulty tying certain costs (e.g., R&D) to a specific unit of output in the context of a transaction.
3. **Certifying U.S. Content:** Continue staff level meetings with U.S. exporters to better understand the methodology followed when certifying to U.S. content; communicate findings to stakeholders, including organized labor, Congress and other USG agencies.

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	2016
<b>Jobs Supported</b>	179,800	227,000	288,000	255,000	205,000	164,000	109,000	52,000
<b>Exports Supported (\$Billions)</b>	\$26.4	\$34.4	\$41.3	\$50.0	\$37.4	\$27.5	\$17.1	\$8.0
<b>Authorized Amounts (\$Billions)</b>	\$21.0	\$24.5	\$32.7	\$35.8	\$27.3	\$20.5	\$12.4	\$5.0
<b>Jobs / \$Billion Exports</b>	6,811	6,618	7,300	6,480	6,390	6,190	6,199	6,030

EXIM’s jobs estimate methodology, reviewed by the Government Accountability Office in 2013, follows the jobs calculation methodology designated by the Trade Promotion Coordinating Committee (TPCC). The methodology uses employment data computed by the Bureau of Labor Statistics (BLS) to calculate the number of jobs associated with EXIM-supported exports of goods and services. The jobs per \$1 billion of U.S. exports is a weighted average based on each industry’s relative jobs per \$1 billion average at time of calculation.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** Economic Impact Procedures

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## BACKGROUND

The basis for EXIM’s Economic Impact Procedures (EIPs) is found in its Charter (Sections 2(b)(1)(B) and 2(e) of The Export-Import Bank Act of 1945, as amended). Congress requires EXIM to assess whether the extension of EXIM financing support is likely to cause substantial injury to U.S. industry or would result in the production of substantially the same product that is the subject of specified trade measures. If EXIM determines that a transaction meets the legislatively specified standards, then economic impact can be the basis for denial of EXIM support, though final decision rests with EXIM’s Board. In the case of denial of EXIM financing, projects may still go through with other ECA support. EXIM is the only ECA to have such a mandate.

The purposes of EXIM’s Economic Impact Procedures are: 1) to ensure that all transactions are screened for economic impact implications; 2) to identify those transactions that are subject to applicable trade measures or that pose a significant risk of potentially substantial injury to the U.S. economy; and 3) to put only those cases that meet the standards through a more extensive economic impact analytical process that is fair, consistent, and publicly transparent.

EXIM has historically been responsive to stakeholders’ views on economic impact, and has updated the EIPs periodically. The most recent review, resulting in new EIPs taking effect in 2013, added specific procedures to assess the economic impact of EXIM’s commercial passenger aircraft transactions.

## KEY ISSUES

## Revisions to Aircraft Economic Impact Procedures

- From 2011 to 2014 Delta Airlines sued EXIM four times; in each suit some aspects of EXIM's economic impact procedures/requirements/processes were implicated in Delta's complaint.
- While EXIM prevailed in all four lawsuits, lessons learned from the various lawsuits suggest revisions to the current economic impact procedures for passenger aircraft transactions may be appropriate. In the past, revisions to the EIPs entailed a several month process with significant engagement from multiple stakeholders (e.g., other USG agencies, U.S. industry, organized Labor, and various trade associations).

## Undersupply List/Economic Impact Status of Oil and Gas Projects

- Refers to commodities for which an interagency consensus exists that additional production capacity is likely to have a beneficial impact on the U.S. economy (e.g., commodities where the U.S. is import dependent). Accordingly, relevant transactions are screened out and are not subject to further economic impact analysis.
- In 2002, EXIM determined that the Undersupply List consisted of: oil, gas and diamonds.
- During the last revision of the Economic Impact Procedures in 2013, references to the concept of the Undersupply List were inadvertently removed. That omission was only noted in 2016. Nevertheless, EXIM has continued to operate as though the Undersupply List still exists.
- In light of changes in the U.S. oil and gas sector (e.g., effective December 2015, the U.S. began exporting crude oil for the first time since the 1970s, LNG shipments beginning to leave the Gulf coast since February 2016), the status of Oil and Gas on the undersupply list is currently under review.
- A review of the Undersupply List will likely entail engagement of external stakeholders (e.g., other USG agencies, U.S. industry).

## ACTION ITEMS

Items that will need to be dealt with include:

- **Review of the Aircraft EIPs:** Currently drafting revisions. *Deadline: None*
- **Decision on status of Oil and Gas on the undersupply list:** Currently drafting memos to update list and to determine status of Oil and Gas. *Deadline: None.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Erin Gulick, SVP, Congressional and Intergovernmental Affairs

**SUBJECT:** Environmental and Social Policies and Guidelines

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## BACKGROUND

After direction from Congress, the Board approved its first Environmental Procedures and Guidelines in 1995, providing EXIM with environmental procedures for analyzing the environmental impacts of its support. EXIM periodically revises its guidelines to align with revisions made to OECD environmental agreements on export credits as well as policies of the Administration. EXIM has been forward-leaning on transparency of environmental information at the OECD and domestically. These guidelines have come under some Congressional scrutiny resulting in Congress preventing EXIM from implementing its 2013 Supplemental Guidelines for High Carbon Intensity Projects. Furthermore, in the 2015 reauthorization, Congress prohibited EXIM from denying financing of an application or promulgating rules that discriminate solely based on the industry, sector or business. In November 2015, the OECD adopted a new sector understanding for coal-fired electricity which will come into effect on January 1, 2017. EXIM is reviewing its environmental procedures and guidelines with respect to alignment with the sector understanding, in compliance with EXIM’s legal requirements to not discriminate.

## KEY ISSUES

- **Revised ESPG Timeline:** EXIM is proceeding with its timeline to vet its revised Environmental and Social Due Diligence Procedures and Guidelines (ESPG) with stakeholders and present them to the Board for approval, once a quorum is reestablished. Other OECD ECAs will be similarly incorporating the OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects (CFSU), an Annex to the OECD Arrangement, into their environmental policies prior to the effective date of January 1, 2017.
- **Transparency Requirement:** EXIM’s Charter includes an environmental transparency directive, where EXIM is required to make public environmental assessments and supplemental environmental reports. The public disclosure of this information has historically been “upon request”. In response to

an increase in requests, in 2016, EXIM initiated a more proactive approach and began posting the most frequently requested environmental reports on its website. The proactive disclosure of environmental reports is a step forward for EXIM and an effort unparalleled by other ECAs. The successful creation of such a web page and its continual upkeep has been well-received by stakeholders.

- **Project-Specific Requests:** In Sept. 2015, EXIM's IG recommended that it establish a formal process for responding to project – specific information requests, submissions and concerns. EXIM has engaged with NGOs and Congressional stakeholders on how to improve this process. In response, EXIM created a Project Information and Concerns web-portal where interested parties could submit concerns, complaints, or requests for information on EXIM projects. Additionally, EXIM created a public registry to disclose the concerns or complaints it receives as well as actions taken to resolve the issue. The process and webpages may require revisions to further address issues. Continued engagement with NGOs and Congress will be critical as both have expressed interest in EXIM establishing an independent Ombudsman to respond to complaints. As a result, EXIM has established the Environmental and Social Review Committee in October 2016 headed by the Chief Risk Officer in order to manage inquiries, complaints, and information requests in regards to environmental issues.

## ACTION ITEMS

- **ESPG Approval:** EXIM will conduct stakeholder engagement in the course of reviewing and revising the environmental and social procedures and guidelines (ESPG). Ultimately, EXIM's Board of Directors must review and approve the revised ESGP. If without a Board at the start of 2017, EXIM will need to decide how to approach the issue of aligning its policies with the OECD.
- **Public Disclosure Process:** EXIM needs to ensure a strong interdivisional process remains to confirm that the webpage for publicly disclosing environmental reports continues to be updated with the most recent reports available to EXIM.
- **Stakeholder Engagement:** EXIM will need to continue engaging with stakeholders on the Project Information and Concerns. It will need to continue to disclose complaints received and improve its functionality. A strong internal process for responding to the submissions will be imperative.
- **Identification of Revision Aspects:** EXIM will need to determine what aspects of the Sector Understanding on Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects EXIM would like to see revised, if any, ahead of the standard review that will begin in November 2016 and end by November 2017.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Madolyn Phillips, Acting Chief Banking Officer

**SUBJECT:** Business Outlook and Opportunities

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## BACKGROUND

EXIM’s last year of uninterrupted operations was FY 2014. In FY 2014, EXIM authorized \$20.5 billion of transactions to support the export of U.S. goods and services. In FY 2015, when EXIM’s authority to authorize any new business lapsed from July 1 through September 30, EXIM authorized \$12.4 billion in transactions. In FY 2016, EXIM’s lapse in authority from October 1 to December 4, combined with a lack of a Board quorum for the entire fiscal year, resulted in authorizations of approximately \$5.0 billion. Should EXIM have a Board quorum by December 2016, we believe we can authorize \$15.0 billion for the 2017 fiscal year, and that authorizations will reach \$20.0 billion in FY 2018.

## KEY ISSUES

Key Issues Facing EXIM’s Business Outlook:

- **Rebuilding the business:** Since 2014, users of EXIM’s programs have become demoralized by the uncertainty surrounding the agency’s ability to function, and, when possible, large U.S. exporters have supplied products and services from overseas locations to take advantage of financing from other ECAs (EXIM’s users of the short- and medium-term programs have not been affected by the lack of a Board quorum, and those businesses are largely intact). Once EXIM is able to approve long-term transactions (i.e., transactions with tenors of 7 years or more, and for amounts of more than \$10 million, agency leadership should strive to maintain stability in operations in order to revive market confidence in EXIM’s sustainability as a competitive source of financing for U.S. exports.

**Delegated Authority approval maximums without Board quorum**

**Short-term Insurance (less than one year repayment terms)**

a. Sovereign PSOR	\$35,000,000
b. Financial Institution PSOR	\$25,000,000
c. Private Company PSOR	\$10,000,000

**Medium-term insurance and guarantees**

a. All PSOR types (up to 5-year repayment terms)	\$10,000,000
b. Medical Technologies Special Initiative (up to 7-year repayment terms)	\$10,000,000
c. Renewable Energy Special Initiative (up to 18-year repayment terms)	\$10,000,000

**Working Capital Guarantee Program**

\$10,000,000

- **Riskier markets, riskier transactions:** As the global credit markets have recovered from the 2008 banking crisis and subsequent recession, private-sector capital is returning to the credit markets, and bank financing is more easily obtained by all but the bottom quartile of risk-rated borrowers. As a result, EXIM will be tapped to resume lending to riskier borrowers in riskier markets, much more in keeping with EXIM’s historical risk profile.
- **More – and more strategic – outreach:** In the next two fiscal years, the Office of Export Finance will be conducting much more targeted and consistent outreach to U.S. exporters, and particularly small businesses, to increase the number of transactions from exporters that have benefited from EXIM financing in the past, and also to increase the number of new-to-EXIM exporters.

**ACTION ITEMS**

There are no immediate action items.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** James Burrows, SVP, Small Business

**SUBJECT:** Digital Business Development

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## BACKGROUND

In the EXIM Charter of 2015, Congress mandates that an increase from 20% to 25% of EXIM authorizations be used to finance exports by U.S. small businesses. This is a significant increase from previous years. One strategy that EXIM is pursuing to meet this new requirement is to significantly increase the number of small business exporters that utilize EXIM products. Since EXIM does not compete with the private sector, the best tactic is to scale awareness of EXIM resources to spur increased origination of qualified leads. The Digital Business Development initiative, in the Office of Small Business, has implemented tactics to identify, reach, educate, and qualify small business decision makers for distribution to regional offices. Continued support in the form of a dedicated budget and organizational commitment to small business outreach are essential to ensure EXIM originates enough new customers to grow the small business portfolio.

## KEY ISSUES

To ensure Digital Business Development continues to grow EXIM's small business authorizations, the following key issues should be considered:

- **Test and learn:** Although we have documented successes so far, digital outreach being used by a federal agency in this manner is uncharted territory. Therefore, we use an adaptable test and learn model focused on maximizing leads to sales.
- **Content strategy:** Digital lead generation is based on the idea that we create content that small business decision makers will find useful, and manage how and when they see that content to help in the decision making process.
- **Leads to sales:** In order to meet and exceed the small business mandate, EXIM outreach efforts must

be done in a way that produces qualified leads for regional directors. The Digital Business Development initiative is focused entirely on creating and converting leads.

- **Targeting business decision makers:** Although EXIM has many stakeholders, only business decision makers can access EXIM products. Therefore, Digital Business Development is focused on targeting, identifying, and closing small business decision maker leads.

## ACTION ITEMS

To support Digital Business Development, the following items should be acted upon:

- **Continued organizational commitment to the small business mandate:** Meeting the mandate means identifying actions that can be scaled to generate qualified leads that convert to small business authorizations.
- **Continued budget:** The accelerator pedal for awareness activities that creates qualified leads is budget. The Digital Business Development budget needs to be reallocated each year.
- **Continued Contact Center support:** To include staffing and technology upgrades (8:00 AM to 8:00 PM hours of operation, to include voice, email and live online chat capabilities).



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Bob Morin, SVP, Business and Product Development

**SUBJECT:** New Business and Product Development

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### BUSINESS DEVELOPMENT - BACKGROUND

With respect to business development, historically, EXIM has taken the position that its business is “demand driven” (i.e., EXIM only considered transactions that its “customers” (exporters, foreign buyers and financial institutions) brought to EXIM. If EXIM truly believed this and/or if this was entirely true, there would be no need for EXIM to engage in any business development activities.

However, this is not entirely true and therefore, more recently, EXIM has appropriately put an increased emphasis on business development in terms of (i) increasing awareness of EXIM, and (ii) educating existing and other U.S. exporters (and existing and other foreign buyers) about EXIM, its products and how EXIM’s products can most effectively be used (i.e., EXIM’s “value proposition” to exporters and foreign buyers).

### BUSINESS DEVELOPMENT - KEY ISSUES

One key issue with respect to EXIM’s business development activities is how they should be organized and coordinated. Business development is currently undertaken by (i) the Office of the Chairman and the other members of the Board of Directors, (ii) the SVP-Business and Product Development, (iii) the lending divisions within the Export Finance Division, (iv) the Global Business Development Division, and (v) the regional offices (but currently only with respect to small business (as defined by the Small Business Administration (“SBA”))).

Although EXIM supports all types of U.S. exports, another key issue with respect to EXIM’s business development activities is where they should be targeted. Set forth below are several non-mutually exclusive approaches to business development:

1. Focus on “mid-sized companies” (i.e., companies that are too large to qualify as a “small business”, but too small to attract the attention of, and have access to financing solutions provided by, private sector commercial financiers), which is a market that appears to have fallen “between the cracks” in terms of EXIM’s targeted business development outreach efforts to new to EXIM exporters, which has been focused almost exclusively on small businesses due to the Congressional mandate that a specified percentage of EXIM’s authorizations be for “small businesses”;
2. Focus on opportunities where the U.S. exporter (either an existing or potential EXIM customer) is actively involved in a large sales campaign against foreign competition or where there is a lack of commercial financing;
3. Focus on those industries and products where the U.S. has, or is expected to have, a “competitive advantage” (e.g., battery storage technology, security and threat detection technology, satellite and space related technology, information and communication technology, etc.), however this may require EXIM to adjust its risk appetite so as to accept some technology risk;
4. Focus on *weaker credits in strong markets* (e.g., those countries and sectors assigned a budget cost level 4 or better (“investment grade”)), and the *better credits in large weaker markets* (e.g., those countries and sectors assigned a budget cost level 5, 6, 7 or, in some special cases, budget cost level 8 (“speculative”);
5. Focus on countries that are in closer proximity to the U.S., such as countries in Latin America, which may reduce the cost disadvantage of having to ship goods long distances on U.S. flagged vessels due to Public Resolution 17 of the 73<sup>rd</sup> Congress (“MARAD Requirement”).

Finally, any business development plan should take into account and be supportive of EXIM’s three Congressional mandates, i.e., to support (i) small and minority owned businesses, (ii) exports to Sub-Saharan Africa, and (iii) renewable energy related exports.

## PRODUCT DEVELOPMENT - BACKGROUND

With respect to product development/product improvement, historically, EXIM has been at the forefront of product innovation among export credit agencies. This is because EXIM has taken seriously its Congressional mandate to ensure that its programs and products are fully competitive with those of other major official export credit agencies. One recent example of a successful new product innovation is the development, and implementation (and then expansion) of the “EXIM Guaranteed Bond” product, which is generally viewed as a huge success (and one which other export credit agencies are trying to replicate).

## PRODUCT DEVELOPMENT - KEY ISSUES

With respect to EXIM’s product development and product improvement activities, it should be noted that due to some of the constraints U.S. exporters frequently operate under (e.g., EXIM’s U.S. content rules, MARAD’s U.S. shipping requirements, lower life cycle costs, but higher up-front acquisition costs), EXIM’s financing products need to be *as good as, if not better than*, the financing products offered by competing export credit agencies.

Accordingly, EXIM should continue (i) to expand existing, and open up new diversified, sources of competitive funding for EXIM guaranteed financings, (ii) to explore ways to make its existing financing products and processes more attractive to foreign buyers, (iii) to explore improvements to its foreign currency guarantee program, (iv) to expand its use of co-financing, reinsurance and other structures that take into account the use of global supply chains by U.S. exporters and/or reduce EXIM's net exposure to the foreign borrower, and (v) to explore taking on only those risks that EXIM is best suited to take (e.g., construction period risk in project finance transactions, and the later maturities in corporate credit and aircraft finance transactions).

## **PRODUCT DEVELOPMENT - ACTION ITEMS**

As a complement to EXIM's very effective business development efforts with respect to "small businesses", develop and implement an overall business development plan for mid-sized businesses that focuses on, *inter alia*, companies with annual sales of \$250 million or less that do not qualify as a small business.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Jim Cruse, SVP, Policy Analysis and International Relations

**SUBJECT:** Private Export Funding Corporation (PEFCO)

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## BACKGROUND

PEFCO is a private company, conceived in 1970 and operated since then, for the purpose of maximizing the availability, and minimizing the cost, of official medium- and long-term (MLT) export funding (a public mission). PEFCO provides funding for guarantees issued by EXIM. It does no underwriting and takes no credit risk. Since its inception, PEFCO (working with EXIM) has evolved into being a useful policy tool to support U.S. exports and related U.S. jobs by complementing commercial sources of export credit financing. Moreover, during periods of financial stress, PEFCO is invaluable as an emergency, if limited, source of liquidity for the medium- and long-term export finance business.

All individual cases with PEFCO as the originating source of fixed-rate funding go to Board; all PEFCO operating and lending aspects are governed by Standard Operating Procedures (the SOPs) generated every 2 to 4 years and monitored by EXIM; the basic relationship between EXIM and PEFCO is based on a 25-year agreement, the PEFCO charter.

## KEY ISSUES

While there is a continuing stream of micro technical issues involving decisions as to how best to use PEFCO given the economic and financial situation of the times, the EXIM administration taking office in 2017 will be responsible for deciding the existential issue of whether to continue PEFCO. The 25-year charter expires on December 31, 2020; given the time necessary for the market to react to any changes in the charter and the current legislative end of EXIM authority in 2019, a decision needs to be made by 2019 as to whether the charter should be renewed early to reduce uncertainty.

## ACTION ITEMS

Items that will need to be dealt with include:

1. **New SOPs:** PEFCO's current SOPs have no expiration date, but the export finance environment is changing enough to merit a review and revision of the current SOPs. *Deadline: First Quarter, 2017.*
2. **Renewal of PEFCO's Charter:** PEFCO's current charter is in effect until December 31, 2020. PEFCO's charters are typically for a 25-year term. Because of multi-agency involvement in PEFCO's creation, it would be very difficult to recreate PEFCO if its charter were to lapse. *Deadline: December 31, 2020.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** David Sena, SVP, Chief Financial Officer

**SUBJECT:** Portfolio Snapshot

## BACKGROUND

EXIM's total exposure has declined from \$102.2 billion at the end of FY 2015 to \$87.3 billion as of the end of FY 2016. Overall, the portfolio credit risk level has slightly increased from a weighted average Budget Cost Level (BCL) of 3.93 as of September 30, 2015, to 4.06 at the end of September 2016, which is approximately equivalent to a Standard and Poor's BBB- rating. The exposure breakout is:

Product (in millions)	FY 2016	Percent of Total	FY 2015	Percent of Total
Outstanding Guarantees	\$54,057.70	62%	\$59,810.10	59%
Outstanding Loans	23,950.60	27%	22,763.60	22%
Outstanding Insurance	1,115.80	1%	1,685.20	2%
Outstanding Claims	1,201.30	1%	1,222.30	1%
<b>Total Outstanding</b>	<b>80,325.40</b>	<b>92%</b>	<b>85,481.20</b>	<b>84%</b>
Undisbursed Loans	1,656.50	2%	5,999.00	6%
Undisbursed Guarantees	1,341.10	2%	6,070.10	6%
Undisbursed Insurance	3,939.40	5%	4,660.40	5%
<b>Total Undisbursed</b>	<b>6,937.00</b>	<b>8%</b>	<b>16,729.50</b>	<b>16%</b>
<b>Total Exposure</b>	<b>\$87,262.40</b>	<b>100%</b>	<b>\$102,210.70</b>	<b>100%</b>

Industry (in millions)	FY 2016	Percent of Total	FY 2015	Percent of Total
Air Transportation	\$42,062.20	48%	\$49,031.00	48%
Oil & Gas	14,331.20	16%	15,965.70	16%
Manufacturing (Other)	14,042.10	16%	16,323.90	16%
Power Projects	4,780.20	5%	5,800.70	6%
All Other	12,046.70	14%	15,089.40	15%
<b>Total Exposure</b>	<b>\$87,262.40</b>	<b>100%</b>	<b>\$102,210.70</b>	<b>100%</b>

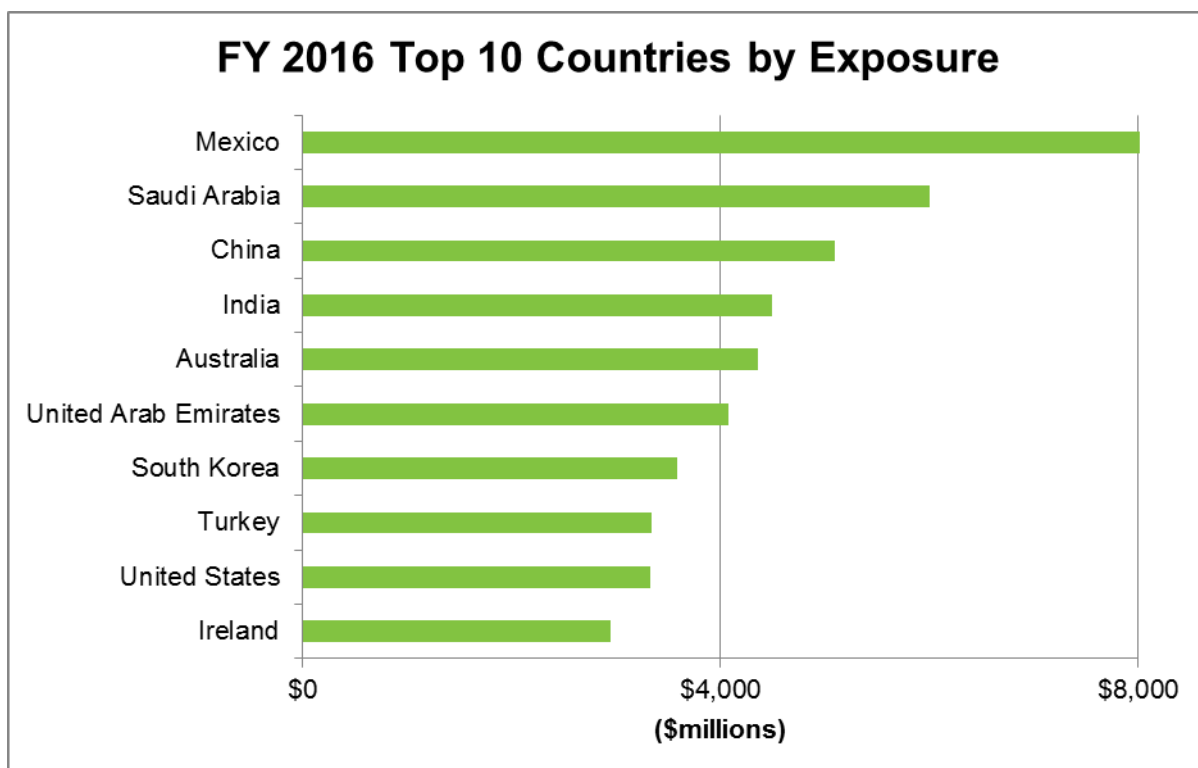
## KEY ISSUES

Under its charter:

- **Maximum Outstanding:** EXIM shall not have outstanding at any one time, loans, guarantees, and insurance in an aggregate amount in excess of \$135 billion.
- **Default Ratio:** If the ratio of the total amount of short, medium and long term financing that are in default on a payment obligation to the total amount of financing involved is 2 percent or more for a quarter, EXIM may not exceed the amount of loans, guarantees, and insurance outstanding on the last day of that quarter until the rate calculated is less than 2 percent.

## ACTION ITEMS

There are no immediate action items. As of September 30, 2016 EXIM's default rate is 0.266 percent and EXIM has \$87.3 billion in exposure, which is less than the \$135 billion exposure cap. Further, during FY 2016 \$20 billion in exposure rolled off of the portfolio and \$5 billion was added through new authorizations, which led to the \$15 billion decrease in total exposure. Finally, the weighted average life remaining of the portfolio is 6.35 years.





## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** David Sena, SVP, Chief Financial Officer

**SUBJECT:** Portfolio Reserve Requirements

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## BACKGROUND

The Federal Credit Reform Act (FCRA) of 1990 requires EXIM to set aside reserves to cover expected losses of EXIM's transactions. Consistent with the FCRA EXIM uses historical loss experience and other factors in developing the expected loss factors. For new transactions EXIM compares the net present value of expected losses to the net present value of expected fees. A positive subsidy occurs when the net present value of expected losses is **greater** than the net present value of expected fees. A negative subsidy occurs when the net present value of expected losses is **less** than the net present value of expected fees. The amount of negative cost generated is the amount of offsetting collections EXIM receives upon disbursement of the transaction.

Because financial and economic factors affecting the repayment prospects change over time, the net estimated loss of loans, guarantees and insurance is re-estimated annually. This re-estimate indicates the appropriate level of funds necessary to cover expected losses. Decreases in estimated losses result in excess funds returned to the U.S. Treasury while increases in estimated losses are covered by mandatory appropriations that become automatically available through permanent and indefinite appropriations.

## KEY ISSUES

In addition to the FCRA re-estimate process, EXIM's 2015 charter requires EXIM by 2019 to build to and hold in reserve, to protect against future losses, an amount that is not less than 5% of the aggregate amount of disbursed and outstanding loans, guarantees, and insurance of EXIM.

## ACTION ITEMS

In FY 2016, EXIM reserves were \$3.0 billion or 3.7% on all outstanding balances. These funds are set-aside to cover prudent reserve requirements covering all expected losses. On a yearly basis, these reserve requirements are audited by EXIM's external auditors, Deloitte and Touche, and the Office of the Inspector General (OIG). EXIM's external auditors and the OIG have determined that the FY 2016 reserves are reasonable and appropriate. In FY 2017, EXIM will begin to increase reserves consistent with the FY 2015 Charter requirement mandating a minimum of 5% in reserves. The effective date of this new requirement is December 2016 (one year after the date of the enactment of the Charter). In November 2016, EXIM will calculate the additional reserves requirements using the FY 2016 Financial Statements and begin funding these additional reserves.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Madolyn Phillips, Acting Chief Banking Officer

**SUBJECT:** Medium-Term Program - Loan Guarantees and Insurance

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## BACKGROUND

EXIM currently defines medium-term as a loan amount of no more than \$10 million and up to 7 year repayment terms. We offer insurance (conditional) and a loan guarantee (unconditional) as well as a delegated authority program to select lenders. Medium-term lenders are approved to operate under a bi-lateral *Master Guarantee Agreement* and submit applications through EXIM Online for individual transactions.

The December 4, 2015 Charter, Sec. 2(a) (3) proposes enhancements to the medium-term programs which the Export Finance Group is addressing through a Working Group. Exporters and lenders anticipate streamlined documentation; an adjustment to \$25 million (inflation) as well as an overall less burdensome application process.

## KEY ISSUES

- MT Lender Delegated Authority program was established in 2009. Very limited utilization as lenders do not want to take cross border term risk. Transaction activity has seen \$45 million / 42 deals over the seven year period.
- MT authorizations from 2005 to 2016 were \$7.4 billion of which approximately 60 % (\$4.5 billion) resulted in real exports while the remaining \$3 billion in authorizations were cancelled or expired. 10% or \$480 million of the shipped amount resulted in claims.
- Of the claims paid, approximately 33% or \$161 million has been recovered to date.
- Many of the claims were associated with known bad actors, and the Office of Inspector General proved to be a good partner in convicting a number of these bad actors. In 2006, the agency's willingness to confront fraud resulted in more applications being declined or withdrawn.
- In 2010, reorganization combined the underwriting and diligence under one division; increased IDA limits, and disbanded the existing Credit Committee. Results were faster processing times medium-term applications of between 30-60 days with higher risk cases taking 90 days.

- Better diligence and willingness to confront fraud resulted in a sharp decline in authorizations. 2014 was the last complete year of operations during which medium-term authorizations were \$326 million and of that, \$304 funded with \$1.4 million reported as claims.
- The medium-term program has been breakeven since 2010.
- In FY2014, an increase in the MT exposure fee caused a decrease in authorizations.
- The program is based largely on capex needs and is affected by economics such as exchange rates (dollar is relatively strong right now so demand is weaker) fluctuations.
- In 2016, a multi-divisional task force was formed to explore the 2015 Charter requirement to raise the limit of the medium-term program to \$25 million.

## ACTION ITEMS

- **Reauthorization 54002a:** On November 3, 2016, Trade Finance Division presented an update on this initiative to the Executive Working Committee ("EWC"). The EWC authorized staff to approach external stakeholders and seek feedback and recommendations on how EXIM might move forward with the new Charter language. Staff is taking action and will update EWC in due course. Outreach commenced on November 16, 2016.
- **Board Action and Change:** Present changes to Board for vote on proposed changes.
- **Implement changes:** Roll out changes to the medium-term programs in 2017.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Madolyn Phillips, Acting Chief Banking Officer

**SUBJECT:** Transportation Portfolio

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## BACKGROUND

The Transportation Portfolio consists of EXIM supported financing of large commercial aircraft, business aircraft, helicopters, installed and spare engines, as well as locomotives, rail cars and other rail-related equipment. Major U.S. exporters of transportation equipment, whose exports EXIM supports, include:

- AgustaWestland (helicopters);
- Electro-Motive Diesel (a locomotive manufacturing subsidiary of Caterpillar);
- General Electric (jet engines and locomotives);
- Gulfstream (business jets);
- National Railway Equipment Company;
- Sikorsky (recently acquired by Lockheed Martin);
- Textron Aviation (which includes Cessna, Bell, and Beechcraft);
- The Boeing Company (commercial aircraft);
- United Technologies; and
- Various rail car manufacturers.

## KEY ISSUES

U.S. aviation exporters experience intense competition from foreign manufacturers that receive financing support from their respective Export Credit Agencies ("ECAs"). The European ECAs are strong supporters of Airbus, Export Development Canada is a strong supporter of Bombardier, and BNDES is a strong supporter of Embraer. An emerging Chinese aircraft manufacturer named Comac receives strong support from the sovereign Chinese policy banks, which provide liberal financing terms that are not subject to the OECD rules that govern EXIM's financing terms.

Although 48% of EXIM's current exposure of \$87.3 billion (as of September 30, 2016) consists of financing in support of air transportation equipment, the air transportation portfolio is well diversified, with borrowers on six continents, and consists of the following types of companies:

- Airlines such as global network carriers, regional network carriers, government-owned legacy airlines, private sector low cost carriers, charter airlines and cargo carriers;
- Non-airline borrowers such as aircraft operating lessors;
- Helicopter lessors and operators; and
- Private sector corporations that purchase business aircraft and general aviation aircraft.

Transactions in the air transportation portfolio are secured, and are structured to minimize risk of loss. It should be noted that:

- EXIM financing is based on the "net-net" price of the aircraft (i.e., net of all discounts to the airline), rather than based on the appraised value or market value, thereby ensuring that EXIM's collateral position at the start of each financing is as good as it can be for that aircraft;
- EXIM financing is limited to 85% of the "net-net" price of the aircraft;
- Because the repayment term is limited to twelve years, EXIM financing amortizes more quickly than the aircraft asset depreciates, thereby ensuring that the value of the aircraft will exceed the loan balance early in the twelve-year repayment term;
- Each EXIM financed aircraft for a given airline is cross-defaulted and cross-collateralized with all the other EXIM financed aircraft for that airline;
- Aircraft, helicopters, and engines are valuable, highly mobile assets that retain their value over time; and
- The value of the aircraft securing the air transportation portfolio exceeds the outstanding balances on the loans by approximately 40%.

The air transportation portfolio has performed extremely well over the past 25 years. Since 1991, EXIM has authorized approximately \$120 billion to support the export of approximately 2,000 commercial aircraft, as well as several billion dollars in additional support to finance business jets and helicopters. During this period, EXIM has lost approximately \$4 million as a result of the repossession and resale of one commercial aircraft.

As of September 30, 2016, EXIM's exposure on rail-related transactions was approximately \$809.6 million (including amounts authorized by not yet disbursed), and consisted mostly of GE freight locomotives. Borrowers in the portfolio of rail-related transactions include railroads on five continents. All transactions in the rail-related portfolio are performing well.

## ACTION ITEMS

None.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Angela Mariana Freyre, SVP, General Counsel

**SUBJECT:** Delegated Authority

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## BACKGROUND

EXIM’s Board of Directors has delegated to certain EXIM staff (as set forth in the 2010 Individual Delegated Authority Resolution (the “IDA Resolution”)) the authority to approve individual loan guarantees and direct loans (medium- and long-term) of up to \$10 million. Therefore, any long-term loan guarantee or direct loan above \$10 million requires Board approval. Since the medium-term program is currently capped at \$10 million, no medium-term loans or insurance policies are subject to Board approval. (Note that the Board’s delegated authority referenced throughout this document excludes EXIM’s exposure fees or premiums).

For working capital finance (which is short-term), the Board has delegated to EXIM staff the authority to approve individual working capital guarantees of up to \$10 million. However, if financing is provided through the Fast Track System, the Board delegated authority to staff to approve working capital guarantees of up to \$25 million for a select group of EXIM-approved private sector lenders. In addition, EXIM, with board approval, has delegated to outside lenders the authority to approve working capital loans at various levels up to \$20 million.

For EXIM’s short-term insurance products, the Board’s delegation of authority is subject to certain transaction-specific limitations and exceptions. [The IDA Resolution grants approval authority of (i) up to \$35,000,000 for Short Term Single Buyer Insurance Policies for which the PSOR is a sovereign entity and (ii) up to \$25,000,000 of cumulative exposure for non-sovereign financial institutions.

## KEY ISSUES

None.

## ACTION ITEMS

The IDA Resolution is being revised to reflect changes required by the Export-Import Bank Reform and Reauthorization Act of 2015 (the “Act”), as well as other updates and clarifications due to the passage of time. As a result of two sections of the Act, proposed revisions to the IDA Resolution include raising the delegated authority limit for direct loans, loan guarantees, working capital guarantees, and insurance from \$10 million to \$25 million. The delegated authority limit was set at \$10,000,000 by the Board of Directors in 1992 and has not been adjusted for inflation. The revised draft is to be reviewed by the Executive Working Committee, with the final text to be considered and voted upon by the Board.

**Current Delegated Authority approval maximums without Board quorum**

**Short-term Insurance (less than one year repayment terms)**

a. Sovereign PSOR	\$35,000,000
b. Financial Institution PSOR	\$25,000,000
c. Private Company PSOR	\$10,000,000

**Medium-term insurance and guarantees**

a. All PSOR types (up to 5-year repayment terms)	\$10,000,000
b. Medical Technologies Special Initiative (up to 7-year repayment terms)	\$10,000,000
c. Renewable Energy Special Initiative (up to 18-year repayment terms)	\$10,000,000

**Working Capital Guarantee Program**

\$10,000,000



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Lisa Terry, SVP, Chief Ethics Officer

**SUBJECT:** Ethics Program Management

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## BACKGROUND

The newly created Office of Ethics (OOE) was mandated by Congress in the Export-Import Bank Reform and Reauthorization Act of 2015. It is headed by a Chief Ethics Officer and has jurisdiction over all employees of, and ethics matters relating to, EXIM. The Chief Ethics Officer oversees the following components of EXIM Ethics processes:

- **Presidentially Appointed, Senate Confirmed (PAS) Vetting:** PAS positions. Working with the nominee, White House, and Office of Government Ethics (OGE) on financial disclosure, ethics agreements, and other documentation supporting the nomination. Nominee is subject to Senate confirmation.
- **Financial Disclosure Review:** The OOE reviews the following financial disclosure reports annually:
  - Public Disclosures (OGE Form 278) annually, with 32 currently.
  - Periodic Transaction Reports (Form 278-T);
  - Six PAS Nominee Reports (5 Board members and the Inspector General) and Designated Agency Ethics Official (DAEO) (OGE Form 278)
  - Confidential Financial Disclosures (OGE Form 450), with approximately 240 currently
  - All employees above GS-11 (with some exceptions, e.g., in office of HR and CFO) must complete a financial disclosure form upon entrance on duty, and file termination Form 278 upon leaving EXIM where applicable. Requires review of financial disclosures for accuracy (comparing previous years), analysis of conflicts with entities that do business with EXIM, and certification by DAEO and/or Alternate DAEO. OOE provides conflicts notice to employees if necessary.
- **Financial Disclosure Management:** The OOE manages different components of the financial disclosure process, including:
  - Two different electronic systems – *FDOnline* for Staff; OGE *Integrity* for PAS and DAEO
  - Draft conflicts waivers, if necessary
  - Board conflict reviews throughout the year and before Board meetings
- **Ethics Training:** Above and beyond federal guidelines: mandatory in-person annual training for all employees and initial ethics orientation for all new hires. Individual briefings for PAS and political

employees upon appointment.

- **Ethics Questions:** Gifts, events, and travel advice including through [ethicsadvice@exim.gov](mailto:ethicsadvice@exim.gov)
- **Outside Employment:** Approval required for certain outside employment and activities by all employees. Annual recertification is required.
- **Post-Employment:** Advising exiting and former employees on potential conflicts
- **Hatch Act:** Advising on political activity
- **Office of the Inspector General:** Liaison on ethics related complaints and personnel matters
- **Audit by the Office of Government Ethics:** Pending issuance of report
- **Advisory Committee:** Ethics briefings for members
- **Sponsored Travel:** EXIM has unique authority to accept transaction related travel as well as 1353 (conference) travel from outside entities which must be approved by Ethics team prior to travel

## KEY ISSUES

Ethics is important to EXIM. It is also important to Congress as evidenced by: (1) establishment of an Office of Ethics; (2) creation of a new Chief Ethics Officer to be appointed by the President of EXIM and approved by the Board of Directors.

Thus, the Office of Ethics was created and Lisa Terry was selected as the Chief Ethics Officer effective October 3<sup>rd</sup>, 2016.

## ACTION ITEMS

- Board of Directors to approve appointment of Lisa Terry as Chief Ethics Officer.
- New PAS and Schedule C appointees must receive ethics briefing within 15 days of appointment.

# Key Issue Briefers

## EXIM Administrative



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** David Sena, SVP, Chief Financial Officer

**SUBJECT:** Risk Management Committee

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## BACKGROUND

In December 2015, EXIM established a Risk Management Committee (RMC). The role and responsibility of the Risk Management Committee corresponds to EXIM's Charter requirements. The RMC oversees in conjunction with the OCFO the periodic stress testing of the entire EXIM portfolio, monitoring of portfolio and obligor exposure levels, and reviews the default rate report provided quarterly to Congress. The RMC is comprised of the members of the Board of Directors with the President and First Vice President of EXIM serving as non-voting members.

## KEY ISSUES

The RMC meets quarterly to review EXIM's portfolio exposure, industry risk and regional risk reports, and EXIM default report. Quarterly meetings occur approximately 5 weeks after the end of each quarter. EXIM has held four RMC meetings corresponding four quarters in Fiscal Year 2016. The next RMC is schedule for February 2017.

## ACTION ITEMS

The Charter requires that the membership of the Risk Management Committee shall be members of the Board of Directors, with the President and First Vice President of EXIM serving as ex officio members. With the Board of Directors consisting of the President and First Vice President, the ex officio members have overseen the first four quarterly reviews. The confirmation of additional members of the Board of Directors will require their inclusion into the Risk Management Committee.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Matthew Bevens, Deputy Chief of Staff

**SUBJECT:** Advisory Committees

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## BACKGROUND

EXIM has two charter-mandated Advisory Committees, the EXIM Advisory Committee and the EXIM Sub-Saharan Africa Advisory Committee. The membership of both committees is approved. Both committees are chartered in accordance with and adhere to the requirements established by the Federal Advisory Committee Act. Both committees have Designated Federal Officers, currently in the Director of External Outreach and another External Affairs officer, that coordinate closely with the Chairman’s Office on the committees’ meetings and their agendas.

## KEY ISSUES

### EXIM Advisory Committee

The Committee’s duties focus on two primary functions:

1. Making specific recommendations to the Board of Directors of EXIM on how EXIM can improve its loan, guarantee, and insurance programs to increase U.S. exports and thereby create jobs. Every year, as the Advisory Committee’s charter states, the Committee shall submit a written report to the Board containing its recommendations.
2. As required by Section 3(d)(4) of EXIM’s charter, the Committee shall prepare and submit to EXIM its comments on the extent to which EXIM is meeting its mandate to provide competitive financing to expand United States exports, and any suggestions for improvements in this regard. The Committee’s comments are always included in EXIM’s annual competitiveness report to Congress.

The charter also lays out some membership requirements in terms of the stakeholder groups that need to have representatives on the EXIM Advisory Committee. The members shall be broadly representative of small business (at least 3 members) environment (at least 2 members), production, commerce, finance, agriculture, labor (at least 2 members), services, State government,

and the textile industry (at least 1 member). The charter also requires an Advisory Committee meeting at least every quarter.

### **Sub-Saharan Africa Advisory Committee (SSAAC)**

The SSAAC is charter-prescribed and its charter outlines its mission as advising the Board of Directors on how EXIM can facilitate greater support by U.S. commercial banks for trade with sub-Saharan Africa. The SSAAC's charter (which was last updated in 2012) states that the Committee shall submit a written report to the Board of its suggested improvements. The 2012 SSAAC charter states that the SSAAC shall meet at least twice a year.

The SSAAC has not been constituted since 2014. The 2015 EXIM charter included the requirement for the SSAAC in section 2(b)(9)(B)(i).

### **ACTION ITEMS**

- If the FY 2017 Committees are not yet formed, begin identifying members and begin the process of accepting applications for membership. If they are already formed, senior political staff should connect with the Chairs of each committee and learn about their priorities.
- If an Advisory Committee is formed, staff should also begin working as soon as possible with the Advisory Committee Chair on the Committee's comments that are included in EXIM's annual Report to U.S. Congress on Global Export Credit Competition. The report is due to Congress by June 30 every year.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Charles J. Hall, EVP, Chief Operating Officer

**SUBJECT:** FTE Staffing Plan and Succession Planning

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## BACKGROUND

The president of EXIM authorizes a staffing plan based on a proposal from the EVP/COO which is constructed taking into account both budgetary and operational considerations. A new staffing plan will be presented to the president of EXIM for authorization when changed budgetary and/or operational circumstances warrant. There is no fixed timetable for the authorization of an EXIM staffing plan.

Once the staffing plan has been authorized by the president of EXIM, the EVP/COO approves recruitments requested by the senior vice presidents for new positions as well as for backfills of vacancies in existing positions. The Division of Human Capital maintains a SharePoint system for this process, and will not proceed with recruitment for a position without EVP/COO approval.

The most recent EXIM staffing plan and recruitment update is attached to this briefing note.

## KEY ISSUES

- **Budgetary considerations:** The staffing plan provides for a total number of FTE positions which can be supported by EXIM’s current administrative budget appropriation. Vacancies in the staffing plan during the fiscal year result in “savings” which may be applied to special projects, such as information technology upgrades. Roughly 70% of EXIM’s administrative budget comprises compensation and benefits.
- **Operational considerations:** Anticipated changes in EXIM authorizations are taken into account when drafting the staffing plan and also when approving positions for recruitment. Adjustments to the plan are made by denying the backfill of vacancies and transferring the position to another office/division in EXIM.
- **Succession planning:** In order to formalize succession planning at EXIM, in recent years a number of

deputy positions have been created for senior vice presidents: deputy chief banking officer, deputy general counsel, and deputy chief financial officer. In addition, the title deputy vice president has been initiated and increasingly used within divisions to formalize succession planning at that level.

## ACTION ITEMS

There are several key upper management positions that need to be filled:

- Chief Human Capital Officer / VP Division of Human Capital (candidates under review)
- VP Customer and Business Solutions (candidates under review)
- VP Communications (candidates under review)
- Chief Acquisition Officer (reposting pending)

*See attached table for EXIM staffing overview.*

EXIM Staffing Overview				
January 23, 2017				
Office	Division	Authorized FTEs	Currently Onboard	Current Vacancies
<b>CHIEF BANKING OFFICER</b>	<b>150 Authorized</b>			
Export Finance	96 Authorized	4	3	1
	Transportation	11	9	2
	Structured/Project Finance	16	15	1
	Business Development	7	6	1
	Trade Finance	25	23	2
	Trade Credit Insurance	21	19	2
	Business Credit	4	3	1
Small Business	54 Authorized	24	22	2
	Regional Offices	30	30	0
<b>CHIEF OPERATING OFFICER</b>	<b>279 Authorized</b>			
Chief Financial Officer	97 Authorized	9	8	1
	Treasurer	14	13	1
	Controller	20	17	3
	Asset Management	45	41	4
	Transportation Portfolio	9	8	1
General Counsel	40 Authorized	9	9	0
	Transportation	4	3	1
	Structured/Project Finance	9	8	1
	Small Business/Trade Finance	6	6	0
	Policy/Litigation	5	3	2
	Admin Law	5	3	2
Chief Ethics Officer	2 Authorized	2	1	1
Chief Risk Officer	38 Authorized	3	3	0
Credit and Risk Management	Engineering/Environment	15	14	1
	Country Risk	8	8	0
	Credit Policy	7	7	0
	Credit Review	5	5	0
Innovation and Performance	27 Authorized	1	1	0
	Customer & Business Solutions	5	3	2
	Operations	21	20	1
Information Mgmt & Technology	31 Authorized	31	30	1
Resource Management	46 Authorized	1	1	0
	Human Capital	17	15	2
	Library	6	4	2
	Security	3	3	0
	Facilities	4	4	0
	Admin/Travel Services	6	5	1
	Contracting Services	9	9	0
<b>CHIEF OF STAFF</b>	<b>54 Authorized</b>			
Policy Analysis & Int'l Relations	19 Authorized	4	4	0
	Policy Analysis	8	8	0
	International Relations	7	6	1
Congressional Relations	7 Authorized	7	7	0
Communications	15 Authorized	15	12	3
Chairman / Board (not incl 5 PAS)	13 Authorized	9	8	1
	Board Assistants	4	0	4
		Authorized	Onboard	Vacancies
FTE Total Staff		483	436	47



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Charles J. Hall, EVP, Chief Operating Officer

**SUBJECT:** Employee Engagement and Tier One Initiative

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## BACKGROUND

EXIM’s 2013 – 2017 Strategic Plan includes four Strategic Goals, including -

*“GOAL 4: CREATE AN ENVIRONMENT THAT FOSTERS HIGH PERFORMANCE AND INNOVATION. EXIM considers its most important resource to be the dedicated and innovative staff it employs. EXIM competes with the private sector and other federal agencies for talent, and must therefore ensure that EXIM is a top option for potential employees. In this effort to both obtain and retain talent, EXIM must proactively revise certain processes, while at the same time it must effectively communicate with staff on all changes taking place.”*

In support of this Strategic Goal, during 2015 and 2016 one of EXIM’s five operating priorities (attached) has been to “MAKE EXIM A TIER 1 PLACE TO WORK.” This operating priority has been communicated repeatedly to staff, and has formed the basis for a number of initiatives carried out over the past two years, highlighted below.

## KEY ISSUES

Initiatives taken by EXIM management in the past 2 years in support of the Tier One Place to Work operating priority include:

- **Internal recruitment announcements:** The Division of Human Capital (DHC) issues all hands email announcements of all recruitment actions in order to bring hiring opportunities to the attention of current employees.
- **Upward Mobility program:** This program has been reactivated, after several years of dormancy. To encourage managers to sponsor an Upward Mobility position, EXIM has adopted the policy of reallocating the FTE slot to the receiving division. This means that it is not necessary to have an open

existing position to sponsor an Upward Mobility candidate.

- **Rotation program:** Similarly, EXIM has reactivated an internal rotation program, and is investigating opportunities for interagency rotation opportunities (beyond those provided for in the PMF program).
- **Excellence in Government program:** EXIM has participated in three recent cohorts of the EIG program conducted by the Partnership for Public Service, and management intends to continue to solicit applications for future cohorts.
- **Teambuilding:** The Partnership for Public Service also offers offsite teambuilding training for existing teams, and EXIM has funded participation in this program.
- **Leadership and management training:** EXIM has executed several contracts with the Center for Creative Leadership in recent years, aimed at providing leadership training for managers. The most recent program comprised 4 offsite days spread over six months for 3 cohorts of managers extending from the Chairman through SVPs and VPs and including deputy VPs and director-level managers. A total of 109 managers participated in this extensive program, fully 25% of total EXIM staff.
- **All hands brown bag lunches:** Beginning in April 2015, in the lead-up to the lapse in EXIM's full authority, the Chief Operating Officer and the Chief of Staff conducted a series of all-hands brown bag lunch "conversations" aimed at opening channels of communication within EXIM. These sessions were initially monthly, were increased to weekly during the 5 months of the lapse in full authority, and reverted to monthly following reauthorization in December 2015. As of November 2016, a total of 33 such all hands events have taken place, during which employees may participate in person or by webinar and are encouraged to ask questions or make comments on any subject of concern to them.
- **EXIM Leadership Initiative:** Begun with the support of the Diversity Council, the EXIM Leadership Initiative is an employee-driven effort aimed at organizing events where employees can learn from each other and discuss matters of mutual interest outside a framework established by management.

Initiatives under consideration which new senior leadership may want to implement include:

- **Roosevelt Awards:** Named for Theodore Roosevelt (founder of the US Civil Service) and Franklin Roosevelt (founder of EXIM), this would be a new series of employee recognition awards to be presented annually.
- **Employee newsletter:** One of the most frequently-mentioned suggestions in employee roundtables has been to establish a monthly employee newsletter to introduce new employees, announce promotions and publicize positive events and developments.

## ACTION ITEMS

There are no immediate action items.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Caroline L. Scullin, SVP, Communications

**SUBJECT:** EXIM Annual Conference – April 6-7, 2017

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## BACKGROUND

EXIM hosts its Annual Conference each spring, which serves as EXIM's marquee event. The two-day conference attracts more than 1,100 participants consisting of exporters, business leaders, policy-makers, foreign investors, foreign trade partners, financial institutions, government officials and the media. The program is comprised of a main stage component, consisting of plenaries, keynote addresses and one-on-one interviews, as well as break-out sessions on a range of topics. During the conference, EXIM and external groups also host business meetings and networking events.

## KEY ISSUES

- **Venue Selection:** Due to the lapse in 2015, EXIM had to rebid service for a hotel venue to host the Annual Conference. A Request for Quote (RFQ) was issued by the Contracts Division in October 2016 for local hotels within a 3-5 mile radius from EXIM. The Omni Shoreham Hotel submitted a proposal and was selected. As part of the selection, EXIM pursued a five year contract with a base year and four option years.
- **Conference Planner Selection:** EXIM has contracted with CMP, a prior vendor, to provide conference and trade show planning services for the 2017 annual conference. Given the aggressive planning timeline, the Contracting Division issued a Limited Source Justification to secure a planner. They contacted CMP and received their proposal. Communications has received budget approval from the CFO's office to finalize the contract and they are working with the Contracting Division to retain CMP for the 2017 Annual Conference. EXIM will issue a Request for Quote (RFQ) for vendor services in spring 2017. Moving forward, EXIM will pursue a five year contract with a base year and four option years.
- **Conference Format:** The Office of Communications recommends a change to the conference format

due to a presidential transition year. The Chairman's office plays an important role in working with Communications to secure high-level speakers, including Fortune 500 chief executive officers, entrepreneurs and Administration officials, for a "main stage" schedule. With a new Administration and transition, the Communications team may not have the same level of support for the 2017 Conference planning. Communications recommends hosting two days of main stage programming and two days of break-out sessions, organized with the support of EXIM divisions. The second day will focus more heavily on the break-out sessions, which will be smaller, with 100-200 participants, cover specific topics, and speakers will be subject matter experts.

- **Conference Budget and Funding:** The EXIM Annual Conference is a self-funding event. It has an OMB mandated spending limit of \$500,000, conference fees cover the majority, if not all, of the costs associated with the conference. Occasionally, the conference fees generate a budget surplus. The Office of Communications recommends a marginal increasing in conference fees to cover rising venue and vendor costs as well as to continue to operate within the mandated spending limit.

## ACTION ITEMS/DEADLINES:

- **Hotel:** The venue has been selected. The conference will be held at the Omni Shoreham Hotel in Washington, DC. The Office of Contracting has finalized the agreement with the hotel.
- **Planner:** Work with the Contracts Division to select the conference planner. *Complete: CMP contracted.*
- **Invites:** Chairman's office sent the first round of invite letters to main stage speakers on November 1st. Communications will coordinate with the Chairman's office to send out the second round of invite letters to main stage speakers. *Deadline: Week of November 28, 2016.*
- **Open Registration:** Communications to work with conference planner to open registration by December 1 and close early bird registration by February 24.
- **Speakers:** Select and confirm all speakers for the main stage and break-out sessions. *Deadline: March 24, 2017.*
- **Materials:** Send all conference collateral and materials to the printer. *Deadline: March 24, 2017.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Caroline L. Scullin, SVP, Communications

**SUBJECT:** FY 2016 Annual Report / CY 2016 Competitiveness Report

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## BACKGROUND

**Annual Report:** The annual report highlights EXIM's authorizations and financials at the close of the fiscal year, September 30. This report also includes an overview of EXIM's business outreach and other activities that are required by EXIM's charter (authorizing legislation). The annual report is produced in the fall and typically is provided to Congress in printed copies and posted online in January. The FY 2016 Annual Report is presently in production, on an expedited schedule to be prepared by the end of the calendar year. Sample production assignments/schedules from two previous years are included with this memo.

**Competitiveness Report:** The calendar year (CY) 2016 Competitiveness Report compares the programs and financing levels of EXIM with other export-credit agencies (ECAs) around the world. This report is required to be submitted to Congress by June 30 of each year. EXIM's Office of Policy Analysis and International Relations researches and produces the content. EXIM's Advisory Committee prepares an Advisory Committee statement which includes its comments on the extent to which EXIM is meeting its mandate to provide competitive financing to promote U.S. exports, and any suggestions for improvements. The Office of Communications coordinates the professional design of the report and the online posting. The CY 2016 Competitiveness Report will be produced in the spring of 2017 in coordination with the Office of Policy Analysis and International Relations the Advisory Committee.

## KEY ISSUES (FY 2016 Annual Report):

- **Additional Content for MD&A:** Communications has met with the CFO's Office to discuss what content can be covered in the MD&A and what material would fit better in the narrative section. The narrative section will be shorter, featuring content required under the charter, but not be included in the MD&A. Some content cannot be covered in the analysis of the MD&A because the auditors

required extensive supporting documentation, and the data is better suited for the narrative section. Communications collected all data from the Divisions by October 31, and is currently drafting the narrative which is due to senior management for review by November 18.

- **Design:** Communications currently is working with SliceWorks, the same design firm that produced the FY 2015 Annual Report and the CY 2015 Competitiveness Report. The Contracting Office exercised an option year on the existing design contract. Communications will work with the Contracting Office to issue a new Request for Quote (RFQ) in 2017 for a creative design firm to replace SliceWorks.
- **Accelerated Production:** The chairman and the Office of Congressional Affairs have requested that the FY 2016 annual report be produced in an accelerated time frame. Printed annual reports will be delivered to EXIM and Congress in the first week of January. To accommodate the schedule, the team will need to adhere to a firm timeline, refrain from revisiting decisions previously made and keep the content and edits as succinct as possible.

### KEY ISSUES (CY 2016 Competitiveness Report):

- **Design/Editorial Assistance:** There are no issues at this time. During the spring production, Communications will need to work closely with the Office of Policy Analysis and International Relations to develop a production timeline, determine the design and provide editorial assistance.

### ACTION ITEMS (FY 2016 Annual Report):

- **Content Placement:** Communications worked with the CFO's Office to determine the placement of required reporting. *Completed on 10/15/16.*
- **Design/Photography:** Communications worked with SliceWorks to finalize design options for the report and possible illustrative features. *Completed on November 10, 2016.*

### ACTION ITEMS (CY 2016 Competitiveness Report):

- **There are no action items at this time.** The Competitiveness Report design and production schedule will be addressed with the Office of Policy Analysis and International Relations beginning in February 2017. The report is due on June 30, 2017.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Erin Gulick, SVP, Congressional and Intergovernmental Affairs  
Michael Cushing, SVP, Resource Management

**SUBJECT:** Pay Authority (e.g. Administratively Determined Pay)

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## BACKGROUND

Unlike many federal agencies with similar missions, EXIM is not allowed to compensate any of its employees beyond what is provided for under Title 5 for General Schedule employees. Instead, from 1992 to 2015, a rider included in EXIM’s annual Congressional appropriations provided it with a limited exception for no more than 35 employees to be compensated above the General Schedule, referred to as Administratively Determined (AD) Pay Authority. EXIM’s AD authority had two legislative purposes: (1) Attract and retain highly professional employees to carry out the demanding economic, financial, legal, and technical responsibilities entrusted to EXIM by Congress; and (2) Provide appropriate compensation in situations when an employee’s knowledge and skills contribute to EXIM at a level beyond that payable under the General Schedule position classification system. EXIM’s AD employees are among its most valuable and high-performing. Former AD employees are vice presidents and business line executives, senior loan officers, senior attorneys, a senior engineer, and the chief economist.

The provision was inadvertently removed as part of the FY16 Consolidated Appropriations Act. While some of EXIM AD Pay incumbents were moved to the General Schedule without loss of pay, 17 EXIM employees were above the General Schedule pay cap. EXIM management has continued to pursue long-term legislative remedies.

In the long-term, in order to attract and retain employees with a highly specialized skill set, EXIM will need to consider long-term legislative options, including further permanent extension of Administratively Determined Pay, inclusion as an entity covered eligible for elevated compensation under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), or other revisions in EXIM’s charter.

## KEY ISSUES

Since the FY16 appropriations, EXIM has actively pursued a legislative and administrative fix to make the 17 impacted employees whole.

- **FY2017 Appropriations:** The House and Senate Appropriations Committees support reinserting the removed AD Pay authority which was inserted into the Senate State & Foreign Ops Appropriations bill. This would be a short-term fix which would require EXIM to continually ensure is included in its annual appropriations.
- **Increase Senior Level (SL) Allocation:** EXIM's current SL allocation is 23. EXIM has requested that OMB and OPM grant 14 (with 3 below the salary cap) limited SL emergency appointments that would expire the earlier of 18 months or effective date of a legislative fix. OPM has recently indicated that it would not be willing to grant this authority, in lieu of a legislative remedy.
- **2019 Authorization:** AD pay authority is most commonly incorporated into the authorizing legislation or charter of similarly situated agencies. While the appropriations process can provide a short-term fix, ultimately, as this is an authorization, EXIM will need to pursue a more permanent fix in its next authorization.

## ACTION ITEMS

- **FY2017 Appropriations:** EXIM will need to ensure that the authority for AD pay is included in full-year FY2017 which is expected in December. *Deadline: December, 2016.*
- **FY2018 Budget & FY2018 Appropriations:** EXIM will need to ensure that the President's Budget request for FY2018 and the subsequent FY2018 appropriations bills includes the requisite legislative authority for AD pay is included. *Deadline: January/February, 2017.*
- **Authorization:** EXIM will need to continue to seek a permanent fix to its pay authority challenges to ensure it can effectively compete with other agencies for talent. Over an extended period, EXIM has requested, at leadership levels, authority for pay flexibilities comparable to existing authorities available to other financial agencies with which EXIM competes for talent. OPM and OMB have not approved these requests. *Deadline: September 30, 2019.*



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** David Sena, SVP, Chief Financial Officer

**SUBJECT:** Office of Inspector General Recommendations and SARC

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## BACKGROUND

The EXIM Office of Inspector General (OIG) is an independent office within EXIM which was statutorily created in 2002 and organized in 2007. The OIG is currently headed by Deputy Inspector General, Michael McCarthy. The EXIM OIG consists of three groups: Audits, Inspections/Evaluations, and Investigations. The Audit and Inspections/Evaluations groups review EXIM programs and operations. These groups make recommendations to improve EXIM's practices. The Investigations group conducts investigations related to alleged or suspected violations of law occurring in EXIM programs. The OIG has its own legal counsel.

In 2014, EXIM created a Liaison Group to assist EXIM staff and the OIG during Audit and Inspections/Evaluations engagements and for close-out of recommendations. EXIM's Office of General Counsel coordinates with the Investigations group.

## KEY ISSUES

- **Recommendations:** Since FY 2010, the OIG has issued 229 recommendations (72 in FY 2016 alone). As of November 1, 2016, EXIM has implemented, and the OIG has closed, 180 recommendations, submitted information to close 14 additional recommendations, and 35 remain open.
- **Semiannual Report:** The OIG is required to submit a Semiannual Report to Congress (SARC) covering the periods of October 1-March 30 and April 1-September 30 outlining the activities of the OIG during that period and the status of recommendations.

## ACTION ITEMS

EXIM continues to make progress on implementing and closing out OIG recommendations. There are no immediate action items.

### Historical Analysis (as of 11/01/2016)

	prior to FY2012	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	TOTAL
Recommendations Issued	19	42	27	27	42	72	0	229
Recommendations Closed	19	42	25	25	38	31	0	180
Recommendations Submitted	0	0	2	2	4	6	0	14
Outstanding Recommendations	0	0	0	0	0	35	0	35



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Howard Spira, SVP, Chief Information Officer

**SUBJECT:** Information Security

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## BACKGROUND

For any federal agency, cyber security is one of the most challenging areas within the IT portfolio. As a federal agency with “Bank” in our name and operating internationally, we attract the attention of a large cohort of bad actors. A number of initiatives are underway to enhance EXIM’s capabilities to handle a corresponding rise in threats. The Information Security Continuous Monitoring (ISCM) initiative is our key program enhancement through 2018. In 2017 we are also making a major technology transition to align with executive directives re cyber-hygiene under the auspices of the Department of Homeland Security (DHS). As the threats and defenses evolve, cyber has increasingly moved from something that was the CIO’s problem to a shared responsibility within the C-suite. At EXIM, we are giving cyber security issues increased visibility with the Chairman and senior staff, the Chief Risk officer and the Enterprise Risk Committee. Congress and OMB are taking a number of actions to empower DHS to significantly upgrade the government’s security posture. The failure to pay attention or execute in the cyber space has resulted in high-profile leadership changes in both private and public sector entities.

## KEY ISSUES

- **Executive Leadership Accountability:** Trend is for increased accountability for agency executive leadership for cyber-security.
- **DHS and Transparency:** The security posture of the agency will be more transparent and in many cases directly harvested and reported by DHS – we may lose the ability to deal with issues internally before they are reported externally.
- **Convenience vs. Risk:** User desires for convenience (e.g., Limited Personal Use, telework, mobile media, etc.) and risk vectors coming into increasing conflict – agency executives in coordination with information security will have an important role in outcomes.
- **Increased Oversight Impacts:** The increasing transparency and outside oversight will likely create

more pressure for absolute compliance resulting in longer development and test cycles for new and enhanced systems as well as changes in organizational behavior.

- **Growing Cyber Budget Needs:** Costs for cyber-security compliance are the fastest growing area of IMT operating budget. Shortage of admin funds will be an issue to fund this space.
- **Lack of Cyber Talent:** EXIM talent in this space is thin. We have a seasoned, experienced CISO but no bench. Demand significantly exceeds supply for cyber professionals. People with skills are going to higher grades than we have available. We are having difficulty filling open positions at the grades we have.

## ACTION ITEMS

- Within two weeks of onboarding, new employees must complete information security training to maintain network access.
- At on-boarding, all new personnel to receive briefing on federal records.
- Impact of new information security requirements and funding allocation for these requirements needs to be addressed.



## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Incoming EXIM Leadership

**FROM:** Howard Spira, SVP, Chief Information Officer

**SUBJECT:** IMT Investment Plan

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## BACKGROUND

EXIM is coming up on the end of a cycle where there was significant modernization of EXIM's information systems after a period of reduced capabilities in 2010/2011. EXIM's physical infrastructure for technology was substantially replaced with state of the market equipment over the last four years. The core financial systems, the general ledger and loan servicing applications, were recently replaced as well. The remaining part of this modernization focuses on business applications involving the taking of credit applications from EXIM customers. The new systems will allow the submission of applications electronically. In addition to completing the modernization, the main focus of the IT function has been 1) aggressive enhancements of our new capabilities to keep them fresh and to meet evolving business needs, 2) a focus on data quality and business process management disciplines, 3) aligning and repositioning IT to a 'front-of-the-house' consultative partner to solve business problems and 4) the aggressive management of our portfolio to ensure we do not fail to keep our systems modernized.

## KEY ISSUES

- **Cloud Computing Costs:** As a part of our modernization, a significant portion of our operating capabilities are commercial cloud services. These services are fully costed by their vendors and embedded in our contractual agreements. The ability to manage costs down by deferral of maintenance or other temporary reductions is reduced.
- **IT, Finance, and Procurement Functions:** The success of the IT function is increasingly intertwined with finance and procurement functions and strong teaming and execution skills are required with these groups due to the complex budget and procurement environment of IT.
- **Information Security and Customer Facing Capabilities:** A major focus of the business/IT agenda is the creation of and improvement of customer-facing electronic interactions. We have a congressional

directive in our charter to allow our customers to engage with us electronically. While exciting and positive, this requirement puts increasing pressure on our information security discipline as electronic interactions open new vectors to attack key EXIM systems.

- **Talent Management:** The last two years within the IMT organization has focused on rebuilding and re-organizing the team and developing a culture of engagement with the business. Our top talent is here because they are interested in and want to be a part of EXIM's mission.
- **Unfunded Mandates:** There are a number of unfunded mandates related to data and transparency and information security. These mandates create increasing pressure on EXIM resources as these requirements compete with core EXIM capabilities for management attention and funding.
- **Independent Federal Agency:** As a small, independent federal agency, we maintain a full-spectrum of capabilities that adds complexity and execution challenges you would not find in the private sector. Most similar organizations in the private sector would be under some broader corporate umbrella.
- **IT Leverage:** We are relatively under-leveraged with respect to business value we can derive from IT investment. We deal with complex problems but relatively small number of transactions with which to recoup costs. We have to maintain a full set of capabilities due to our independent status that requires experienced personnel whose activity is not leveraged over a large organization.
- **IT Development Fund and Operating Costs:** Both our prior and most recent re-authorization legislation established an IT development fund to ensure IT modernization related to transaction processing systems were appropriately funded. The most recent legislation sets a funding limit up to \$20 million for this purpose. However, this funding does not cover subsequent operating costs.
- **IT Operating Budget:** A significant amount of work was done in 2016 in coordination with CFO to develop an IT operating budget that is fully funded at the beginning of the year. This dramatically simplifies and improves the coordination of IT, Procurement and CFO activity during the course of the year. The operating budget only covers the cost of running existing operations. It does not include projects or new requirements which need to have their funding identified and approved as part of their initiation process.

## ACTION ITEMS

There are no immediate action items.

## VI. Export Finance & EXIM's Programs

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**The Office of Export Finance (OEF) takes the lead in originating and underwriting all of EXIM's financial transactions.** The Office is managed by the Chief Banking Officer, and comprises five Divisions: Trade Finance & Insurance; Business Credit; Transportation; Structured & Project Finance; and Global Business Development. Each of these Divisions is managed by a Vice President. Additionally, the Small Business Group, managed by a Senior Vice President, reports both to the Chief Banking Officer and to the Chairman and President.

**EXIM's financing programs comprise direct loans; loan guarantees; and insurance policies.** Financing is provided on a short-term, medium-term, or long-term basis. Short-term financing is defined as less than one year. Medium-term financing is defined as more than one year and up to seven years, and for amounts up to \$10 million. Long-term financing is defined as longer than seven years and for amounts greater than \$10 million. Insurance policies are provided on a short- and medium-term basis, and loan guarantees and direct loans are provided on a medium- and long-term basis. Short- and medium-term transactions are authorized by EXIM staff under officers' Individual Delegated Authority, and all long-term transactions are authorized by EXIM's Board of Directors.

**Since July 1st, 2015, EXIM has not been able to approve any long-term transactions.** This has been the result of EXIM's lapse in authority, which lasted from July 1st, 2015 to December 4th, 2015, and then subsequently because EXIM has not had a Board quorum. EXIM's last year of uninterrupted operations was FY 2014. In FY 2014, EXIM authorized \$20.5 billion of transactions to support the export of U.S. goods and services. In FY 2015, EXIM authorized \$12.4 billion in transactions. In FY 2016, EXIM authorized approximately \$5.0 billion.

## Export Finance Divisions

### Trade Finance & Insurance

Trade Finance & Insurance Division underwrites short- and medium-term term insurance policies, medium-term loan guarantees, long-term guarantees for sovereign borrowers, and medium-term direct loans.

**Short-term credit insurance is used to protect U.S. exporters against buyer nonpayment and can support items such as agricultural commodities, consumer goods, spare parts and raw materials for terms up to 180 days, and capital equipment for terms up to 360 days.** Applications are submitted by U.S. exporters, brokers, or lenders. EXIM offers four short-term products:

- multi-buyer export credit insurance, which is a policy that supports an exporter's shipments to multiple buyers in multiple markets;
- single-buyer export credit insurance that supports an exporter's shipments to one specific buyer;
- export letter-of-credit insurance, which supports bank issued letters of credit; and

- short-term bank-held insurance, which covers a line of credit extended to a foreign buyer in order to purchase U.S. goods.

**Medium-term insurance policies and loan guarantees are used to protect U.S. exporters against buyer nonpayment to support their export credit sales of capital goods and related services.** Applications for insurance are submitted to EXIM by the U.S. exporter or a lender that represents a foreign buyer in a transaction; applications for loan guarantees can only be submitted by a lender. Applications for medium-term direct loans, which are not used frequently in the current interest-rate environment, are also submitted to EXIM by lenders for foreign buyers.

**Long-term sovereign loan guarantees are typically used to support infrastructure development, with a sovereign entity participating as a guarantor.** Repayment terms on these transactions are typically eight years or more, and amounts are usually greater than \$10 million. Applications are always submitted by the lender on the transaction.

The chart below shows a breakdown of the Trade Finance & Insurance Division's short-, medium-, and long-term transactions by authorized amount and number of authorizations. Please note that FY 2014 was the last year with no lapse in authorization and a Board quorum.

		FY2014	FY2015	FY2016
<b>ST Insurance</b>	Authorized Amount	\$5,107,299,566	\$3,196,509,630	\$3,797,147,265
	Number of Authorizations	3078	2216	2625
<b>MT Insurance and Loan Guarantees</b>	Authorized Amount	\$309,903,654	\$144,318,958	\$90,693,305
	Number of Authorizations	114	67	32
<b>LT Sovereign Guarantees</b>	Authorized Amount	\$138,577,074	\$301,559,861	\$ -
	Number of Authorizations	5	6	0

## Business Credit

**Trade The Business Credit Division is responsible for the management and oversight of the Working Capital Guarantee Program (WCGP).** In addition to managing the WCGP loan portfolio, the Business Credit Division oversees the Supply Chain Finance Guarantee Program (SCFGP).

**Working Capital Guarantees allow lenders to provide pre-export financing to U.S. companies so that they can export their product.** The loan guarantee can cover both multiple export sales and individual contracts. Exporters use the WCGP to pay for materials, supplies, labor, and other costs to fulfill export orders; post standby letters of credit serving as bid bonds, performance bonds, or payment guarantees; and purchase

finished products for export. EXIM provides a 90% guarantee that covers the performance risk of the exporter. The loans are from one to three years.

**The WCGP allows direct authorization of transactions by lenders with delegated authority; which allows pre-qualified commercial lenders to commit working capital guaranteed loans without prior EXIM approval.** This risk-sharing arrangement between EXIM and qualifying financial institutions allows financial institutions to commit EXIM's guarantee within carefully prescribed parameters. The authority to commit EXIM's guarantee is balanced with the lender's assumption of 10% risk sharing and adherence to certain compliance obligations. More than 90% of WCGP transactions are done through delegated authority lenders, and there were approximately 50 active delegated authority lenders in FY 2016.

**In January 2006, the Fast Track Program was made operative within the WCGP.** Under Fast Track, lenders designated with Fast Track status may receive approval from EXIM on an expedited basis (usually ten business days) to enter into working capital loan facilities greater than \$10 million and up to \$25 million. In order for a lender to be designated as a Fast Track Lender, it must first be approved for the highest level of Delegated Authority (\$10 million) and be approved by the Board of Directors. There were eight active lenders with Fast Track status in FY 2016. Historically, most WCGP authorizations have been for the benefit of small businesses, averaging approximately 70% of the total authorizations over the past three years.

**The SCFGP was started in 2010.** Under the SCFGP, EXIM provides a 90% guarantee to a participating lender that purchases accounts receivable from suppliers of an approved exporter. The guarantee protects the lender against payment default by the exporter on its accounts receivable obligations to its suppliers. EXIM has set a target requirement that at least 50% of the support for participating suppliers that benefit from the EXIM guarantee must be to small businesses. The SCFGP leverages EXIM's scarce staff resources and has the potential to reach hundreds of small business suppliers without significant increases in staff. The chart below shows a breakdown of the Business Credit Division's authorized amount and number of authorizations for working capital guarantees and supply chain guaranteed loans.

	<i>(in millions)</i>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Working Capital</b>	Authorized Amount	\$1,822	\$1,001	\$1,106
	Small Business Authorizations	\$1,367	\$670	\$755
	Number of Authorizations	428	261	237
<b>Supply Chain</b>	Authorized Amount	\$567	-	-
	Small Business Authorizations	\$405	-	-
	Number of Authorizations	3	-	-

## Transportation

The Transportation Division underwrites and structures medium- and long-term asset-backed direct loans and loan guarantees for the export of transportation equipment, including large commercial aircraft; business aircraft; helicopters; installed and spare engines; locomotives; rail cars; and other rail-related equipment. Major U.S. exporters of transportation equipment include:

- AgustaWestland;
- Electro-Motive Diesel (a locomotive manufacturing subsidiary of Caterpillar);
- General Electric (jet engines and locomotives);
- Gulfstream;
- National Railway Equipment Company;
- Sikorsky (recently acquired by Lockheed Martin);
- Textron Aviation (which includes Cessna, Bell, and Beechcraft);
- The Boeing Company;
- United Technologies; and
- Various rail car manufacturers (e.g., Trinity Industries, Freight Car America, Greenbrier, National Steel Car, and American Railcar).

The above list does not include the thousands of sub-suppliers, many of which are small- and medium-sized businesses, that benefit indirectly from EXIM support for large exporters.

The chart below shows a breakdown of the Transportation Division's medium- and long-term transactions by authorized amount and number of authorizations. The sharp decline in EXIM authorizations for U.S. manufactured transportation-related equipment in FY 2015 and FY 2016 was a result of EXIM's lapse in authority and lack of a Board quorum.

	<i>(in millions)</i>	FY2014	FY2015	FY2016
Large Aircraft	Authorized Amount	\$7,196.4	\$5,596.7	\$0.0
	Number of Authorizations	25	21	0
Spare Engines & Overhauls	Authorized Amount	\$241.3	\$83.2	\$30.2
	Number of Authorizations	5	2	3
Business Aircrafts	Authorized Amount	\$538.6	\$36.5	\$2.2
	Number of Authorizations	9	2	1
Helicopters	Authorized Amount	\$376.9	\$80.3	\$10.7
	Number of Authorizations	2	2	1
Rail	Authorized Amount	\$563.5	\$0.0	\$0.0
	Number of Authorizations	1	0	0

<b>Total</b>	Authorized Amount	\$8,916.7	\$5,796.7	\$43.1
	Number of Authorizations	42	27	5

## Structured and Project Finance

The Structured & Project Finance Division underwrites long-term, non-sovereign loan guarantees and direct loans, all project finance transactions, and all transactions in the nuclear energy sector. EXIM provides limited recourse project financing to companies created specifically to develop new projects, most of which are large, greenfield infrastructure projects. Repayment of project loans comes from a completed project's future cash flows, rather than from cash flow from operations from an existing corporation, as is the case in "balance sheet" direct loans or loan guarantees.

SFD is organized via sector practice teams: Global Energy (covering upstream and downstream oil & gas and petrochemicals, and thermal power); Communications and Technology; and Alternative Energy (covering environmentally beneficial exports and nuclear energy).

	<i>(in millions)</i>	FY2014	FY2015	FY2016
<b>Structured Finance</b>	Authorized Amount	\$20,146.6	\$1,500.0	-
	Number of Authorizations	7	2	-
<b>Project Finance</b>	Authorized Amount	\$1,029.6	-	-
	Number of Authorizations	5	-	-

## Global Business Development

The Global Business Development Division has three areas of responsibility: Maintaining relationships with EXIM's counterparts in the other trade-related agencies of the U.S. government; serving as the first line of support for large- and medium-sized U.S. exporters who might benefit from EXIM's export finance programs; and representing EXIM at conferences and trade shows, both in the United States and abroad, to educate exporters, borrowers, and lenders about EXIM's programs. The team comprises four staff who have regional responsibility both globally and in the United States; two of the staff are dedicated to supporting EXIM programs in Sub-Saharan Africa. The Global Business Development team coordinates its activities with the underwriting Divisions and with the Small Business Group.

# Key Issues for Export Finance

## Rebuilding the Business

Since 2014, users of EXIM's programs have become demoralized by the uncertainty surrounding the agency's ability to function, and, when possible, large U.S. exporters have supplied products and services from overseas locations to take advantage of financing from other ECAs (EXIM's users of the short- and medium-term programs have not been affected by the lack of a Board quorum, and those businesses are largely intact). Once EXIM is able to approve long-term transactions (i.e., transactions of more than seven years tenor or \$10 million), agency leadership should strive to maintain stability in operations in order to revive market confidence in EXIM's sustainability as a competitive source of financing for U.S. exports.

## Riskier Markets, Riskier Transactions

As the global credit markets have recovered from the 2008 banking crisis and subsequent recession, private-sector capital is returning to the credit markets, and bank financing is more easily obtained by all but the bottom quartile of risk-rated borrowers. As a result, EXIM will be tapped to resume lending to riskier borrowers in riskier markets, much more in keeping with EXIM's historical risk profile.

## More – and more strategic - Outreach

In the next two fiscal years, the Office of Export Finance will be conducting much more targeted and consistent outreach to U.S. exporters, and particularly small businesses, to increase the number of transactions from exporters that have benefited from EXIM financing in the past, and also to increase the number of new-to-EXIM exporters.

## VII. Key Initiatives

### Small Business

In general, the small business mandate refers to EXIM’s charter requirement that not less than 25 percent of the aggregate loan, guarantee, and insurance authority made available by EXIM be used to finance exports by small business concerns. Underpinning the mandate are the products, processes, and resources that EXIM uses to accomplish this goal. This section will provide the context to how that is accomplished.

#### EXIM Mandates

The activities EXIM takes in relation to small businesses are done in response to the specific mandates in the EXIM Charter. The EXIM charter contains more small business mandates than just the 25 percent requirement. The chart SB.1 below provides a synopsis of the EXIM charter sections that relate to our “small business mandate.”

##### SB.1 Small Business Mandates in the 2015 EXIM Charter

###### Small Business 2(b)(1)(E)

In order to encourage U.S. small businesses to engage in international commerce EXIM shall:

- **Small Business Loans and Guarantees:** Develop programs for loans and guarantees for the export of goods and services by small businesses.
- **SVP Small Business:** Designate an EXIM officer responsible for all matters affecting small businesses, and for advising small businesses of EXIM opportunities.
- **25 Percent Mandate:** That EXIM has not less than 25 percent of its aggregate dollar authorizations attributable to small business concerns.
- **Delegated Authority:** That EXIM delegates to other financial institutions the authority to approve financing.
- **Partner Coordination:** That EXIM coordinates with DOC, SBA, and other state and private small business organizations.

###### Small Business Division 3(f)

That EXIM establish a Small Business Division responsible for:

- **Conduct Outreach:** Outreach, feedback, product improvement, and transaction advocacy for small business concerns
- **Small Business Advocate:** Advise and seek feedback from small businesses with an emphasis on outreach, enhancing products, and increasing loans to small business concerns.
- **Improved Technology:** Provide oversight of the development, implementation, and operation of technology improvements to strengthen small business outreach.
- **SVP Small Business:** The President of EXIM shall appoint a Senior Vice President whose sole executive function shall be to manage the Division.

<b>Small Business Specialists 3(g)</b>	Each operating division within EXIM have staff specialized in processing small business transactions, and that they be involved in all aspects of processing applications for loans, guarantees, and insurance to support exports by small business concerns.
<b>Small Business Committee 3(h)</b>	EXIM will establish a management committee known as the 'Small Business Committee,' whose purpose is to coordinate EXIM's initiatives and policies with respect to small business concerns.
<b>Minority and Women Owned Businesses 3(i)</b>	<p>EXIM establish, within the Small Business Division, an office whose sole functions is to conduct outreach to and increase authorizations from socially and economically disadvantaged small businesses, as well as small business concerns owned by women.</p> <ul style="list-style-type: none"> <li>• <b>Management:</b> The office shall be managed by an EXIM officer of appropriate rank and report to the SVP Small Business.</li> </ul>

## History of Initiative

**EXIM's first charter mandate for small business was established in 1983, requiring that 6 percent of EXIM authorizations be set aside for small business.** Within the 1983 EXIM charter extension EXIM, Congress legislated that 6% of EXIM authorizations be set aside for small business, and would increase to 10 percent in 1986. It also stipulated that one EXIM director represent small business interests within EXIM. This mandate also allowed EXIM to count sub-suppliers of large companies already receiving EXIM financing to meet this requirement.

**1992 saw the federalization of the Foreign Credit Insurance Association (FCIA), which became part of EXIM.** Previous to this EXIM had contracted out the origination, issue, and service of federally backed short term and medium term insurance policies to the FCIA. Due to cost, legal, and liability concerns the decision was made to purchase the privately-owned firm, and federalize its processes. These 100 plus employees then became EXIM's regional business development teams and insurance underwriting teams.

**The Small Business Division and SVP of Small Business were created in 1994.** In the 1992 EXIM re-authorization Congress removed the ability to count small business sub-suppliers that were part of larger deals. This change influenced EXIM efforts around how it provided services to small business. As a result of this change, in 1994 EXIM consolidated its small business activities under one division, which was led by a senior vice president.

**The mandate that 10 percent of EXIM authorizations be set aside for small business, was later increased to 20 percent then again to 25 percent.** Since 1992 the percentage mandate on small business authorizations has been increased by Congress twice, in conjunction with EXIMs reauthorizations, from 10 percent to 20 percent in 2002, then again to 25 percent in 2015.

## Current Status

**EXIM and its stakeholder's measures small business success based on dollar volume.** Largely due to the 25 percent mandate, EXIM, Congress, and its stakeholders measure small business success based on dollar volume. As seen in chart SB.2, meeting the mandate is a function of the overall size of EXIM authorizations. For every \$10 increase, EXIM must be able to attribute \$2.5 to small business concerns. When those numbers reach into the billions, meeting the mandate becomes a daunting task.

SB.2 EXIM Authorizations (in billions)	2013	2014	2015	2016
EXIM Authorizations	\$27.3	\$20.5	\$12.4	\$5.037
EXIM Small Business Authorizations	\$5.2	\$5.1	\$3	\$2.69
Small Business Percentage	19%	25%	24%	53%

**Meeting the small business mandate requires growing the size of the authorizations attributable to small business.** There are two ways to accomplish this. First, EXIM can increase the dollar amounts attributable to small business concerns that come from EXIM's larger transactions. Second, EXIM can focus on retaining, servicing, and originating small business exporters themselves.

**One way to meet the mandate is to increase the dollar amounts attributable to small business concerns that come from EXIM's larger transactions.** Although there is some room for improvement, EXIM is largely already doing this. Each year the CFO's office estimates the percentage of small business dollars within EXIM's larger deals, and applies that amount to the total small business authorization dollars. In fiscal year 2016 approximately \$630 million was attributed, in 2015 approximately \$954 million was attributed, and in our last uninterrupted year, 2014, approximately \$1.68 billion was attributed.

SB.3 Small Business Mandate Breakdown (in billions)	2014
Total EXIM Authorizations	\$20.5
Total * 25% Mandate Target	\$5.1
Large Deals w/ Small Business	\$1.68
Authorizations from Small Business Concerns	\$3.4

**While there may be opportunities to identify new sources of small business authorizations within EXIM's larger transactions, this approach alone would fall short of the required 25 percent.** For example for 2014 if we assume EXIM will do \$20.5 billion in total authorizations, then at 25 percent EXIM needs to attribute \$5.1 billion to small business concerns. \$1.68 billion from larger deals requires that \$3.4 billion be originated directly from small businesses themselves.

The other aspect to meeting the mandate is to focus on retaining, servicing, and originating small businesses exporters directly. This is done through delegated authority lenders, affiliated insurance brokers, as well as EXIM Regional Office's, partner agencies, and regional associations. As you can see in chart SB.3, the vast majority of EXIM transactions and dollar authorizations come from our export credit insurance and working capital guarantee (WCGP) programs. With each of these programs EXIM has relationships with lenders and brokers who help to originate and service most of the transactions associated with small businesses.

<b>SB.4 Small Business Authorizations (dollars in millions/transactions)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Export Credit Insurance</b>	\$2,812/ 2,847	\$2,912/ 2,878	\$1,972/ 2,061	\$1,898/ 2,444
<b>Working Capital Loan and Guarantee</b>	\$1,813/ 507	\$1,791/ 427	\$685/ 260	\$755/ 195
<b>Guarantees and Direct Loans</b>	\$596.7/ 59	\$346.5/ 42	\$372/ 21	\$036/ 9
<b>Total</b>	\$5,223/ 3,413	\$5,050/ 3,347	\$3,030/ 2,342	\$2,690/ 2,648

Additionally, EXIM has 12 regional offices and 22 regional directors who serve as the client facing businesses development arm of EXIM. Their goals are to originate potential new EXIM customers, while managing relationships with regional EXIM partners.

From a small business development perspective, the key to growing the size of the portfolio is to recognize that there are two groups of customers to consider: existing customers and new-to-EXIM customers. Understanding these two groups is important to meeting the mandate because a very large percentage of our existing customers come back year after year and nearly two-thirds of our new-to-EXIM customers remain with EXIM for 3 years. If EXIM is capable of maintaining these trends, while increasing the number of new-to-EXIM customers on a year to year basis, then the size of the portfolio should increase significantly.

Existing small business customers on average, do multiple transactions with EXIM over an extended time period. When looking at existing small business customers from a business development perspective, most firms come back year after year to do multiple transactions. This is apparent in the turnover rate which shows how often on average a discrete small business returns for multiple transactions in a given time period. Chart SB.4 below shows that for 2013–2016, on average, one small business customer did nearly three transactions.

<b>SB.4 Number of EXIM Small Business Transactions</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2013-2016</b>
<b>Total</b>	3,413	3,347	2,342	2,648	11,750

Discrete number of firms by time period	2,745	2,381	2,049	2,250	3,981
Turnover (Total/Discrete)	1.2	1.4	1.14	1.17	2.9

The effect of this becomes even more apparent when you drill down into specific products such as short term insurance and delegated authority working capital guarantees. Although this can be partially explained by the trade credit insurance group's process for renewing policies, in terms of meeting the mandate it shows that existing customers have an attractive lifetime value.

Two-thirds of new-to-EXIM customers on average return the next year, and those that do return remain with EXIM for an average of over three years. EXIM counts a small business customer as new if they have not had a transaction with EXIM in the last 3 years. Due to the financial crisis in 2009, EXIM saw a spike in the number of new customers, many of which have remained customers over time. However, as you can see by chart SB.5 those numbers have declined over time.

SB.5 New-To-EXIM									
Small Business Customers	2008	2009	2010	2011	2012	2013	2014	2015	2016
New-To-EXIM	386	515	700	672	650	625	545	400	379

Therefore, in order to consistently meet the small business mandate, EXIM has to grow the number of new-to-EXIM customers on a year over year basis. If EXIM is capable in doing this, and the conditions described above continue to hold true, it will build a large enough portfolio of underserved small business customers to consistently meet the mandate. The levers EXIM has available to accomplish this is through empowering brokers, lenders, EXIM regional directors, partner agencies, and regional associations.

## Initiative Outlook

The outward facing problem for EXIM's Office of Small Business (OSB) is to increase the number of U.S. small business exporters who use our products. The circumstances surrounding this issue are unique. Lack of awareness and the constraints in which EXIM can offer its products are among the top issues that OSB faces.

First, there is a general lack of awareness and understanding by U.S. small businesses of either trade finance or EXIM. Far fewer exporters in the U.S. use export finance products when compared to their foreign counterparts in other developed nations. That means that any business development activities taken by EXIM are targeting an audience who is unaware of who we are and how our products can help.

Second, EXIM is not permitted to compete with the private sector, and does not subsidize the price of its small business products. We are neither able to make changes to our existing products to be more

competitive, nor openly promote the comparative advantages that exist naturally. This means that, in general, EXIM products are attractive to a small business only if there are no other better options.

**Third, EXIM small businesses products solve “a point in time” pain point.** To most small business decision makers both the EXIM working capital loan guarantee and trade credit insurance products are unglamorous tools. They need them when there is an opportunity, but are unlikely to think about them before that time. This requires persistent follow up to be there at the right time, especially for smaller and early stage exporters. Finding ways to stay memorable, or at least easy to find, is essential.

**Lastly, to do business with EXIM a small business must meet minimum requirement criteria, which can get complicated quickly.** For instance, the goods being exported must be exported from the U.S. and contain more than 50 percent U.S. content. The firm itself must have been in business for at least one year and have a positive net worth. Lastly, the export must not be to a restricted country and cannot be military in nature.

**This creates a unique business problem around how to identify, educate, and close small business decision makers whose firms meet these requirements, at scale.** The point is not to change these conditions, as they are all in place for legitimate purposes. However it is important to recognize that they exist and understand how they provide a framework for the problem, in order to develop and manage an appropriate approach.

**Based on this, the OSB developed three strategies which it uses to guide its approach to meeting the mandates: (1) ensure products meet customer needs, (2) Grow the number of new-to-EXIM customers, (3)improve transactional processes.** Chart SB.6 provides an overview of these strategies.

#### SB.6 The Office of Small Business Strategic Priorities

##### Goal 1 – Ensure Products Meet Customer Needs

To be accountable to the needs of U.S. small business exporters, the OSB will develop initiatives to ensure EXIM products meet customer needs by:

- Identifying Gaps in the Private Industry
- Defining and Improving Products Small Business Products
- Continuously Monitor Product Performance

##### Goal 2 –Identify New-to-EXIM Exporters

To grow the number of small business exporters using EXIM products, the OSB will develop ways to:

- Identify New Data Sources of Small Business Exporters
- Increase Multiplier Outreach Efforts
- Standardize Regional Outreach Activities
- Initiate EXIM-wide Small Business Initiatives

##### Goal 3 – Improve Transactional Processes

To be accountable to the needs of U.S. small business exporters the OSB will work with underwriting divisions to improve transactional processes by:

- Improving the Overall Customer Experience
- Providing Continuous Education
- Identifying Opportunities for Process Improvement

The OSB consists of three component divisions: **Small Business Sales and Marketing, Small Business Operations, and Minority and Women Owned Business (MWOB)**. The Small Business Sales and Marketing Division is responsible for all aspects of the small business sales funnel including conducting marketing operations as well as regional director activities in the field. Small Business Operations manages the contact center for EXIM, provides project management services to the office, and manages external training needs. Finally, the Minority and Women Owned Business team is responsible for outreach to minority and women owned businesses, as well as managing organizational relationships that require an account management process, such as the Director of Broker Relations.

**What gets measured gets done, and our goal is to produce results not activities.** The OSB has created a small business development culture focused on producing results that meet EXIM’s small business mandate. For example, the small business marketing team and the MWOB team are measured primarily on how they maximize the number of qualified leads sent to Regional Directors. The Regional Directors are measured primarily on how many deals they close. For initiatives not related to originating and managing leads, detailed account plans guide staff activities to ensure that goals are being accomplished. Finally, for internal initiatives the small business project management team is responsible for helping develop plans to ensure that internal initiatives are clearly documents and implemented to accomplish the desired result.

The initiatives that the Office of Small Business is taking to meet the small business mandate are outlined in chart SB.7.

#### SB.7 Small Business Initiatives Being Taken in Support of the 25 Percent Business Mandate

##### Minority and Women Owned Businesses (MWOB)

The MWOB business development staff is responsible for outreach and education of minority and/or women owned small businesses. They provide:

- **Counseling and Education** – MWOB staff works directly with small businesses to educate and counsel on trade finance solutions.
- **MWOB Organizations** – Develop and manage relationships with MWOB organizations in order to introduce and train on EXIM products and identify new Minority Business Enterprises/Women Business Enterprises (MBE/WBE) contacts and
- **Seminars/Conference** – MWOB Staff creates, promote and participate in events with collaboration with MWOB organizations to build and increase awareness and usage of EXIM products

##### Digital Outreach

The digital business development program, has implemented numerous tactics to attract, educate, identify, and vet small business decision makers to create leads for business development.

- **Content Strategy** – The OSB creates online content focused on issues that are relevant to small business decision makers.
- **Managing Contacts** – Trade finance is an essential but unglamorous tool for most businesses. Once a potential prospect has been identified managing how we approach them to keep them informed is essential.
- **Leads to sales** – To achieve the mandate, outreach efforts must produce qualified leads. Digital Business Development is focused entirely on creating

<p><b>Regional Directors (RD)</b></p>	<p>leads that are passed to Regional Directors for follow up.</p> <ul style="list-style-type: none"> <li>• <b>Targeting business decision makers</b> - Only business decision makers can access EXIM products, and therefore Digital Business Development is focused exclusively on turning them into leads.</li> </ul> <p>Regional Directors are the face of EXIM in each state. EXIM has 12 regional offices, with at least 1 person responsible for each state and territory in the U.S. They provide:</p> <ul style="list-style-type: none"> <li>• <b>Small Business Origination and Sales</b> – RDs serve as the primary sales contact for small businesses.</li> <li>• <b>Managing Regional Relationships</b> – They are the first point of contact for many regional relationships.</li> <li>• <b>Building Awareness</b> - They conduct outreach, sit on panels, coordinate with partners, and participate in presentations to increase the awareness of EXIM and its products.</li> </ul>
<p><b>Regional Director Business Development Support</b></p>	<p>The small business marketing division provides value added business development services to regional offices:</p> <ul style="list-style-type: none"> <li>• <b>Road Trip Planning</b> – Using digital tools to help plan road trips saving time and efforts.</li> <li>• <b>Lead Vetting Processes</b>– Using digital tools to help vet leads for follow up.</li> <li>• <b>Association Outreach</b> – Manages outreach to regional trade associations to get EXIM content placed in the association's member communications and build awareness of regional staff.</li> <li>• <b>Webinar Development</b> – Conducts business development webinars on issues of interest to small business decision makers.</li> <li>• <b>Trade Show Coordination</b> – Manages the national trade show outreach strategy to maximize lead origination.</li> </ul>
<p><b>Small Business Committee (SBC) and the Small Business Specialists (SBS)</b></p>	<p>Meeting the mandate is not just an OSB responsibility. The SBC takes an agency-wide approach to small business initiatives that require the involvement of multiple divisions, by identifying and managing the implementation of those issues. Its goals are to:</p> <ul style="list-style-type: none"> <li>• Ensure small business products adequately meet the needs of small business customers</li> <li>• Identify new small business exporters</li> <li>• Improve transaction processing</li> </ul>
<p><b>Regional Export Promotion Program (REPP)</b></p>	<p>The REPP is a cooperative arrangement between EXIM and state and/or local non-profit economic development entities to promote U.S. exports. The goals are to:</p> <ul style="list-style-type: none"> <li>• <b>Increase Small Business Authorizations</b> – Each REPP has agreed to produce 10 qualified leads annually.</li> <li>• <b>Strengthen Participant Relationships</b> – Make enhancements to provide more value to program participants.</li> <li>• <b>Increase REPP Participants</b> – Increase the program to have a presence in each state across the US.</li> <li>• <b>Improve Marketing, &amp; Outreach</b> – Conduct joint marketing and outreach.</li> <li>• <b>Improve Tracking &amp; Accountability</b> - Integrate the REPP into OSB CRM</li> </ul>

	platforms in order to track the progress of participants.
<b>Director of Broker Relations</b>	<p>Brokers both originate and service the majority of EXIM small business insurance policies. As such, they are an essential and integral part of how EXIM provides its products to the market place. The Director of Broker Relations serves as the primary relationship manager between EXIM and the broker network.</p> <ul style="list-style-type: none"> <li>• <b>Communications and outreach</b> – Ensure that brokers are well informed of EXIM issues and changes.</li> <li>• <b>Onboarding and training</b> – Manage the onboarding of new brokers and the training all brokers.</li> <li>• <b>Increase broker production</b> – Identify ways to aid brokers in the identification and origination of new small business customers</li> <li>• <b>Conduct product development</b> – Work with brokers to identify new products and product changes that would serve our joint customers.</li> </ul>
<b>Director of Lender Relations</b>	The working capital loan guarantee portfolio has fallen precipitously over the last few years. In order to correct for this the OSB will be hiring Director of Lender Relations to serve a similar role to that of Broker relations.
<b>External Training</b>	The OSB conducts training on all of its new products for all new lenders, brokers, and REPP participants to ensure they have a minimum level of familiarity with EXIMs small business products.
<b>Contact Center</b>	The Office of Small Business Contact Center seeks to improve the ease of doing business for customers by providing information, support and access to resources in a timely manner.

## Sub-Saharan Africa Congressional Mandate

### Background

In 1997, Congress mandated that EXIM “promote the expansion of EXIM’s financial commitments in sub-Saharan Africa”, and, as one means of doing so, that it establish a Sub-Saharan Africa Advisory Committee (SAAC). The role of the SAAC is to advise EXIM on the development and implementation of policies and programs designed to support EXIM’s engagement in Sub-Saharan Africa, so as to boost American exports to the region and growing U.S. jobs.

The SAAC’s members are drawn from the private and public sectors, and from academia, and typically serve for one year; however, members of the SAAC may serve on the Committee for more than one year.

The SAAC membership is approved by EXIM’s Board of Directors. The last SAAC membership was voted on by the Board in 2014. Once EXIM has a Board quorum, a new slate of SAAC members will be presented to the Board for approval.

## EXIM Support for Exports to SSA

All of EXIM's programs – insurance, loan guarantees, and direct loans – are available for U.S. exporters that have sales contracts with SSA companies and governments. Historically, EXIM has authorized transactions across virtually all sectors and of all sizes, including financing water treatment projects; hospitals; roads and bridges; energy projects; rail projects; diverse machinery and equipment; and large aircraft and business jets. Borrowers have been private companies and governments.

EXIM also has several initiatives specifically designed to promote exports to SSA. These include the **Short-term Africa Initiative**, and a number of Memoranda of Understanding (MOUs) with African regional and development banks to facilitate financing of exports to the region. The Short-term African Initiative allows EXIM to underwrite short-term insurance policies in high-risk African markets where insurance coverage for export sales is generally not available from any other source.

## Interagency Cooperation

EXIM participates in a number of government-wide policy initiatives to promote exporting by U.S. businesses to SSA. Currently, these initiatives include **Power Africa**, **Doing Business in Africa**, **Trade Africa**, and the **AGOA Forum** (AGOA is the acronym for the African Growth and Opportunity Act).

- **Power Africa** is spearheaded by U.S. Agency for International Development (USAID) with the purpose of increasing all forms of energy availability on the continent.
- **Doing Business in Africa** (DBIA) is spearheaded by the Commerce Department to educate American companies about how to do business in Africa, to provide direct support to companies interested in expanding into Africa, and to strengthen commercial relations between the United States and African countries.
- **Trade Africa**, also spearheaded by USAID, encourages bilateral trade between Africa and the United States (importing and exporting), which is also the goal of **AGOA**.

# Renewable Energy Exports

## EXIM Mandate

Since 1992, Congress has included a mandate in EXIM's charter to increase EXIM support for environmentally-beneficial exports, including renewable energy. The language of the 2015 Charter related to environmental exports is as follow:

*Sec. 11(b) Use of EXIM programs to encourage certain exports.-*

*In general.- EXIM shall encourage the use of its programs to support the export of goods and services that have beneficial effects on the environment or mitigate potential adverse environmental effects (such as exports of products and services used to aid in the monitoring, abatement, control, or prevention of air, water, and ground contaminants or pollution, or which provide protection in the handling of toxic substances, subject to a final determination by EXIM, and products and services for foreign environmental projects dedicated entirely to the prevention, control, or cleanup of air, water, or ground pollution, including facilities to provide for control or cleanup, and used in the retrofitting of facility equipment for the sole purpose of mitigating, controlling, or preventing adverse environmental effects, subject to a final determination by EXIM).*

*The Board of Directors shall name an officer of EXIM to advise the Board on ways that EXIM's programs can be used to support the export of such goods and services. The officer shall act as liaison between EXIM and other Federal Government agencies.*

**The sections of the 2015 EXIM Charter related to renewable energy are:**

*Sec. 2(b)(1)(C). Consistent with the policy of section 501 of the Nuclear Non-Proliferation Act of 1978 and section 119 of the Foreign Assistance Act of 1961, the Board of Directors shall name an officer of EXIM whose duties shall include advising the President of EXIM on ways of promoting the export of goods and services to be used in the development, production, and distribution of non-nuclear renewable energy resources, disseminating information concerning export opportunities and the availability of Bank support for such activities, and acting as a liaison between EXIM and the Department of Commerce and other appropriate departments and agencies.*

*Sec. 2(b)(1)(K). EXIM shall promote the export of goods and services related to renewable energy sources.*

## History of Initiative

Consistent with the Charter, EXIM established its Environmental Exports Business Development Program in 1994 to expand support for U.S. exports of environmentally beneficial goods and services, and created a Renewable Energy Business Development Initiative in 2009. Although EXIM support is "demand driven", EXIM has long sought to increase the probability that EXIM financing will be demanded by foreign buyers thus boosting the chances that they source from U.S. exporters.

EXIM support is broadly determined by a few key characteristics: reasonable assurance of repayment; U.S. content; global competitiveness of U.S. environmental exporters; and, foreign buyer demand in markets where EXIM is competitive, and needed. EXIM is also governed by the OECD Arrangement which governs export credit agencies in OECD-member countries. The OECD in 2007 agreed to enhanced terms to promote water treatment and renewable energy. Thus, EXIM is able to offer enhanced terms for such projects, including the maximum OECD repayment term of 18-years; support for local costs up to 30% of the U.S. export contract; and, capitalization of interest during project construction.

### Environmental Exports Program: Results from 2001 – 2016

(\$ in millions as reported in EXIM's Annual Reports)

<u>FY</u>	<u>Authorizations</u>	<u>Exports Supported</u>
2016	\$124	\$124
2015	\$256	\$371
2014	\$336	\$550
2013	\$433	\$638
2012	\$615	\$1,180
2011	\$889	\$1,300
2010	\$536	\$1,000
2009	\$363	\$640
2008	\$227	\$434
2007	\$82	\$122
2006	\$131	\$420
2005	\$82	\$200
2004	\$160	\$291
2003	\$249	\$573
2002	\$741	\$790
2001	<u>\$394</u>	<u>\$467</u>
<b>Grand Total</b>	<b>\$5,618</b>	<b>\$9,100</b>

## Current Status

EXIM, of course, operates in the context of the competitiveness of firms in the U.S. environmental technologies and services industry.

According to data from the U.S. International Trade Commission the total exports of renewable energy technology (solar, wind, hydro, geothermal, and biomass) in 2015 was \$797 million of which the two leading sectors were \$533.9 million in wind turbines, towers, and blades, and \$167.3 million in exports of solar cells and modules. Compared to 2014, U.S. renewables exports fell substantially. Renewable energy technology exports totaled \$1.4 billion in 2014, of which the two leading sectors were \$1.04 billion in wind turbines, towers, and blades, and \$204 million in solar exports. This decrease was primarily driven by a reduction in purchases of wind turbines and blades by Canada. Canada bought 43% of U.S. renewable energy exports in 2014 vs. 33% in 2015, while Japan, Germany, and EU purchased 13%.

## Initiative Outlook

While EXIM should continue to focus on select solar and wind opportunities in the Americas, and Africa, given the current small number of globally competitive U.S. renewable energy technology exporters, and the decreasing demand for EXIM financing, an expanded sector focus is needed for EXIM to meet its Charter mandate for environmental exports overall.

## Next Steps

**Based on a review of the existing sectors in terms of exports, and competitiveness as measured by trade surpluses, EXIM is evaluating the following sectors as potential strong priority candidates that may shift its business development strategy.** The goal is to expand EXIM’s support to promising sectors as a way to grow EXIM’s support for environmental exports overall beyond the traditional utility-scale solar and wind projects.

Energy Storage and Electric Vehicles: Increasing technological advancement, and increasing global demand, especially in markets with large renewables will create substantial opportunities for U.S. exporters. Leading U.S. firms in the sector include Tesla Energy, Alevo, ViZn Energy, Bloom Energy, Primus Power, and Proterra buses.

Smart Grid, and Energy Management: Increasing demand globally, and proven technology widely used in the U.S. and EU that is now moving to emerging markets. Leading U.S. firms in this sector include Innovari, Luminant, NES, and Spring Networks.

Water Treatment Technology: Increasing demand globally driven by growing urbanization, with the U.S. having proven technology competitive for industrial users, and for “distributed” water supply. Leading U.S. firms: GE Water, Xylem, Gradient, and Aquatech.

Environmental Consulting & Engineering: Increasing demand globally, and well-established U.S. companies in the space including Tetra Tech; AECOM; Black & Veatch; CH2M; and Parsons.

Based on feedback from firms in these sectors, new financing approaches should be used by EXIM to meet market demand and enable U.S. exporters to expand export sales to increase U.S. jobs.

## VIII. Portfolio

### Financing Overview

During FY 2015 and FY 2016, EXIM's authority to approve transactions lapsed from July 1, 2015 through December 4, 2015. In addition, since July 20, 2015, the Board of Directors of EXIM has lacked a quorum for the transaction of business and, as a result, EXIM is unable to approve medium and long term transactions over \$10.0 million.

In the fiscal year ended September 30, 2016 (FY 2016), EXIM authorized \$5,037.1 million of loan guarantees, insurance and direct loans in support of an estimated \$8,039.4 million of U.S. export sales and of an estimated 52,000 U.S. jobs. Small business authorizations in FY 2016 totaled \$2,677.4 million, representing 53.2 percent of total authorizations. In FY 2016, 2,635 transactions were authorized for the direct benefit of small business exporters, or 90.0 percent of total transactions.

EXIM currently has exposure in 163 countries throughout the world. Total portfolio exposure decreased by 15 percent to \$87,262.4 million at September 30, 2016, compared to \$102,210.7 million at September 30, 2015 due to repayments on outstanding transactions exceeding new authorizations.

From a portfolio perspective, guarantees made up the largest portion (63.5% and 64.5%) of EXIM's exposure at September 30, 2016, and September 30, 2015, respectively. The table below summarizes total EXIM exposure by program and shows each program as a percentage of the total exposure at the end of the respective fiscal year.

Exposure by Program				
	FY 2016		FY 2015	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Guarantees	55,398.8	63.5%	65,880.2	64.5%
Loans	25,607.1	29.3%	28,762.6	28.1%
Insurance	5,055.2	5.8%	6,345.6	6.2%
Receivables from Subrogated Claims	1,201.3	1.4%	1,222.3	1.2%
Total Exposure	\$87,262.4	100.0%	\$102,210.7	100.0%

The next table summarizes total EXIM exposure by region. The "Other" region includes undisbursed balances of short-term multi buyer insurance that is not allocated by region until the shipment has taken place.

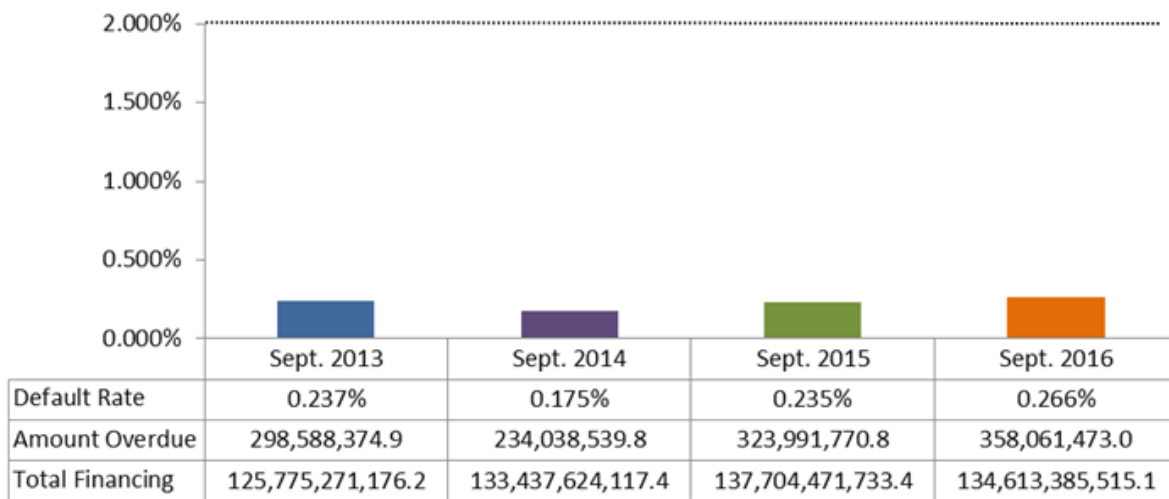
Exposure by Region				
	FY 2016		FY 2015	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Asia	22,130.1	25.4%	26,130.3	25.7%
Latin America + Caribbean	15,902.9	18.2%	18,853.6	18.4%
Europe	15,680.3	18.0%	18,613.4	18.2%
Middle East + North Africa	12,432.3	14.2%	13,743.4	13.4%
Oceania	7,186.0	8.2%	7,514.4	7.4%
North America	5,312.1	6.1%	7,202.7	7.0%
Sub-Saharan Africa	4,881.7	5.6%	5,740.4	5.6%
Other	3,737.0	4.3%	4,412.5	4.3%
Total Exposure	\$87,262.4	100.0%	\$102,210.7	100.0%

The last table in this section shows exposure by the major industrial sectors in EXIM's portfolio.

Exposure by Industry				
	FY 2016		FY 2015	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Air Transportation	42,062.2	48.2%	\$49,031.0	48.0%
Oil and Gas	14,331.2	16.4%	16,323.9	16.0%
Manufacturing	14,042.1	16.1%	15,965.7	15.6%
Power Projects	4,780.2	5.5%	5,800.7	5.7%
All Other	12,046.7	13.8%	15,089.4	14.8%
Total Exposure	\$87,262.4	100.0%	\$102,210.7	100.0%

## Default Overview

The default rate of EXIM through September 30, 2016, is 0.266% as shown in chart below, which is very similar to past default rates since FY 2013. This rate reflects a “total amount of required payments that are overdue” (claims paid on guarantees and insurance transactions plus loans past due) equal to \$358.1 million divided by a “total amount of financing involved” (disbursements) equal to \$134.6 billion. This financing amount is different from EXIM’s current exposure because it includes repayments and excludes authorized amounts that have yet to disburse.



The Export-Import Bank Reform and Reauthorization Act of 2015 amended Section 6 of the Charter to, among other things, add a new section 6(a)(3) entitled: “Freezing of lending cap if default rate is 2% or more” and providing that if the rate calculated under Section 8(g)(1) is 2% or more for a quarter, EXIM may not exceed the amount of loans, guarantees, and insurance outstanding on the last day of that quarter until the rate calculated under Section 8(g)(1) is less than 2 percent. EXIM is currently under the 2% threshold.

## Jobs Support

**EXIM’s mission is to support U.S. jobs by facilitating the export of U.S. goods and services.** In FY 2016, EXIM authorized \$5,037.1 million in loans, guarantees, and insurance that supported 52,000 U.S. jobs and an estimated \$8,039.4 million in U.S. export sales. EXIM supports U.S. jobs by facilitating the export of U.S. goods and services, by providing competitive export financing, and ensuring a level playing field for U.S. goods and services in the global marketplace.

**EXIM’s programs offer effective financing support, enabling exporters to win export sales where such support is necessary to match officially supported foreign competition and to fill financing gaps due to the lack of available commercial financing.** Exports and the jobs they support are a critical component of the U.S. economy, with exports representing about 12.6 percent of the U.S. gross domestic product as of the first quarter of FY 2016.

Jobs Supported							
FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
179,800	227,000	288,000	255,000	205,000	164,000	109,000	52,000

**EXIM's jobs estimate methodology, reviewed by the Government Accountability Office (GAO) in 2013.** GAO validated the EXIM's jobs calculation methodology and recognized the advantages of EXIM's current jobs calculation methodology. EXIM's methodology is consistent with those commonly used in economic analysis. The GAO report also recognized that EXIM's current job methodology is appropriate, accurate, and cost effective. The report did not recommend changes to the underlying methodology.

**The methodology follows the jobs calculation methodology established in 2009 designated by the Trade Promotion Coordinating Committee (TPCC).** The methodology uses employment data computed by the Bureau of Labor Statistics (BLS) to calculate the number of jobs associated with EXIM-supported exports of goods and services. The estimated results are a "jobs count", not an FTE or employed persons count. Thus, estimates include part-time employees, FTEs, self-employed, unpaid interns, volunteers, paid and unpaid family labor, etc. Also, a single person may hold multiple "jobs". This imprecision is due to the nature of the jobs data inputs which BLS currently collects.

## IX. Budget Overview

### Guide for EXIM Budget

EXIM receives annual appropriations for administrative expenses, program budget (subsidy) expenses and carryover expenses. Administrative expenses are the costs to administer and service EXIM's entire credit portfolio. The program budget (subsidy) expenses are obligations to cover the estimated subsidy costs at the time loans, guarantees, and insurance are committed in cases where fees are insufficient to cover prudent reserve requirements. Carryover is a capital reserve in case of a disruption in offsetting collections due to external factors, resulting in disbursement delays.

EXIM operates on a self-sustaining basis using revenue to pay for all expenses. Congress appropriates expenses to EXIM which are offset by receipts so that the net appropriation is \$0. Offsetting collections are revenues in excess of reserve requirements. The short- and medium- term transactions do not generate offsetting collections. These programs are breakeven where the revenues equal the reserve requirements. The long-term transactions generate EXIM's offsetting collections with revenues exceeding reserve requirements. Offsetting collections are earned on the disbursement of the authorization.

Topic	Overview
Self-Sustaining	<p>Starting in FY 2008, EXIM has operated on a self-sustaining basis using program revenue to cover administrative expenses, program budget (subsidy) expenses and carryover expenses.</p> <ul style="list-style-type: none"> <li>• <b>Self-Sustaining process</b> <ul style="list-style-type: none"> <li>○ <b>EXIM collects fees:</b> EXIM collects exposure fees and interest income from EXIM's credit program customers.</li> <li>○ <b>Fees cover reserves:</b> From these fees, EXIM first sets aside funds to maintain prudent loan loss reserves.</li> <li>○ <b>Remaining fees cover expenses:</b> The remaining fees are reclassified as offsetting collections and used to pay all of the administrative expenses as well as carryover, not to exceed the appropriated level. Additional fees in excess of all appropriated expenses are sent to Treasury to offset the deficit.</li> </ul> </li> <li>• <b>Self-Sustaining at risk:</b> Long-term transactions generate the majority of the offsetting collections. The lack of Board quorum jeopardizes EXIM's ability to be self-sustaining.</li> </ul>
Agency Discretionary Spending	<p>EXIM has reduced overall expenses by 27% since FY 2008.</p> <ul style="list-style-type: none"> <li>• <b>No program budget:</b> The primary driver of this decrease is EXIM reducing program budget (subsidy) to \$0 for three consecutive fiscal years.</li> <li>• <b>Personnel compensation:</b> Compensation and benefits represent about seventy percent of EXIM's administrative expenses.</li> </ul>
Offset Other Agency Spending	<p>Excess offsetting collections are used as an offset in the Federal Budget.</p> <ul style="list-style-type: none"> <li>• EXIM's offsetting collections reduces the level of appropriations necessary to fund other federal agencies in the State and Foreign Operations bill.</li> </ul>

- A fully operational EXIM will generate excess offsetting collections that offset other agency appropriations, reducing the amount that Congress needs to appropriate by the level of these excess offsetting collections.

## Major Budgetary Constraints

- **Offsetting Collection Balances:** As of September 2016, EXIM has \$206 million in undisbursed negative subsidy (profit). EXIM expects to disburse sufficient negative subsidy to fully cover expected FY 2017 expenses. In order to remain self-sustaining, EXIM will need to begin approving new long-term transactions.
- **Operational Risk:** EXIM is affected by government shutdown if Congress fails to pass a funding bill by April 28, 2017.
- **Subsidy Risk:** All transactions are fully funded, including prudent reserve, by the fees charged to the customers.

## Budget History: 2009-2017

Since FY 2008, EXIM has reduced overall expenses by 27%. As shown in the graph below, EXIM's total appropriated new budget authority for administrative expenses and program budget has decreased from \$146 million in FY 2008 to \$106.25 in FY 2016. The primary driver of this decrease is EXIM reducing program budget (subsidy) to \$0 for three consecutive fiscal years.

**The FY2017 President's Budget requested \$110.0 million for administrative expenses in FY2017 for EXIM.** In addition, this fiscal year is the fourth consecutive year in which EXIM requested \$0 for the subsidy cost of credit programs.

## Fund Sources: Self-Sustaining

**Starting in FY 2008, EXIM has operated on a self-sustaining basis using Program revenue to administrative expenses, program budget (subsidy) expenses and carryover expenses.** This authority derives from EXIM's annual appropriation language. The language states:

*Receipts collected pursuant to the Export-Import Bank Act of 1945, as amended, and the Federal Credit Reform Act of 1990, as amended, in an amount not to exceed the amount appropriated herein, shall be credited as offsetting collections to this account: Provided, That the sums herein appropriated from the General Fund shall be reduced on a dollar-for-dollar basis by such offsetting collections so as to result in a final fiscal year appropriation from the General Fund estimated at \$0.*

**As a result of its self-sustaining status, EXIM does not rely on taxpayer resources to sustain operations.**

**EXIM collects exposure fees and interest income from EXIM's credit program customers.** From these fees, EXIM first sets aside funds to maintain prudent loan loss reserves. EXIM incorporates a quantitative and qualitative framework to calculate loss reserves. On a yearly basis, these reserve requirements are audited by EXIM's external auditors, Deloitte and Touche, and the Office of the Inspector General (OIG). EXIM's external auditors and the OIG have determined that the FY 2016 reserves are reasonable and appropriate. In FY 2017, EXIM will begin to increase reserves consistent with the FY 2015 Charter requirement mandating a minimum of 5% in reserves. The effective date of this requirement is December 2016 (one year after the date of enactment of the Charter).

**After setting aside prudent reserve requirements, the remaining fees are reclassified as offsetting collections.** EXIM uses these offsetting collections to cover operations. During FY 2016, EXIM collected \$400.8 million of receipts in excess of estimated credit losses. Out of these offsetting collections, \$106.9 million was used to fund administrative expenses and \$10.0 million will be retained and is available for obligation until September 30, 2019. During FY 2015, EXIM collected \$548.7 million of receipts in excess of estimated credit losses. Out of these offsetting collections, \$107.1 million was used to fund administrative expenses and \$10.0 million was retained and is available for obligation until September 30, 2018.

**Excess offsetting collections are used as an offset to the Federal Budget, reducing the level of appropriations necessary to fund other federal agencies in the State and Foreign Operations bill.** A fully operational EXIM will generate excess offsetting collections that offset other agency appropriations, reducing the amount that Congress needs to appropriate by the level of these excess offsetting collections.

Revenue (in millions)		
	FY 2016 Actuals	FY 2015 Actuals
Offsetting Collections	(116.9)	(117.1)
Offsetting Receipts	(283.9)	(431.6)
Total Revenue	(400.8)	(548.7)

After paying for operating expense, the remaining fees are reclassified as negative subsidy. EXIM is required to send this negative subsidy to the U.S. Treasury at the end of each fiscal year. During FY 2016 and FY 2015, \$283.9 million and \$431.6 million, respectively, were sent to the U.S. Treasury.

As a result of its self-sustaining status, EXIM does not rely on taxpayer resources to sustain operations. Congress continues its oversight of EXIM's budget, setting annual limits on its use of funds for program subsidy and administrative expense obligations. EXIM is able to be self-sustaining as the fees EXIM charges more than exceed the expenses of the programs. After paying all of its operating and program costs, EXIM contributed a total of \$8.4 billion to the U.S. Treasury since 1992.

## Expenditures

Historically, EXIM's expenses have consisted of two major line items: administrative expenses and program budget (subsidy) expenses. All of EXIM's administrative expenses are attributed to the support of EXIM's loan, guarantee and insurance programs. Administrative expenses are not allocated to individual programs. There are three major line items under the administrative expenses budget.

- Personnel compensation and benefits
- Fixed cost such as rent, security contract and library expenses
- Discretionary costs such as Information and Technology operation and maintenance expenses, audit/risk management expenses, copy center contract, and consultant expenses

Compensation and benefits represent about seventy percent of the administrative expense. As mentioned above, EXIM has certain fixed costs within the administrative expense line, such as rent and security contracts, meaning the primary area for budget cuts would be from compensation and benefits (personnel).

EXIM Administrative Expenses (in millions)	
Category	FY 2017 President's Budget
Compensation and Benefits	74.1
IT (Operations and Maintenance)	15.4
Rent	8.4
Travel	2.0
Other Service	10.1
<b>Total EXIM Expenses</b>	<b>110.0</b>
Office of Inspector General	5.8

The program budget (subsidy) expenses are obligations to cover the estimated subsidy costs at the time loans, guarantees, and insurance are committed in cases where fees are insufficient to cover prudent reserve requirements. Currently, all programs generate enough funds through fees and interest to cover the reserve requirement. Since FY2009, EXIM has made a priority of reducing its program budget to zero, successfully achieving its goal by reducing it to zero in FY 2014, FY 2015, and FY2016. From FY 2014 to FY 2016, EXIM has sent \$1.4 billion in negative subsidy (savings to taxpayers) to the Treasury.

## Budget Scoring

In FY 2017, EXIM estimates that it will collect \$299.3 million in fees in excess of expected losses. During the previous eight fiscal years (FY 2009 – FY 2016), EXIM has sent in negative subsidy to the U.S. Treasury \$3.4 billion. In FY 2017, EXIM would remain a self-sustaining agency, at no cost to the U.S. taxpayer while sending an estimated \$179.3 million in negative subsidy to the Treasury. Below is a summary of EXIM's financial activities from FY 2013 to FY 2016, as well as the projections for FY 2017.

EXIM Bank Scoring Table					
	FY 2017 President's Budget	FY 2016 Actuals	FY 2015 Actuals	FY 2014 Actuals	FY 2013 Actuals
Revenue					
Offsetting Collections	(\$120.0)	(\$116.9)	(\$117.1)	(\$125.5)	(\$197.9)
Offsetting Receipts [1]	(\$439.1)	(\$283.9)	(\$431.6)	(\$674.7)	(\$1,056.9)
<b>Total Revenue</b>	<b>(\$559.1)</b>	<b>(\$400.8)</b>	<b>(\$548.7)</b>	<b>(\$800.2)</b>	<b>(\$1,254.8)</b>
Expenses					
Administrative Expense	\$110.0	\$106.9	\$107.1	\$105.0	\$89.9
Subsidy Expense	-0-	-0-	-0-	-0-	\$58.0
Renovation Expense	-0-	-0-	-0-	\$10.5	-0-
Carryover [2]	\$10.0	\$10.0	\$10.0	\$10.0	\$50.0
<b>Total Expenses</b>	<b>\$120.0</b>	<b>\$116.9</b>	<b>\$117.1</b>	<b>\$125.5</b>	<b>\$197.9</b>
Negative Subsidy	(\$439.1)	(\$283.9)	(\$431.6)	(\$685.2)	(\$1,056.9)
Inspector General	\$5.8	\$6.0	\$5.8	\$5.1	\$4.0
<b>Net Appropriation</b>	<b>(\$433.4)</b>	<b>(\$277.9)</b>	<b>(\$425.9)</b>	<b>(\$680.1)</b>	<b>(\$1,052.9)</b>

[1] Offsetting Receipts represent EXIM Bank's earned profit after expenses and is sent to Treasury for deficit reduction.

[2] Carryover is designed as a capital reserve in case of a disruption in offsetting collections due to external factors, resulting in disbursement delays.

## Budget Process

The federal budget process incorporates the requests of each agency, the policy goals of the President, and the desires of Congress. The Budget process begins sixteen months prior to the fiscal year. For example, in June 2016 EXIM started the budget process for the FY 2018 Budget. EXIM normally requests appropriations to cover administrative expenses and subsidy/carryover expenses. Administrative expenses are available for one year while subsidy/carryover expenses are available for four years. EXIM is self-sustaining, where the fees earned by EXIM pay for both administrative expenses as well as subsidy/carryover expenses. The net appropriation for EXIM is \$0.

## Budget Formulation: June to September

The annual budget formulation process begins sixteen months before the beginning of the fiscal year. EXIM kicks off with budget formulation by asking each division to estimate its needs for the fiscal year. Each office considers their request from an enterprise-wide perspective and aligns their needs with EXIM's strategic goals. EXIM's Strategic Plan and Chairman's priorities guide efforts at all levels of the organization and are used as a foundation for internal strategic and operational discussions including the development of the budget request. Divisions plan resource levels – such as FTEs and travel expenses – with expected authorizations levels. Using data from each division, feedback from the Chairman's office, and guidance from OMB, EXIM finalizes a budget request for the agency. The request includes administrative expenses, authorization levels, subsidy expenses (EXIM has not requested a subsidy appropriation in five years (FY 2014-FY 2018)), and offsetting collections. In the second week of September, the agency transmits its

request to OMB. Around Thanksgiving, OMB “passes back” an EXIM budget for the President’s Budget. EXIM may negotiate any parts of this passback with which the agency disagrees. OMB guidance may include Presidential initiatives on management agenda items such as IT and real property. Once the passback is final, EXIM inputs budget information into the President’s Budget and creates documents which describe the budget request such as Congressional Budget Justifications (CBJ). The White House then submits the President’s Budget to Congress generally on the first Monday in February. Agencies submit budget-related documents shortly thereafter.

**By the end of September, Congress funds the government by specific program in 12 appropriation bills.** EXIM is included in the State and Foreign Operations bill. If Congress has not passed appropriation bills by the end of the fiscal year, Congress may pass a “Continuing Resolution” (CR) in order to avoid a shutdown. The CR usually keeps funding level with the previous appropriation bill (e.g. at the beginning of FY2018 an agency would receive funding at the FY2017 level).

## Budget Execution: October to September

**During the budget execution phase, EXIM obligates and spends the funds Congress has appropriated for the agency, but are derived from the fees and interest EXIM charges its customers.** At the beginning of the new fiscal year, the OCFO creates a budget for each division for the year. On a monthly basis, OCFO provides budget reports to EXIM’s divisions to ensure that each division spends within its allocation.

# X. Risk Mandate and Regulations

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## Chief Risk Officer

**While the CRO oversees all issues relating to risk within EXIM, it is important to note that responsibility is exercised in the context of the “three lines of defense” model.** Risk management leading practice as per guidance from the Committee of Sponsoring Organizations for the Treadway Commission (COSO) and including recent federal guidance allocate risk management activities to three separate areas or lines of defense. This promotes risk ownership, awareness and an effective risk culture throughout an organization. In the three lines of defense model, the first line of defense is the line of business managers.

**At EXIM the senior managers are the first line of defense.** Essentially each senior manager is responsible for identifying, measuring, monitoring, controlling and reporting risk related to their programs and responsibilities.

**The second line of defense is where the CRO resides supported by risk and compliance management teams.** The CRO is responsible for building an effective enterprise risk management framework. This would include taking the lead in determining EXIM’s risk profile, risk appetite statement, risk taxonomy, risk assessment methodologies, policies, and practices, etc.

**The third line of defense is comprised of the Office of the Inspector General, the external auditor, and the Government Accountability Office.** They perform an independent assessment of design and operating effectiveness of EXIM’s risk management activities and controls.

## Role of the Office of Risk Management

**The Office of Risk Management / Office of the Chief Risk Officer (OCRO) is comprised of four divisions:**

- 1) Credit Policy
- 2) Credit Review and Compliance
- 3) Country Risk and Economic Analysis
- 4) Engineering and Environment

**Credit Policy:** Credit Policy (CP) is responsible for ensuring there is adequate governance regarding credit policies, guidelines and procedures. They oversee EXIM’s credit manual and ensure that it is revised and/or updated as required. CP also performs compliance reviews of credit transactions to determine if they were underwritten in conformance with the credit manual.

**Credit Review and Compliance :** Credit Review and Compliance (CRC) is primarily responsible for ensuring transactions approved under individual authority are in compliance with authorities granted by the Board of Directors. CRC is also responsible for policy compliance reviews regarding EXIM's domestic content, local cost, and economic impact.

**Country Risk and Economic Analysis:** Country Risk and Economic Analysis (CREA) performs the country risk analysis not just for EXIM, but for the entire USG. Its analysis and recommendations are presented to the Interagency Country Risk Assessment System (ICRAS). ICRAS is headed by the Office of Management and Budget and includes as members State, Treasury, Commerce, OPIC, USDA, etc. The ratings implemented establish the basis for determining expected loss associated with cross-border credit commitments. CREA also represents EXIM at the OECD's Country Risk Experts meeting which determines the risk-based fee levels used to price medium/long-term export credit business of EXIM's and other OECD member countries.

**Engineering and Environment:** Engineering and Environment (E&E) primarily performs the technical and environmental impact analysis primarily for the larger exposure transactions (greater than \$10 million financed amount). E&E also is responsible for monitoring the technical performance and environmental aspects of authorized transactions/projects as well as compliance with any associated conditions.

## Transaction Approval Criteria

- 1) **Reasonable Assurance of Repayment:** EXIM Charter requires finding of a "reasonable assurance of repayment" on transactions approved.
- 2) **Supplement Private Sector:** Supplement but not compete with private capital which requires EXIM to have a more robust risk appetite.

## Other Risk-Related Provisions

- **2% Default Rate Provision:**
  - Freezing of exposure to the amount outstanding if defaults equal 2% or higher in any reporting quarter to Congress.
  - While defaults are 2% or greater monthly reports to Congress are required indicating remediation action taken.
  - Should defaults remain above 2% for 6 months, Secretary of Treasury should provide for independent third party review of the safety and financial soundness of programs, reserves, funds, and capital adequacy.
  - Submit to Treasury within 60 days after the 6 month period a report of findings and recommendations to restore EXIM programs to safe and sound condition.
- **Exposure Cap:** Aggregate exposure cap of \$135 billion for each FY 2015 to 2019 provided EXIM's default rate remains below 2%.
- **Reserve Requirement:** Requirement to build to and hold in reserve an amount not less than 5% of the aggregate amount of disbursed and outstanding loans, guarantees and insurance.

- **Risk Management Committee:** Establishment of a “Management Risk Committee” comprised of the Board of Directors, whose duties, in conjunction with the CFO, are to conduct periodic stress testing of the entire portfolio and review of the quarterly default report prior to its submission to Congress.
- **Chief Risk Officer:** Establish the position of the Chief Risk Officer, inter alia, responsible for managing and mitigating all risk to which EXIM is exposed.
- **Office of Ethics:** Establish an Office of Ethics overseeing all ethics issues within EXIM.
- **Risk Sharing:** Authorize a pilot program to share risks under EXIM’s credit programs. The maximum exposure per contract is \$1 billion and the aggregate amount of risk sharing may not exceed \$10 billion in any financial year.

## Governance and Credit Risk

EXIM’s Reauthorization Act of 2015 establishes key requirements regarding risk-related governance as expressed in previously in the “EXIM Risk Mandate and Regulations” section of this paper.

### Enterprise Risk Committee

The Enterprise Risk Committee (ERC) is the forum where all matters of risk are discussed. Chaired by the CRO, all senior members of EXIM’s management team are members. The ERC is the forum where decisions are made with regard to material changes to credit policies, guidelines and procedures, such as changes in EXIM’s Country Limitation Schedule (CLS), which is the key document that expresses EXIM’s credit risk appetite.

All credit transactions are underwritten in compliance with EXIM’s Loan, Guarantee and Insurance Manual (credit manual), which is overseen by the Credit Policy Division. Credit Policy also performs periodic compliance reviews of authorized transactions.

### Board Approval

Medium and long-term credit transactions exceeding \$10 million in financed amount must be approved by EXIM’s Board of Directors. Board transactions must first be considered by the Transaction Review Committee (TRC), which is chaired by the Chief Banking Officer and whose members include the General Counsel, the CFO, and the SVP of the Office of Risk Management.

Short-term credit transactions (up to one year repayment) and medium-term transactions (7 year term/up to \$10 million financed amount) are largely handled under individual credit authorities as approved by the Board of Directors (2010 Individual Delegated Authority Resolution).

# Enterprise Risk Management

**Recent Office of Management and Budget (OMB) guidance in Circular A-123 calls for the integration of Enterprise Risk Management (ERM) into existing Government management practices.** An ERM framework facilitates risk awareness and transparency, improves risk management strategies, and allows alignment of risks to risk appetite. Each agency should determine what tools and techniques work best in its unique context as ERM is an iterative process. A key element of EXIM's current ERM framework is the Enterprise Risk Committee (ERC) whose membership is comprised of the senior management team and is chaired by the Chief Risk Officer (CRO). The purpose of the ERC is to review, evaluate, coordinate, and make recommendations to the President of EXIM and senior management on issues related to enterprise risk.

**Key ERM-related actions of the ERC include approval and implementation of the following:**

- 1) Risk Appetite Statement
- 2) Risk Nomenclature or taxonomy, primary task owners, and risk registers
- 3) Model governance policy that pertains to all models within EXIM, i.e. credit risk and credit loss factors
- 4) 'Soft' portfolio limits dashboard to assist in identifying portfolio concentration and managing portfolio

**While still in an evolving state, based on benchmarking results conducted by the Chief Risk Officer and in an Office of Inspector General survey that was independently administered by Ernst and Young, EXIM may be a bit more advanced than many within the USG in its implementation of an ERM framework.**

**The CRO is conducting due diligence to determine how best to organize his office in addition to how best to continue our implementation of ERM.** The OIG's November report evaluating EXIM's risk management procedures and the CRO's responsibilities contains recommendations helpful towards building out EXIM's ERM framework.

**It's important to note that implementation of ERM will be an iterative process pursuant to which we will determine what works best for EXIM.** It will take some time to determine the right fit for EXIM.

# XI. Office of the Inspector General

## Overview

The Office of Inspector General is an independent entity in EXIM whose mission is to detect and deter waste, fraud, abuse, and misconduct in EXIM programs and personnel, and to promote economy and efficiency in those programs. The OIG was created by statute in 2002 and the first Inspector General was nominated and confirmed in 2007.

The Office of Inspector General has approximately 30 employees to conduct audits, inspections and evaluations, and investigations at EXIM. OIG conducts statutorily-required annual audits of EXIM financial statements, cybersecurity, and improper payments, as well as risk-based audits of EXIM programs. OIG also includes an inspections and evaluations component, which conducts in-depth reviews of selected major transactions, as well as policy evaluations. The OIG investigations division is a federal law enforcement agency comprised of special agents and investigative analysts who work with the Department of Justice to prosecute fraud committed against EXIM, as well as investigate allegations of employee misconduct.

## Recent Reports

The Inspector General is required by statute to issue a semiannual report to Congress summarizing its major audit and inspection reports and investigative activity.

The fall report also includes the OIG’s assessment of the major management challenges facing the agency:

Challenge	Description
Managing Lapses in Exim’s Authorization and Board Quorum	Due to legislative delays and uncertainty, in the past 18 months, EXIM has operated as three very different institutions: a full export credit agency financing long-term, large dollar transactions and small business deals and managing a large credit portfolio; an asset management firm that monitors and services existing commitments and winds down the credit portfolio; and an agency that manages its existing portfolio and originates only short-term and small dollar transactions. These different iterations require different strategies and resources, and lurching between them is wasteful and inefficient. The new Administration should promptly decide which of these three versions of EXIM should exist, or find another alternative such as merging or transferring EXIM commitments to another entity, and align its strategy and resources accordingly.
Implementing the 2015	The legislation passed by Congress requires reforms to EXIM governance. In particular, the legislation envisions a more robust risk management role for the Board of Directors,

<b>Reauthorization Bill</b>	and gives the Board an oversight role over the Chief Risk Officer and Chief Ethics Officer. These reforms have not been fully implemented due to vacancies on the Board.
<b>Succession Planning and Presidential Transition</b>	Key vacancies that should be filled forthwith include the Chair, Vice Chair, and Member of the Board of Directors, and the Inspector General. Experienced career staff can manage the agency on an interim basis but cannot make the strategic decision about future direction described above.
<b>Administrative Functions</b>	Recent OIG reports have identified persistent weaknesses in the human resources and contracting support functions.

### Audit and Inspection Reports

The **Office of Audits (OA)** completed two audits, one evaluation, one non-audit service data call, and one risk assessment:

#### *Independent Auditor’s Report on Export-Import Bank’s Compliance with the Improper Payments Laws for Fiscal Year 2015 Reporting*

(OIG-AR-16-06, May 13, 2016)

Under a contract overseen by the Office of Audits, CliftonLarsonAllen, LLP (CLA) performed an audit to determine if EXIM was in compliance with the reporting requirements of the improper payments laws for FY 2015 reporting. In addition, the audit assessed the accuracy and completeness of EXIM’s improper payment reporting, EXIM’s implementation of prior year recommendations, and EXIM’s effort to reduce and recover improper payments. The audit determined EXIM fully complied with all six reporting requirements of the improper payments laws and was not required to prepare or report statistical estimates of improper payments for each program. The audit found the process developed by EXIM for assessing improper payments risk in FY 2015 marked significant improvement over FY 2014 and EXIM implemented two of the three recommendations issued during the prior year improper payments audit. Nevertheless, the audit found that EXIM’s Annual Report should include more detailed reporting on improper payments related to recapture audits, risk assessment elements, the Do Not Pay initiative, and EXIM’s reporting time period. The audit also found that EXIM should strengthen policies and procedures related to improper payments and the related supporting documentation. The report included four recommendations for corrective actions and management concurred with the recommendations.

#### *Audit of Export-Import Bank’s Examinations of Delegated Authority Lenders Participating in the Working Capital Guarantee Program*

(OIG-AR-16-07, September 28, 2016)

Approximately 80 percent of EXIM’s working capital guarantees are committed under delegated authority. EXIM’s Business Credit Division conducts periodic examinations of delegated authority lenders to review lender compliance with the Working Capital Guarantee Program (WCGP). We conducted this audit to determine whether EXIM’s oversight of delegated authority lenders was effective to ensure lenders were complying with program guidance. We found that EXIM’s examinations of delegated authority lenders were not fully effective to ensure lenders complied with program guidance. We found the examinations were performed timely and lenders were properly notified of findings identified during the examinations. We also found the examinations ensured lenders properly obtained and documented waiver requests. However, we found actions were needed to improve the effectiveness of EXIM’s oversight of the lenders related to improving the quality and thoroughness of the examinations, ensuring the independence of the examinations, and updating policies. The report included twelve recommendations for corrective actions and management concurred with the recommendations.

***Evaluation of the Export-Import Bank’s Procurement Process for a Vehicle Lease***  
(OIG-EV-16-03, September 29, 2016)

On March 30, 2016, the OIG issued an audit report on EXIM’s contracting processes. One issue identified was that contract files did not contain all required documentation. Specifically, one contract we reviewed did not contain the required justification for a luxury vehicle lease primarily used to transport the Chairman of EXIM. The audit determined that a justification explaining why the vehicle, a 2014 Cadillac XTS, was essential to EXIM’s mission was not completed as required by federal acquisition regulations. We reported that we would further evaluate this procurement and would issue a supplemental report as warranted.

As a result, we conducted an evaluation to determine if (1) the lease of the Cadillac resulted in additional costs in comparison to other options available to EXIM, (2) the lease of the Cadillac was necessary given EXIM already had another vehicle available for use, (3) there were indications the Cadillac was used for anything other than official business, and (4) EXIM personnel complied with the Federal Acquisition Regulation (FAR). We found the Cadillac appeared to have been used for official business, however; additional costs were incurred in comparison to other available leasing options, leasing two vehicles with low utilization cost EXIM funds that could have been put to better use, and EXIM did not fully comply with the FAR. The report included seven recommendations for corrective actions and management concurred with the recommendations.

***Information Technology Report Required by the Cybersecurity Information Sharing Act of 2015***  
(August 12, 2016)

Section 406 of the Cybersecurity Information Sharing Act of 2015 required the OIG to submit to Congress a report including, among other information, a description of the logical access standards, logical access controls, and data security management practices for the federal computer systems of EXIM. Under a contract overseen by the Office of Audits, Cotton & Company, LLP (Cotton) compiled the requested data as a non-audit service. As part of this service, Cotton was required to review EXIM’s computer systems that were classified as national security systems or that provided access to personally identifiable information. Cotton determined that EXIM does not operate any national security systems, but it does operate 12 systems that provide access to personally identifiable information. The information provided by EXIM was complete and

fully addressed the requirements of section 406 of the Act. The requested data was provided to the appropriate committees in a timely manner.

***Risk Assessment of EXIM’s Purchase Card Program***

(August 30, 2016)

In accordance with the Government Charge Card Abuse Prevention Act of 2012, we conducted a risk assessment to identify and analyze the risks of illegal, improper, or erroneous use of EXIM’s purchase cards in order to determine the scope, frequency and number of periodic audits the OIG will conduct. Our risk assessment determined that EXIM’s risk of illegal, improper, or erroneous use within the purchase card program was low. Overall, we determined that the purchase card expenditures were immaterial in comparison to EXIM’s total FY 2015 administrative expenditures. Additionally, while the Chief Acquisition Officer position, the leadership position for the Purchase Card Program, has been vacant since June 2015; we found the policies, procedures, and internal controls for the Purchase Card Program were generally sufficient. We also noted that EXIM timely submitted its Charge Card Management Plan to OMB by the January 31, 2016 deadline. Accordingly, we do not intend to conduct an audit specifically of the Purchase Card Program. However, we will base future Purchase Card Program audits on the results of our annual risk assessments.

The **Office of Inspections and Evaluations (OIE)** completed two evaluations during the six months ending on September 30, 2016:

***Follow-up Report on EXIM’s Portfolio Risk and Loss Reserve Allocation Policies***

(OIG-EV-16-01, July 28, 2016)

OIE completed a follow-up review to assess EXIM’s actions to address the findings and recommendations made in the prior OIG evaluation report on EXIM’s portfolio risk and loss reserve policies issued in September 2012. The 2012 report identified several areas needing improvement with respect to EXIM’s loss reserve allocation and portfolio risk management policies and proposed seven key recommendations to strengthen EXIM’s risk management framework. The follow-up report found that since the publication of the 2012 report, EXIM has made important progress in strengthening its risk management processes and governance framework, including implementing all 2012 recommendations. OIG recommends that EXIM take additional steps to further align its risk management policies and procedures with industry best practices. The report makes eight new recommendations to support several key initiatives: mitigate portfolio concentration risk through the implementation of soft portfolio limits and risk sharing as provided for in the 2015 Reauthorization Act; complete the independent assessment of EXIM’s financial models and further refine its risk dashboard, ensuring independent oversight of the review process; and further develop internal risk management procedures and the reporting of risk management data to better inform management and key stakeholders. Management agreed to all eight recommendations.

***Report on the Asset Management Division’s BCL Risk Rating Process***

(OIG-EV-16-02, September 23, 2016)

EXIM's Asset Management Division (AMD) conducts regular reviews of credits in EXIM's portfolio to update risk ratings based on current performance and market conditions. An accurate and timely assessment of the portfolio's risk rating is critical to the proper allocation of credit loss reserves and the prompt response to adverse credit developments. We evaluated AMD's risk rating policies and procedures to ascertain the level of credit analysis, methodology employed, and timeliness of the risk rating review process for post-operative transactions and to assess EXIM's adherence to its policies, governmental guidelines and industry best practices.

We found that AMD is generally adhering to its internal risk rating policies and procedures. We concluded that the risk rating reports are completed in a timely manner, address principal risks such as industry and country risks, and contain the required components. We also found that AMD's policies and procedures produce risk ratings that are generally aligned with comparable ratings from credit rating agencies. However, there are some departures from industry practices that should be addressed. We made five recommendations to better align current EXIM policies with industry practices, and EXIM agreed with all five.

The **Office of Investigations (OI)** concluded the following actions:

#### ***Criminal Conspiracy, Fraud, and Money Laundering Sentences***

In May and June 2016, three co-conspirators received lengthy sentences for their roles in a scheme to defraud EXIM and private lenders out of more than \$11 million. The leader of the conspiracy was sentenced to 144 months imprisonment, and the other two conspirators were sentenced to 41 and 44 months imprisonment. The leader was also ordered to pay \$11,503,068 in restitution and \$41,924,418 in forfeiture. To successfully bring this case, OIG special agents and analysts traced the laundering of funds through more than 50 accounts.

In another case, a Brazilian national extradited from the United Arab Emirates was sentenced for his role in a scheme to defraud a Miami-area lender and EXIM.

#### ***Investigated Employee and Program Integrity Matters***

OI investigated employee misconduct cases and referred results to EXIM management for appropriate action, including one substantiated case of misuse of a government-issued Personal Identification Verification (PIV) card and another substantiated case of misuse of a government email account. OIG special agents also worked collaboratively to share investigative intelligence with EXIM to help identify potential and suspected fraudulent activity within EXIM transactions and to protect EXIM funds at risk. During this reporting period, OI made 34 referrals of investigative information to OGC concerning potential fraud and funds at risk for enhanced due diligence by EXIM. OIG agents also conducted training and outreach with various lenders and partners to enhance investigative and financial intelligence sharing.

#### ***Suspension and Debarment Initiative***

OIG undertook an initiative to work with EXIM management to implement a more robust program of suspension and debarment at EXIM, which would serve as a critical tool to prevent waste and fraud and

protect the interests of the United States. This initiative included dialogue between OIG and EXIM management officials to determine potential obstacles to taking suspension and debarment actions, and plans to overcome those obstacles. We identified three recent cases from the OIG involving fraud and noncompliance and referred them to EXIM for determination of whether suspension or debarment is warranted.

## Current Work Plan

**At the end of FY 2016, OIG engaged in a planning process to develop an Audit, Inspection, and Evaluation Plan for FY 2017, which was issued at the beginning of FY 17.** The plan listed each of the existing projects in the Office of Audits and the Office of Inspections and Evaluations that are continuing into FY 2017, and new projects that are planned to be initiated in FY 2017. The list includes all projects that we are mandated to complete by statute, CIGIE, or OMB, as well as discretionary projects. The discretionary projects were developed from a planning process that consulted OIG employees, EXIM leadership, and outside stakeholders such as Congress and GAO. These proposed projects were then ranked based on risk factors including materiality, impact on EXIM mission, visibility and public sensitivity, stakeholder concern, prior audit coverage, loss potential, and probability of significant findings. The projects were then further assessed as to time sensitivity and whether they are suitable for coverage in FY 17 or would be more appropriate for future coverage.

The following table lists projects that were ongoing at the beginning of FY 2017:

Topic	Description	Planned Completion Date
<b>Audit of EXIM's DATA Act of 2013 Readiness</b>	To determine to what extent EXIM has implemented, or plans to implement, processes, systems, and controls to report financial and payment data in accordance with the DATA Act.	Completed
<b>Evaluation of EXIM's Activities in Preparation for and during its Lapse in Authorization Between July 1, 2015 and December 4, 2015</b>	To determine: (1) what steps EXIM took to plan and conduct an orderly liquidation as required by its charter, and (2) if EXIM complied with the terms of its charter and internal guidance when working on transactions and traveling during the lapse.	Completed
<b>Evaluation of EXIM's Portfolio Risk Management Procedures - Implementation of CRO Duties</b>	Statutory mandate. To assess the implementation of the requirements of the 2015 Reauthorization Act related to the Chief Risk Officer.	Completed
<b>Evaluation of Credit Guarantee Facility ("CGF") Program: Policies and Procedures</b>	To ascertain the adequacy of EXIM's transaction due diligence, CRTI assessment, post-closing monitoring, and compliance with the policies related to the CGF program.	2 <sup>nd</sup> Quarter
<b>Audit of EXIM's FY 2016 Financial Statements</b>	Statutory mandate. To opine on the accuracy and completeness of the financial statements.	2 <sup>nd</sup> Quarter
<b>Audit of EXIM's Compliance with the Federal Information</b>	Statutory mandate. To determine if EXIM's information security programs and practices are effective.	2 <sup>nd</sup> Quarter

<b>Security Modernization Act (FISMA) in FY 2016</b>		
<b>Audit of EXIM's Disbursement Processes</b>	To determine if loans and guarantees are disbursed in accordance with EXIM's policies and procedures	3 <sup>rd</sup> Quarter

The following table lists the projects planned to begin in FY 2017:

Topic	Description	Planned Start Date
<b>Peer Review of the GPO OIG Audit Organization's System of Quality Control</b>	CIGIE Mandate. To determine whether the GPO OIG audit organization's system of quality control was suitably designed and whether the organization is complying with its system of quality control in order to provide it with reasonable assurance of conforming with applicable professional standards in all material respects.	1 <sup>st</sup> Quarter
<b>Evaluation of BCL Risk Rating Procedures - Transportation Portfolio</b>	Continuation of review of rating procedures.	2 <sup>nd</sup> Quarter
<b>Audit of EXIM's Compliance with the Reporting Requirements of the Improper Payments Laws</b>	Statutory mandate. To determine if EXIM is in compliance with the reporting requirements of the Improper Payments laws.	2 <sup>nd</sup> Quarter
<b>Purchase Card Risk Assessment</b>	Statutory mandate. To conduct a risk assessment of EXIM's purchase card program to analyze the risks of illegal, improper, or erroneous purchases.	2 <sup>nd</sup> Quarter
<b>Audit of EXIM's Early Defaulted and Restructured Loans</b>	To determine if early defaulted or early restructured loans were originated, monitored, serviced and liquidated in accordance with EXIM's policies and procedures.	2 <sup>nd</sup> Quarter

<b>Audit of EXIM's FY 2017 Financial Statements</b>	Statutory mandate. To opine on the accuracy and completeness of the financial statements.	2 <sup>nd</sup> Quarter
<b>Evaluation of Local Cost Policies</b>	Follow up review of earlier recommendations. Approximately \$6 billion in local cost authorizations.	2 <sup>nd</sup> Quarter
<b>Inspection of a Large Aircraft Transaction</b>	To review compliance with EXIM policies and procedures.	2 <sup>nd</sup> Quarter
<b>Audit of EXIM's Compliance with FISMA for FY 2017</b>	Statutory mandate. To determine if EXIM's information security programs and practices are effective.	3 <sup>rd</sup> Quarter
<b>Audit of EXIM's Compliance with the DATA Act of 2013</b>	Statutory mandate. To meet biennial reporting requirement on the completeness, timeliness, quality, and accuracy of spending data submitted by EXIM.	3 <sup>rd</sup> Quarter

Additional projects have been identified to add to the plan if resources are available.

## Investigative Activity

The OIG Office of Investigations (OI) conducts and coordinates investigations relating to alleged or suspected violations of laws, rules, or regulations occurring in EXIM programs and operations. The subjects of OI investigations can be program participants, contractors, EXIM management, or employees. OI Special Agents investigate suspected violations of Federal law, rules, or regulations which may result in criminal or civil prosecution and/or administrative sanctions. OI's investigations are supported by Investigative and Financial Analysts who conduct tactical and strategic intelligence analysis in support of OI's investigations.

OI evaluates all reports of possible fraud or illegality affecting EXIM programs and activities. Such reports are received from a variety of sources including EXIM employees, EXIM Office of General Counsel, participants in EXIM transactions, other government agencies, and the EXIM OIG Hotline. Evaluations that identify reasonable indications of possible fraud or illegality result in an investigation.

**EXIM's export credit insurance and guarantee programs have been susceptible to fraud schemes by foreign borrowers, U.S. based exporters, and other transaction participants.** One fraudulent scheme to exploit these programs involves the falsification of shipping records to convince EXIM that the described goods have been shipped when in fact they have not. Other fraud schemes involve submitting false financial statements of foreign borrowers in order to induce EXIM to provide its guarantee coverage for a loan for which they might otherwise be ineligible, and by submitting false documentation to the guaranteed lender and EXIM regarding the shipment, nature, or quantity of the U.S. goods allegedly being exported.

**OI conducts investigations involving allegations of criminal activity or serious misconduct by EXIM employees that could threaten its reputation, the quality or validity of executive decisions, the security of personnel or business information entrusted to EXIM, or result in financial loss.**

**Information on current investigations is sensitive and shared with EXIM management on a need-to-know basis when it impacts EXIM operations.**

## Senior OIG Staff

### Michael McCarthy

Michael T. McCarthy is the Deputy Inspector General of EXIM and currently leads the Office of Inspector General (OIG). The Inspector General provides overall direction to the teams of auditors, investigators, and inspectors responsible for improving the programs and operations of EXIM and preventing and detecting fraud, waste, and abuse. Mr. McCarthy is a career public servant who has worked in all three branches of government. Before joining EXIM, he was a senior executive at the U.S. Department of the Treasury and the Administrative Conference of the United States, and previously served at the U.S. Department of Justice. For the U.S. House of Representatives, Mike served as general counsel to the Committee on Oversight and Government Reform and as staff director of that panel's Subcommittee on Government Management. He was law clerk to U.S. District Judge Leonie Brinkema (E.D. Va.). Mr. McCarthy graduated with honors from Harvard Law School and received a B.A. from Georgetown University, where he was a Big East All-Academic swimmer. Mike and his wife, Carrie Wilks, have three daughters.

### Terry Settle

Terry Settle is the Assistant Inspector General for Audits. She is responsible for directing audits of EXIM's programs and operations to promote efficiency and effectiveness and to prevent fraud, waste and abuse. Prior to joining EXIM, Ms. Settle served for 16 years at the Small Business Administration Office of Inspector General (SBAOIG). She began her career as an auditor with the SBA OIG and prior to her departure, was serving as the Director of Credit Programs. In this role, Ms. Settle was responsible for directing audits of SBA's loan and investment programs. Terry holds a B.S. in Accounting from Salisbury University and is a Certified Public Accountant.

**David Sutkus**

David Sutkus is the Assistant Inspector General for Investigations with the OIG. A member of the OIG since 2009, David has investigated complex international trade finance cases with money laundering, EXIM fraud, and ponzi scheme components. Prior to joining the OIG, David served with several federal law enforcement agencies (NCIS, DCIS, Treasury OIG, EPA) in various investigative and leadership positions. David holds an A.A.S. in Criminal Justice and a B.S. in Political Science from the State University of New York, Oneonta.

**Mark S. Thorum**

Mark Thorum serves as Assistant Inspector General for Inspections and Evaluations, OIG. In this capacity, he is responsible for planning, directing, and conducting inspection and policy evaluation functions within the OIG. These functions assess the efficiency and effectiveness of EXIM programs, operations and transactions; and develop recommendations for improving program performance. Mr. Thorum has more than 25 years of experience with structured finance, risk mitigation and capital markets advisory with international financial institutions. Before joining EXIM in 2010, Mr. Thorum held several management positions with the Financial Markets Advisory division of a major international bank. Mr. Thorum holds a Ph.D. from the Virginia Polytechnic Institute and State University - School of Public and International Affairs. He received a M.A. from The Johns Hopkins University – School of Advanced International Studies, and a D.E.A. from the Institut d'études politiques de Paris (Institute of Political Studies) Paris, France.

## XII. Policies

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### Mission-Related Policy at EXIM

When talking about “Policy” in this paper, the focus is on mission-related/accomplishment Policy; not credit policy; not operational policy; not personnel policy; not budget policy. In effect, looking at what is good to get/have in cases approved and what principle, rule, or practical policy constraints exist on the flexibility EXIM has regarding what we offer to get the business.

Perhaps the first piece of context useful is that the existence of a “Policy” shop, and the significant/regular degree of policy discussion at high levels within the institution, is quite rare in the ECA world (none in Europe; Japan’s ECAs have them). In general, ECAs are bank-like entities that underwrite transactions in pursuit of a national goal of increased exports. While each entity has credit standards, the financial parameters are governed by the OECD Arrangement and the specific elements of each deal are left to the loan officers to work out as needed by the deal. No other country has a legislative oversight that yields elements that must accompany a deal (like US-bottom shipping) or non-credit constraints on eligibility (e.g. economic impact).

Hence, while EXIM has many Board-approved/formal/written/codified “policies” that are pretty hard-wired applied to each case; the rest of the world of ECAs has a host of informal “practices” that may vary case to case. Given the constant monitoring of compliance by entities like GAO and IG, Exim has no choice but to codify policies if it hopes to have consistency of application. But, it makes Exim much less flexible than other ECAs.

### Mission-Related Policies

The evolution of Policy at EXIM is (and has been for decades) driven largely by Congressional input, particularly mandates inserted into the every 3-5 year rechartering of the institution (it is a “sunset” agency). A good example of the breadth and diversity of such mandates is contained in the summary of the mandates included in the 2015 reauthorization.

Secondary influences on policy evolution include:

- **Views of stakeholders** – The best example is the Content policy, which regulates how much US-supplied content must be in each case. While there is absolutely no mention of “content” in EXIM’s

charter, a Content policy has existed since the beginning of the institution and is the most rigidly applied.

- **Challenges from external developments** – Here the prime example is the emergence of China as a major source of official export credit that is not a member of the OECD rules. Over the past decade EXIM has had to develop several specific policies that laid out how far we would go in trying to meet Chinese competition.
- **Reviews by GAO/IG** – The steadily increasing frequency of GAO/IG “looking over our shoulders” to see if we are using some sort of “best practices” or adequately complying with earlier codifications of policy has become the second largest source of policy evolution.

**The cumulative effect over the years of these influences is captured neatly in the “Policies” section of the 2015 Congressional Research Service (CRS) paper on EXIM, which can be provided upon request.** It is good list of major mission-related policy issues in force today.

## The Mission-Related Policy Players and Processes

**The detailed Congressional oversight started in the late 1960s, and by the mid-1970s Chairman William Casey had determined that this steady flow of “guidance” necessitated the existence of an in-house Policy shop to collect and respond.** Hence, in January of 1975 the Policy unit was born. Over the years, there has been a considerable collection of codified and formal mission-related policies. The ‘EXIM Policy Handbook’ can be provided upon request, covering in detail most mission-related policies relevant to OPAIR. Further, the internal development of policy goes through the Executive Working Committee (EWC), usually on its way to the Board.

## Policy Analysis and International Relations

### OPAIR Overview

**Today, as EXIM operates in the myriad cross currents of US international export finance, the Office of Policy Analysis and International Relations (OPAIR) institutionalizes EXIM’s ongoing capacity to:**

- Present an economic rationale for the institution (as well as official export credits in general);
- Craft/revise major policies that capture the diversity of Congressional and other mandates applicable;
- Integrate EXIM goals and objectives with overall USG international economic policy to devise EXIM position in international forms.

**Over the years, OPAIR (formerly the Office of Policy Analysis and International Relations) has helped EXIM Management define a role for EXIM that is reflective of the long-term intentions and objectives of the U.S. government.** Specifically, EXIM best maintains support for its mission when it operates within the free market/market-determining philosophy of the U.S. political economy. Accordingly, in the 1950s and 1960s,

the basic imperfections that EXIM addressed were the unwillingness of private lenders to either take on foreign risk or to offer the length of repayment terms necessary to finance key capital goods exports. From the late 1960s, the focus has been on the imperfections created by non-market financial offers made by foreign official export credit agencies – with the 1983 charter renewal identifying the neutralization of such official export credit competition as the primary responsibility of EXIM program management/resource allocation. The ensuing charter renewals reconfirmed the primacy of the competitiveness mandate, and also assigned EXIM new responsibilities for:

- a) The health of the U.S. export community (exporters, financial entities, and labor);
- b) The scope of US export financing capacity;
- c) Supporting international negotiations to parameter the competitive market.

**The functions of OPAIR expanded correspondingly.** The EXIM-wide reorganization of 2002 (which is still the basic template of EXIM organization today) created two divisions within the overall P&P structure to reflect the growing importance of the discussions and negotiations at the Berne Union and OECD to EXIM program parameters and policies. The two units are:

**Policy Analysis Division** – Development and monitoring of policies for which there is little or no international “regulatory” aspect (e.g. content, economic impact, MARAD, services, military, etc.).

**International Relations Division** – Development, coordination, representation, and negotiation of policy positions of EXIM in/to international fora (e.g. Berne Union, WTO, OECD, IWG, and/or G-7/11) and implementation/monitoring of the parameters that come out of these “regulatory/best practice” institutions.

## OPAIR Functions

**At its core, the various duties accruing to OPAIR have typically involved helping senior management develop principled and workable ways to resolve the applicability of competing mandates in the context of the times.** The type of output generally expected from P & P has included:

- **“Over the horizon” perspective** – Such efforts have typically entailed: a) looking at possible developments over the next 3-5 years in EXIM’s financial, economic, and/or competitive environment; and b) using that perspective to provide context on which EXIM goals/objectives or tools could be affected (or perhaps it might be necessary to add).
- **Research** – Facts are the DNA of OPAIR findings and/or recommendations. Hence, OPAIR has developed systematic approaches and mechanisms to get a regular flow of empirical feedback on the status or evolution of market conditions. This feedback forms indicators as to whether there are new problems to be addressed or old ones to be reviewed for better solutions.
- **Evaluation/Analysis** – Just as facts are the key to good indicators of issue identification, a full and thorough analysis of the costs and benefits to all stakeholders (in the context of long-run institutional and governmental objectives) is the core mechanism through which OPAIR evaluates the merit of specific approaches to a policy issue or program structure. The governing principle of such evaluation/analysis is to provide useful information/perspective as to which option would

maximize the total satisfaction of all stakeholders (vs choosing between options that maximize the absolute satisfaction of one stakeholder).

**The existence of a unit with these responsibilities implies that the fundamental institutional task to be provided by this unit is the processing of policy issues.** While all stakeholders (both inside and outside the institution) have input to (and weight in) the resolution, the role of policy is to facilitate (and/or) run the process which develops decision options for senior management. That is, the *raison d’être* for OPAIR is to use the special skills and systematic approaches to ensure that all relevant parties are given full voice; to frame the issues in a balanced and fair way; and to present the issue (and options) as clearly and effectively as possible. In recent years this function has been applied to issues as varied as:

- International negotiations on interest rates, fees, climate/coal, and aircraft;
- Evolution of an EXIM policy on co-financing;
- Implementation of the 2012 Congressional mandates to review EXIM’s economic impact policy and foreign content policy; and
- Identification of the “paradigm shift” in the export finance world around EXIM flowing from the Financial Crisis of 2008/Sovereign Debt Crisis of 2011 (and the accompanying regulatory world of Basel III).

## OPAIR Responsibilities

**In general, OPAIR’s responsibilities can be classified into one of four categories:** International (OECD/Berne Union/IWG/WTO), Cross Cutting Policies, Analysis of EXIM’s Economic Rationale/Role, and Banking/Financial Institutions Oversight.

Topic	Responsibility	OPAIR Input
International (OECD / Berne Union / IWG)	Staff EXIM duties associated with ongoing representation at the Berne Union and negotiations at the OECD/IWG (including representing EXIM at negotiations)	Provide technical input to (and strategic/tactical advice on) EXIM/USG negotiating positions; conduct research to support such positions
	Evaluation of how EXIM compares with major competitor agencies abroad (overall and feature by feature) and preparation of the Congressionally mandated annual report on EXIM’s competitiveness	Provide analytical input on EXIM’s competitiveness vis-à-vis foreign official export credit entities; monitor the U.S. export community’s views on competitiveness
Cross Cutting Policies	Monitor effectiveness of EXIM policies applying across all programs (e.g. foreign content, economic impact, etc.) in efficiently achieving their goals	Provide empirical input on the impact of various policies on the public policy objectives of EXIM (e.g., US employment); provide analytical input on the trade-offs of competing interests as they relate to EXIM policy; maintain

Economic Rationale		liaison with interest groups (e.g., Labor) and the exporting community
	Staff research and analysis on the costs and benefits of EXIM	On an ongoing basis investigate empirical bases for benefits (e.g. productivity, strategic industries, etc.) and use such findings in debates with Cato et al.
Banking/Financial Institutions Oversight	Monitor U.S. financial markets for the health of private sector export finance capacity and design or amend EXIM programs in response	Provide evaluation criteria for programs; guide incorporation of new financing techniques into EXIM programs; provide technical expertise on the functioning of EXIM programs

## EXIM International Engagements

### General

A cornerstone of EXIM’s ability to remain competitive is its ability to engage with its international counterparts—these engagements serve as the “eyes, ears, and voice” of EXIM to accurately assess the global competitive landscape. To date, there are 85 ECAs supporting trade-related activity of which more than two-thirds is unregulated by the established international rules for official export credit. Moreover, both the number of foreign institutions supporting trade-related activities and the various types of activities continues to increase; faced with this steadily growing competition, it is imperative that EXIM gains insight into the practices of other ECAs so that it understands the competitive landscape to appropriately target its support to level the playing field for U.S. exporters.

### Organization of Economic Cooperation and Development (OECD)

The Arrangement on Officially Supported Export Credits (“the Arrangement”), along with its various sector-specific annexes, serves as the primary rules regime for officially supported export credits globally. The Arrangement housed in the Paris-based OECD is managed by the OECD staff and provides a World Trade Organization-compliant framework of minimum interest rates and risk fees and maximum repayment terms for the use of officially supported export credits. For over 40 years, the Arrangement has consistently proven its effectiveness at leveling the playing field among Export Credit Agencies (ECAs) party to it<sup>4</sup>. Historically, all of EXIM’s medium- and long-term financing is structured in strict accordance with the rules of the Arrangement. OECD meetings generally occur three times a year (March, June, and November) at the OECD Headquarters in Paris, France.

<sup>4</sup> As of 12 October, 2016, Arrangement Participants include the following countries: Australia, Canada, the 28 countries of the European Union, Japan, Korea, New Zealand, Norway, Switzerland, and the United States.

## International Working Group on Export Credits (IWG)

The IWG was originally founded in 2012 within the bilateral framework of the US-China Strategic and Economic Dialogue (S&ED) as a commitment to improve transparency and understanding of each other's export credit programs and practices and work with other major export credit providers to establish guidelines on export credits that would be consistent with international best practices. The IWG includes both OECD and non-OECD participants and is led by a steering group consisting of the US, China, Brazil and the EU. Due to a wide range of both technical practices and philosophies regarding the role of export credits, progress on negotiating an agreement on export credit guidelines has been slow to date. However, if an agreement were to be reached in the IWG, that agreement would likely be viewed as a successor to the OECD Arrangement by the WTO.

## Berne Union

Berne Union provides a forum for discussion of best practices and ECA experiences on topics of claims/recoveries, underwriting techniques, risk mitigation, country policies, repayment experience. In addition, the Berne Union regularly hosts special dedicated meetings to areas such as energy sector underwriting, MLT reinsurance, commercial risk rating and pricing, ship financing, and others which provide technical specialists with unique insights from their global peers. The Berne Union has the potential to be a major source of data on the activities of all ECAs.

## G7/12

The annual G7 Heads of ECAs meetings are held to share information and discuss relevant issues facing the world of export credit. Typically, this is a "principals-only" meeting, and while staffers have occasionally been able to attend, discussion is reserved to high-level participants. Originally, this group included EDC – Canada, the French ministry of finance, the Germany ministry of finance, NEXI – Japan, SACE – Italy, UKEF – UK, and US EXIM. However, over the past decade the size and scope of the world of export credit has changed dramatically (particularly in the wake of the global financial crisis). As emerging markets have grown to provide a significant portion of the world's official export credit, it became more relevant to include these providers in a meeting of the chief export credit providers. Beginning in 2011, in addition to the original meeting of the seven "G7", a second annual meeting of the G11 ECA Heads was constituted in the spring of 2011 to include SINOSURE – China, ECGC – India, ABGF – Brazil, and EXIAR – Russia. Last year the G11 was expanded further to include KSURE of Korea, thereby becoming the G12 Heads of ECA group. The G7 Heads of ECAs continue to meet each fall while the G12 Heads of ECAs meet in the spring. The meetings are hosted on a rotating basis.

## Prospective “Mission-Related” Policy Reviews

**“Mission-Related” Policies recently adopted** – Since there has been no Board since July of 2015, there have been no “mission-related” policy actions since that date. Accordingly, the next section includes quite a few outstanding topics (and many more topics are likely to arise in the first few months of any Board revival).

### Specific to the 2015 reauthorization of EXIM

1. **Medium-Term Program Dollar Threshold:** Section 54002 of the 2015 reauthorization raises the maximum authorized value of medium-term transactions from \$10 million to up to \$25 million. This adjustment implicates multiple EXIM processes and procedures (e.g., delegated authority to approve transactions), including the dollar threshold for the U.S. shipping requirement (known as MarAd) since medium-term guarantee and insurance transactions are not subject to U.S. shipping requirements. [Note: The U.S. shipping requirement is a long-standing issue regularly cited by U.S. exporters as an impediment to U.S. competitiveness.]
2. **Reinsurance: Sec. 51008,** where Congress provides EXIM with the option to implement a pilot program to obtain reinsurance from commercial reinsurers. EXIM has explored two separate risk-sharing initiatives: (a) risk sharing on a portfolio basis (to expand the role of private reinsurers in EXIM activity); and (b) risk sharing on a transaction basis (to address both (i) limits associated with providing maximum support when there is more than 15% foreign content in specific transactions and (ii) a push to revitalize the medium-term program by expanding EXIM eligibility without changing any EXIM content policy requirements.) Both studies concluded the options were quite feasible. The Portfolio option is proceeding; the Transaction option is on hold due to lack of key stakeholder support.

### Not specific to the 2015 reauthorization of EXIM

1. **Economic impact:** Refers to a Congressional mandate that directs EXIM to evaluate the effect of new foreign capacity (e.g., mining production capacity, airline seating capacity) on comparable U.S. industry. Experience with the 2013 Economic Impact Procedures suggests review of the following areas may be appropriate:
  - Aircraft Transactions – Review would focus on establishing a streamlined analytical process that captures the likely direct impact of additions to foreign airline capacity on U.S. airlines.
  - Commodities – Review would focus on identifying commodities where the U.S. economy is more (or less) dependent on imports (e.g., given finite capacity in the U.S.) and creating processing efficiencies for transactions involving commodities where increased foreign production capacity is highly likely to be beneficial to the United States.
2. **U.S. infrastructure development focused on exports:** EXIM has been approached by two U.S.-based commodity (LNG and ethane) exporters seeking a long-term commitment from EXIM to support long-term export contracts (e.g., 20-year contract to supply LNG) to facilitate funding for infrastructure development in the U.S. These requests represent a novel twist on the standard short-term support EXIM provides for commodity exports.

3. **Shipment Eligibility (Reachback):** EXIM is reviewing its “reachback” policy which establishes principles for determining the eligibility of shipments of exports that occur prior to finalizing EXIM financing. The OIG is finalizing a report in which it questions the appropriateness of EXIM’s implementation of the reachback policy.
4. **Cofinancing with emerging market ECAs:** EXIM is exploring establishment of co-financing framework agreements with additional emerging market official ECAs, including Poland (KUKE) and Hungary (Hungary Eximbank).
5. **Local Cost/OECD Arrangement:** EXIM likely to be expected to respond to a proposal from the international business community to increase local cost support from a maximum of 30% of the export contract value to an amount “not to exceed the total export contract value.” This increase would represent a significant expansion in the amount of local cost eligible for official support. The proposal seeks to address the complaint that the current OECD Arrangement results in an incentive for ECAs to source from third countries (not local), which makes it very challenging to “compete with tenders not bound by the OECD Arrangement restricting local cost.” [Note: There are no OECD Arrangement restrictions on the level of third country content that may be officially supported under an ECA financing package].
6. **U.S. Shipping Requirements (pursuant to Public Resolution 17 – or PR 17 -- administered by the Maritime Administration – or MarAd):** PR 17 guides EXIM’s U.S. shipping policy that requires certain EXIM-supported cargo (e.g., capital goods exports to large infrastructure projects) to ship on U.S.-flagged carriers. The U.S. export community cites U.S. shipping requirements as a competitive impediment since no other export credit agency imposes a similar requirement. Further, according to some U.S. exporters, U.S. shipping services can be more expensive and less convenient compared to foreign shipping services. To evaluate these assertions, EXIM has approached MarAd about sharing data on U.S. shipping costs and logistics; MarAd has not responded. This effort has effectively been stalled since the 2015 lapse in EXIM’s authority.
7. **OECD/Negotiations with other ECAs – Up for Decision in 2017**
  - a. The Sector Understanding on Climate Change, Renewable Energy and Water Projects – scheduled for review/renegotiation.
  - b. Interest Rate (CIRR) policy.
  - c. Anti-bribery.

## Other Outstanding Issues

1. **Private Export Funding Corporation (PEFCO):** PEFCO is a privately-owned corporation (shareholders consist of commercial lenders/banks and exporters) that is a source of funding for loans that are supported (e.g., guaranteed) by EXIM. PEFCO is a strategic EXIM partner that complements commercial sources of funding. The EXIM Board of Directors provides PEFCO with various authorities that enable PEFCO to operate effectively. The 2015 lapse and the lack of a Board quorum have severely curtailed PEFCO’s operations. Outstanding issues include:
  - a. Renewal of temporary authority to allow PEFCO to originally fund & buy floating rate transactions; this temporary authority expired in October 2015.
  - b. Approval of annual authority to allow PEFCO to issue secured notes; EXIM last approved this authority in September 2014 for FY 2015.

- c. Monitor/review Non-EXIM activity - PEFCO is exploring the ability to issue debt that is guaranteed by non-EXIM sources (e.g., US AID, the UK’s ECA) to fund non-EXIM loans.
  - d. Guidance on Master Guarantee Agreements for sovereign-associated banks (e.g., KfW-Ipex in Germany).
2. **Implications of Basel Regulations on EXIM transactions and competitiveness:** This exercise monitors the (1) effect of banking regulations (e.g., reserve requirements) on the appetite of commercial banks to engage in export finance activity; and (2) implementation of Basel requirements by other countries to gauge the competitive implications for U.S. exporters of how various countries implement regulatory requirements.

## General Operational and Administrative Policies

***Loan, Guarantee and Insurance Manual:*** EXIM’s extensive *Loan, Guarantee, and Insurance Manual* provides direction to EXIM staff with respect to the consistent application of the EXIM’s credit policies and procedures. It addresses the processing of EXIM transactions, covering such topics as application intake, letters of interest, transaction eligibility, credit structures, and approval processes, and covers the special requirements related to aircraft finance, project finance, credit guarantee facilities, short- and medium-term insurance, working capital guarantees, and supply chain finance guarantees, among other programs.

***Administrative Policies:*** The EXIM administrative (e.g., non-transaction related) policies establish a comprehensive set of agency-specific rules on pertinent aspects of EXIM administration for employees and managers, such as those relating to information technology, building security, travel, and telework.

## Enforcement

### Non-Regulatory

**EXIM is not a “regulatory” agency – that is, it does not regulate any outside parties, persons, places or activities.** EXIM does, of course, have regulations that govern how outside parties interact with EXIM in specific areas. These include its FOIA Regulations and its Suspension and Debarment Regulations. However, these regulations do not govern the conduct of parties outside of EXIM.

### Debt Collection

**While EXIM does not create or enforce regulations, it does seek to enforce the debt obligations owed to EXIM.** By law, any litigation matters in the United States must be handled by the Department of Justice. However, with regard to litigation matters outside of the United States, EXIM’s Charter expressly authorizes EXIM to represent itself and hire its own counsel.

**As of December, 2016, EXIM has over 1,400 collections matters open in approximately 90 foreign countries and approximately 40 in the United States.** The significant majority of these collections matters arise out of EXIM's short-term programs, which have a much higher transaction volume than other programs. The dollar amounts of EXIM's collections matters range from a few thousand dollars to \$100 million. The average is from \$750,000 to \$1 million. Almost all of these collections are handled by EXIM's Asset Recovery Group housed in the Asset Management Division (AMD), with the assistance of the Office of General Counsel (OGC) Litigation, Fraud and Compliance group.

**A handful of high dollar collections are handled by the AMD Portfolio Risk Management and/or Special Assets Groups with the assistance of an attorney from the OGC group that worked on the origination of the transaction.** Of these 1,400 collections matters, approximately 250 are in litigation around the world. In the past, the litigation number has exceeded 500 cases. A few of these litigation matters are in the United States, and they are referred to the Department of Justice for collection.

**For over 10 years EXIM has contracted with the Global Recovery Group, LLC (GRG), a private company that assists EXIM in its collection efforts.** Approximately half of EXIM's recovery matters are handled by GRG. GRG's collection efforts are overseen by the Recovery Officers in the Asset Recovery Group.

**For the matters not assigned to GRG, the Asset Recovery Group utilizes three general approaches to collection.** First, they may attempt to collect the debt directly – i.e., through phone calls, dunning letters, and site visits/negotiations. Second, the Asset Recovery Group may assign the collection to an attorney in the local jurisdiction where the obligors are located. If these negotiated settlements do not succeed, then the Asset Recovery Group may hire the same or a different attorney to actually bring suit against the obligors. This latter decision to proceed with litigation must be approved by the Recovery Officer in the Asset Recovery Group, the Managing Director of the Asset Recovery Group, and then separately by OGC. Litigation commenced by GRG must also be approved by OGC. The Asset Recovery Group has had the following recoveries (in millions) over the last four fiscal years.

	FY2013	FY2014	FY2015	FY2016
Direction Collection	\$6.2	\$6.1	\$8.5	\$8.2
Local Attorney	\$8.3	\$5.2	\$1.9	\$3.9
Global Recovery	\$9.5	\$10.4	\$7.9	\$4.4
Total	\$24.0	\$21.7	\$18.3	\$16.4

## Summary of Litigation

**In addition to EXIM litigation involving collection of debt owed to EXIM, EXIM itself is sued occasionally in various contexts.** These include assertions that EXIM wrongfully denied an insurance or guarantee claim, EXIM violated the "arbitrary and capricious" standard of the Administrative Procedures Act, Federal Tort Claims, and personal injury claims. EXIM also is sued on various personnel matters. The personnel matters

are private and not discussed below. The other current lawsuits in which EXIM is involved are briefly summarized below.

1. **Prachai Leophairatana et al v. EXIM et al** – This is the largest suit against EXIM. The plaintiffs are a group of former shareholders of Thai Petrochemical Company (TPI) in Thailand. They lost ownership of TPI in a Thai bankruptcy proceeding in the early 2000s. The TPI bankruptcy plan was approved by the Thai Bankruptcy Court, but the shareholders brought an action against the members of the creditors committee claiming damages of approximately U.S. \$6 billion (equivalent). The plaintiffs' case was initially dismissed on grounds of lack of standing, and they appealed to the Thai Supreme Court. The case was idle for 8 years and finally, in 2012, the Supreme Court reversed and ordered the matter to trial. After a trial that lasted several years, the lower Court ruled solidly in favor of EXIM and the other defendants, including Citibank and KFW of Germany. The plaintiffs have just recently filed their appeal to the Thai Supreme Court.
2. **Flushing Bank v. EXIM** – Flushing Bank alleges that EXIM wrongfully denied a claim submitted pursuant to EXIM's Working Capital Guarantee Program. Flushing claims to have submitted a payment for the facility fee (the premium for the program), but had (b) (5)  
[REDACTED]
3. **Vanegas v. EXIM et al** – This is a suit brought by an employee of a subcontractor who was working on EXIM's reconstruction and was attacked at night by a homeless person. EXIM has moved to dismiss. Other defendants are the General Services Administration, the Federal Protective Services, and Coastal Security.
4. **Center for Biological Diversity et al, v. EXIM** – This is a suit brought by several environmental Non-governmental Organizations under the Administrative Procedures Act. The plaintiffs allege that EXIM approved two large Liquefied Natural Gas transactions in Australia in violation of the Endangered Species Act and the National Historic Preservation Act. The U.S. District Court ruled in EXIM's favor based on the plaintiffs' lack of standing. The matter is now on appeal to the 9<sup>th</sup> Circuit Court of Appeals in California. EXIM has filed its responsive appeal brief and the plaintiffs' reply brief will be due in early January.

Past litigation has included a series of four lawsuits by Delta Air Lines, Hawaiian Airlines and the Air Line Pilots Association alleging that EXIM improperly applied the "adverse economic impact" provisions of EXIM's Charter. Ultimately, the District Court found in favor of EXIM on all arguments raised by Delta, and Delta did not appeal.

## Ethics

**The Office of Ethics (“OOE”) was mandated by Congress in the Export-Import Bank Reform and Reauthorization Act of 2015 (the “Reauthorization Act”).** It is headed by a Chief Ethics Officer who is appointed by the President of EXIM and approved by the Board of Directors. The Office has jurisdiction over all employees of, and ethics matters relating to, EXIM.

**Prior to the creation of the OOE, ethics program functions at EXIM were performed in the Office of General Counsel by the Administrative Law Group.** The 2015 Congressional mandate shifts that function to an independent office, the head of which reports to the Board of Directors. In this regard, the Chief Ethics Officer reports to the Chairman on behalf of the entire Board. For management and performance review purposes, the Chief Ethics Officer reports to the Executive Vice President and Chief Operating Officer.

As required by the Act, the Chief Ethics Officer also serves as EXIM’s designated agency ethics official (“DAEO”) pursuant to the Ethics in Government Act of 1978. As such, the Office of Ethics is responsible for administering all aspects of EXIM’s ethics program, which is governed by regulation issued by the Office of Government Ethics. Primary among the functions of the Office of Ethics are financial disclosure reporting, education, advice and counsel, and compliance.

**Specifically, the Office of Ethics is responsible for:**

- Vetting all PAS nominees and Schedule C appointees;
- Coordinating with the White House and the Office of Government Ethics regarding PAS vetting;
- Financial disclosure management, including review and certification of reports (approximately 300 reports EXIM-wide);
- Conflicts of interest identification and resolution;
- New employee and annual training; and
- Individual advice and counsel on all applicable laws and regulations, including criminal conflict of interest laws and the executive branch standards of conduct.

**In addition to the powers and duties of the DAEO prescribed by Office of Government Ethics regulation, the Chief Ethics Officer must also undertake specific duties as mandated in EXIM’s Charter.** These include recommending administrative actions to establish or enforce standards of official conduct and referring to the Office of the Inspector General (“OIG”) of EXIM alleged violations of the government-wide standards of ethical conduct, standards established by the Chief Ethics Officer, and any other applicable laws, rules or regulation that govern official conduct. The Office of Ethics works closely with the OIG to address ethics related complaints and personnel matters.

## XIII. Governance

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### Senior Management

#### Charter and Key Figures

- **President and First Vice President:** EXIM’s President, First Vice President are appointed by the President of the United States with the advice and consent of the Senate. The President of EXIM is its chief executive officer.
- **Board of Directors:** EXIM’s Board of Directors consists of the President of EXIM (serving as the Chairman), First Vice President (serving as Vice Chairman) and (up to) three additional persons appointed by the President of the United States with the advice and consent of the Senate. Not more than three of the five members may be members of any one political party. A Board quorum requires at least three directors.
- **Special Positions:** In addition to the principal officers described above, the Charter also establishes the positions of Senior Vice President for Small Business, Chief Risk Officer, Chief Ethics Officer, and the Assistant General Counsel for Administration.

#### Bylaws and Key Figures

- **Ex-Officio Board Members:** EXIM’s Bylaws provide for the United States Trade Representative and Secretary of Commerce to serve as additional ex-officio non-voting members of the Board.
- **Senior Management:** The President of EXIM, after consultation with the other Board members, appoints a Chief Financial Officer, a General Counsel and a Secretary along with other senior officers. The Bylaws also describe the responsibilities of the President, First Vice President, General Counsel and Secretary, and Chief Financial Officer.

### Role of the Office of Chief of Staff

**The leadership of EXIM is structured like a three leg stool:** the Chief Banking Officer focused on the front end of transactions (underwriting), the Chief Operating Officer having the back end of operations (resource management, asset management, CFO, etc) and the Chief of Staff having direct responsibility for the Chairman’s office as well as the Office of Policy Analysis and International Relations (OPAIR), the Office of Communications (Comms), and the Office of Congressional and Intergovernmental Affairs (OCIA).

**The COS is responsible for making sure the Chairman’s office operates smoothly including daily operations, scheduling, travel, etc.** S/he is also the primary liaison between the Chairman and the rest of the Board of Directors at EXIM. The COS (or Deputy COS as directed) serves as the primary liaison to the White House and other Cabinet agencies on behalf of the Chairman. Examples from the most recent Administration include:

- The Trade Promotion Coordinating Committee (TPCC)
- The Cabinet Trade Committee working on Trade Promotion Authority (TPA) and the Trans Pacific Partnership (TPP)
- US Africa Leaders’ Summit

**The COS also will participate in various Interagency Policy Committees (IPC’s) as appropriate.** Often times IPCs are more appropriately staffed by issue specific staff from EXIM, but there are times where the Chairman’s office will want direct representation at IPC’s. These are reviewed on a case by case basis with the goals of the Administration and the Chairman in mind.

**Two of the most critical internal projects that the COS must oversee is the Annual Conference and the periodic Reauthorization of EXIM.** These activities are directly handled by the SVP of Communications and the SVP of Congressional and Intergovernmental Relations respectively, but the COS must be active in ensuring that the projects stay on track, on budget (in the case of the Annual Conference) and there is sufficient high level representation. The Annual Conference draws in roughly 1,500 of EXIM’s customers for the two day affair, and the Chairman will invite leaders of industry, press and academia to participate in various panels and engagements.

**A final critical job responsibility of the COS is to do outreach to various stakeholders outside EXIM.** Stakeholders range from industry organizations such as the Chamber of Commerce, Business Round Table (BRT), National Association of Manufacturers (NAM) and the Coalition for Employment through Exports (CEE), to corporate contacts and think tanks. The Chairman should also have strong relationships with these groups, as should the Congressional and Intergovernmental Affairs office.

## Participation in Intergovernmental Activities

**Other than the White House, EXIM tends to work most frequently with the Departments of Treasury, Commerce and State, followed by the Small Business Administration (SBA).** As noted previously, EXIM participates in a number of IPC’s, most of which are handled through career staff in the divisions of expertise, but the COS will be directly involved in those which require very senior level participation. In addition, the COS will frequently be called upon to smooth out differences between EXIM and other agencies such as Treasury and State. There has historically been a somewhat strained relationship between EXIM and Treasury given the fact that EXIM is a standalone independent agency and Treasury is the head of delegation for meetings with the Organization for Economic Cooperation and Development (OECD). Much work goes into reaching agreement between EXIM and Treasury on a host of issues where EXIM and Treasury have competing viewpoints.

## Most Important Political Positions

**The top political positions at EXIM other than the PAS Board members are the EVP & Chief Operating Officer (COO), the SVP & Chief of Staff (COS), and the SVP & Chief Banking Officer (CBO) which make up the**

**three legs of the leadership stool at EXIM.** The SVP & General Counsel is also a critical political appointment that needs to be made.

## Committee Structures

### External Committees

The Charter provides for two external committees to advise EXIM (the Advisory Committee and Sub-Saharan Africa Advisory Committee), and two internal management committees.

- Risk Management Committee – oversees the periodic stress testing on EXIM portfolio and monitoring of industry, geographic and obligor exposure levels.
- Small Business Committee – assists in the development of EXIM's small business strategic plans.

### Internal Committees

EXIM has established the following additional standing committees:

- **Claims Reconsideration Committee** – receives, reviews, evaluates and makes final decisions on all requests for reconsideration of claim denials by the Office of the Chief Financial Officer under EXIM's insurance and guarantee programs.
- **Default Committee** – decides whether a default is deemed to be an administrative or technical default.
- **Enterprise Risk Committee** – reviews, evaluates, coordinates, and makes recommendations to the President of EXIM and senior management on issues related to financial, credit, legal, operational, reputational and other risk.
- **Environmental and Social Review Committee** – facilitates discussion and information sharing among divisions on environmental and social issues and related matters of interdivisional interest.
- **Executive Working Committee** – provides a forum to present information to senior management, to address issues that require senior management guidance or decision with input from diverse operating divisions, and for senior management to review both new and changes to policies, products and procedures.
- **Transaction Review Committee** – provides guidance to staff on Board-level transactions under staff consideration, reviews and recommends transactions to the President of EXIM for a decision whether to place the transaction on the agenda for EXIM's Board of Directors, and advises the Board of Directors as to whether it agrees with staff's recommendations regarding transactions.

## Transactions Approvals

The Board approves loan, guarantee and insurance export financing transactions, except where it has delegated such authority to designated EXIM officers under Board-approved Individual Delegated Authority (IDA). At this time, the Board must approve all transactions over \$10 million

## Other Approvals

The Board approves EXIM’s Country Limitation Schedule, certain policies (such as environmental, economic impact, and content, EXIM’s Bylaws, Individual Delegated Authority). Other matters, such as new products and co-financing, are historically brought to the Board for review and/or approval. Committees approve matters within the scope of their authority.

## XIV. Strategic Plan, Performance, & Innovation

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### Strategic Planning and Performance Measures

**EXIM defines and measures success through a strategic planning and results measurement process which EXIM has designed to drive operational results while also complying with statutory requirements.** EXIM has created a single process across offices to integrate the strategic planning, measurement, and reporting activities. This process serves multiple purposes, including providing more actionable performance data to decision-makers, providing targets for improved operational performance, communicating EXIM's priorities and results to internal and external stakeholders, and generating the deliverables required under GPRA (Government Performance and Results Act). The GPRA Modernization Act of 2010 mandates that all agencies follow a performance and assessment plan that includes creation of a strategic plan, annual performance plan, and annual performance report. In addition, EXIM leadership has chosen to draft annual Operating Priorities to guide execution of the Strategic Plan.

#### Current goals and metrics

**EXIM's current strategic plan (as revised in 2013 with an expiry date of September 30, 2017 – though a new plan is not required to be in place until February 5, 2018), identifies four goals.** Each goal is assigned to one or more goal owners, and progress toward each goal is tracked by a set of metrics which are selected each year in the Annual Performance Plan, and measured annually in the Annual Performance Report (note that the order of goals 3 and 4 currently differs between the Strategic Plan and the performance report, but otherwise they are identical):

Goal	Goal Leader(s)	Metrics
1. Expand awareness of EXIM services through focused business development	Madolyn Phillips, Acting Chief Banking Officer; Jim Burrows, SVP, Office of Small Business	a. Authorizations <ul style="list-style-type: none"> <li>i. \$ Total Authorizations</li> <li>ii. # Total Transactions</li> <li>iii. \$ Small Business</li> <li>iv. \$ Minority and Women Owned</li> <li>v. \$ Environmentally Beneficial</li> <li>vi. # Jobs Supported</li> </ul> b. Partnership and Outreach <ul style="list-style-type: none"> <li>i. New Small Business Exporters</li> <li>ii. Qualified Contacts Generated</li> <li>iii. Qualified Leads Generated</li> </ul>
2. Improve ease of doing business with EXIM	Michele Kuester SVP, Office of Innovation and Performance	a. Average Cycle Time (new applications) <ul style="list-style-type: none"> <li>i. Short Term Multi-Buyer Exporter Insurance</li> <li>ii. Short Term Single-Buyer Exporter Insurance</li> <li>iii. Short Term Single-Buyer Bank Insurance</li> <li>iv. Medium Term Insurance</li> <li>v. Medium Term Guarantees</li> </ul> b. Days to Decision <ul style="list-style-type: none"> <li>i. % decided within 30 days</li> <li>ii. % decided within 100 days</li> </ul> c. Customer Satisfaction <ul style="list-style-type: none"> <li>i. Customer Effort Score from Survey</li> </ul> d. Operational Improvements <ul style="list-style-type: none"> <li>i. Electronic Payment</li> <li>ii. Electronic Documentation</li> </ul>
3. Create an environment that fosters high performance and innovation	Michael Cushing, SVP, Office of Resource Management	a. Employee Satisfaction <ul style="list-style-type: none"> <li>i. Job Satisfaction from Survey</li> <li>ii. Personal Accomplishment from Survey</li> <li>iii. Talents Well Used in Workplace</li> </ul> b. Resource Utilization <ul style="list-style-type: none"> <li>i. Net Appropriation &lt; \$0</li> <li>ii. Program Budget (Subsidy) Utilized</li> </ul>
4. Ensure effective enterprise risk management consistent with EXIM's charter requirements	Ken Tinsley, SVP and Chief Risk Officer	a. Portfolio Management <ul style="list-style-type: none"> <li>i. Risk Management Committee</li> <li>ii. Enterprise Risk Committee</li> <li>iii. Reinsurance Program</li> <li>iv. Default Rate (less than 2%)</li> <li>v. Claims Paid less than \$200 million</li> </ul> b. Process Improvements <ul style="list-style-type: none"> <li>i. Annual Updates to Credit Manual</li> <li>ii. Collaboration and Feedback Processes</li> <li>iii. Enhance Rating Models</li> </ul> c. Improvement in Data and Systems <ul style="list-style-type: none"> <li>i. Unqualified Opinion: Financial Statements</li> <li>ii. Small Business Identification</li> </ul>

## Current Operating Priorities

In addition to the strategic goals, EXIM has established annual operating priorities to guide execution of EXIM's strategic plan. These may be revised annually at the discretion of senior leadership. The current operating priorities are as follows:

1. Strengthen small business export DNA in all programs and products
2. Equip U.S. exporters to win in a rapidly changing international landscape
3. Make EXIM a Tier 1 place to work
4. Improve data and systems to understand and execute our business
5. Continuously improve internal processes and collaboration for better effectiveness, efficiency, and risk management

## Roles and Responsibilities

Strategic planning and performance measurement is an integrated process which includes steps carried out by senior political leadership, the Office of Innovation and Performance (OIP), and goal leaders in the business units. The following diagrams reflect the division of responsibilities following the creation of OIP, whose strategy and performance role has been designed to more closely integrate strategic planning and performance measurement. (Previously, through the FY16 reporting cycle, the GPRA portion of these responsibilities was housed in OCFO).

## Strategic Plan

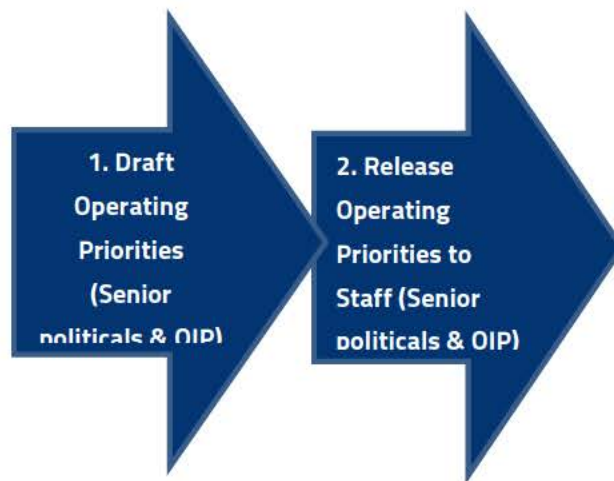
EXIM last revised its strategic plan in 2013, and the new 4-year Strategic Plan must be in place by February 5, 2018. The current strategic plan which EXIM is operating under extends through the end of FY2017 (September 30, 2017). While EXIM may revise and update its strategic plan at any time, the updated strategic plan must be in place by February 5, 2018 and must cover a period of not less than four years. Therefore, EXIM should begin work as soon as possible during FY17 to prepare the new strategic plan, using the following process:



## Operating Priorities

In order to guide implementation of the strategic plan, EXIM leaders at their discretion may draft annual Operating Priorities and share with EXIM staff and other stakeholders as desired, using the following process:

### Operating Priorities Process (annually, as desired)



## Annual Performance Plan

EXIM must release an FY18 Annual Performance Plan by May 2017. EXIM should prepare an Annual Performance Plan by following the below process to define and release metrics and targets for FY18.

### Annual Performance Plan process



## Annual Performance Report

EXIM must release the FY17 Annual Performance Report by March 2018. EXIM should prepare an Annual Performance Report by following the below process to track results for FY17.

### Annual Performance Report process



## Potential Future Enhancements

Along with the standard and required strategic planning and performance improvement activities described above, EXIM has the option to add new activities and tools. Two possible future projects under consideration by OIP are as follows:

- **Creation of a performance metrics dashboard:** Currently, EXIM staff have the option to view many near-real-time metrics via reports generated by the EXIM Reporting System (ERS), but there is no one-stop report available for the metrics and targets in the Annual Performance Plan and Annual Performance Report. This project would undertake creating such a continuously-updated online report (and redesigning it to match any changes in metrics as needed) to allow EXIM staff to easily track progress toward EXIM's targets for each performance metric.
- **A new internal communications campaign that systematically informs staff about how EXIM's overarching goals and metrics connect to each business unit's day-to-day activities.** Currently, EXIM's high-level goals and performance metrics help staff understand broadly the importance and impact of their offices' activities, and EXIM has made progress in recent years in defining how each business unit's activities support EXIM strategic goals. Nonetheless, EXIM goals and metrics are not always frequently discussed or applied among lower-level staff. Therefore, a possible next step would be a communications campaign that 1) reminds staff about EXIM's goals, 2) informs staff about ongoing progress toward annual targets, and 3) assists staff members in understanding how their specific business-unit activities support EXIM's goals and progress toward annual targets.

## Tier 1 Initiative and Outcome

EXIM's 2013 – 2017 Strategic Plan includes four Strategic Goals, including –

*“GOAL 4: CREATE AN ENVIRONMENT THAT FOSTERS HIGH PERFORMANCE AND INNOVATION. EXIM considers its most important resource to be the dedicated and innovative staff it employs. EXIM competes with the private sector and other federal agencies for talent, and must therefore ensure that EXIM is a top option for potential employees. In this effort to both obtain and retain talent, EXIM must proactively revise certain processes, while at the same time it must effectively communicate with staff on all changes taking place.”*

In support of this Strategic Goal, during 2015 and 2016 one of EXIM's five operating priorities has been to “MAKE EXIM A TIER 1 PLACE TO WORK.” This operating priority has been communicated repeatedly to staff, and has formed the basis for a number of initiatives carried out over the past two years, highlighted below.

- **Internal recruitment announcements:** The Division of Human Capital (DHC) issues all hands email announcements of all recruitment actions in order to bring hiring opportunities to the attention of current employees.
- **Upward Mobility program:** This program has been reactivated, after several years of dormancy. To encourage managers to sponsor an Upward Mobility position, EXIM has adopted the policy of reallocating the FTE slot to the receiving division. This means that it is not necessary to have an open existing position to sponsor an Upward Mobility candidate.
- **Rotation program:** Similarly, EXIM has reactivated an internal rotation program, and is investigating opportunities for interagency rotation opportunities (beyond those provided for in the PMF program).
- **Excellence in Government program:** EXIM has participated in three recent cohorts of the EIG program conducted by the Partnership for Public Service, and management intends to continue to solicit applications for future cohorts.
- **Teambuilding:** The Partnership for Public Service also offers offsite teambuilding training for existing teams, and EXIM has funded participation in this program.
- **Leadership and management training:** EXIM has executed several contracts with the Center for Creative Leadership in recent years, aimed at providing leadership training for managers. The most recent program comprised 4 offsite days spread over six months for 3 cohorts of managers extending from the Chairman through SVPs and VPs and including deputy VPs and director-level managers. A total of 109 managers participated in this extensive program, fully 25% of total EXIM staff.
- **All hands brown bag lunches:** Beginning in April 2015, in the lead-up to the lapse in EXIM's full authority, the Chief Operating Officer and the Chief of Staff conducted a series of all-hands brown bag lunch “conversations” aimed at opening channels of communication within EXIM. These sessions were initially monthly, were increased to weekly during the 5 months of the lapse in full authority, and reverted to monthly following reauthorization in December 2015. As of November 2016, a total of 33 such all hands events have taken place, during which employees may participate in person or by webinar and are encouraged to ask questions or make comments on any subject of concern to them.

- **EXIM Leadership Initiative:** Begun with the support of the Diversity Council, the EXIM Leadership Initiative is an employee-driven effort aimed at organizing events where employees can learn from each other and discuss matters of mutual interest outside a framework established by management.

Although significant effort has been made to improve the quality of EXIM employees work experience, 2016 FEVS survey results indicate effort must continue in this area. To support the continuation of this work, the Office of Innovation and Performance has been assigned responsibility for intentional Internal Communications.

- **Intentional Internal Communications:** EXIM employees want to feel informed and included. OIP's intentional internal communications strategy has three components: 1) a clearly articulated plan, 2) a dedicated team of individuals responsible for designing and implementing the plan, and 3) an organizational structure with long-term responsibility for internal communications. OIP will be focused on two channels of communications for FY 2017:
  - **Employee newsletter:** One of the most frequently-mentioned suggestions in employee roundtables has been to establish a monthly employee newsletter to inform EXIM staff on senior management decisions, upcoming changes/events, and Congressional decisions that may affect EXIM.
  - **Re-Design of EXIM Connect:** EXIMConnect is long overdue for an update. OIP suggests re-designing and streamlining the site to better meet the needs of our staff and reflect the modernization of EXIM.

Additionally, EXIM leadership should consider implementing the following Tier 1 initiatives in the coming year to support EXIM's culture change:

- **Roosevelt Awards:** Named for Theodore Roosevelt (founder of the US Civil Service) and Franklin Roosevelt (founder of EXIM), this would be a new series of employee recognition awards to be presented quarterly by both management to employee and employee to employee
- **Interactive Training Modules:** Using currently available technology for New Employees as well as current employees to encourage individual growth and development EXIM will benefit from our continuing our training efforts, by creating more versatile and adaptable employees.
- **Continuation of Employee Training and Development and Teambuilding opportunities**

## Office of Innovation and Performance

The Office of Innovation and Performance (OIP) carries out a wide array of projects, reflecting its role of integrating multiple complimentary functions to better engage and serve internal and external stakeholders that drive operational results. Specifically, OIP has responsibility for nine different functions (described below), which are coordinated to improve business processes, engage customers and internal stakeholders, plan and measure strategic results, and address key data and operational needs. Each of the functions has both performance goals and specific projects identified in the following tables. In some cases one project addresses several areas of responsibility. The next two sections will describe the projects currently underway and the projects planned, but not yet begun, for FY17/18.

Unit	Responsibility	Description
1. Customer and Business Solutions (CBS)	Business Solutions	The Customer and Business Solutions (CBS) division delivers innovations and improvements in systems and processes. The innovations and improvements are focused on improved efficiency, effectiveness, accountability, and usability.
	Customer Experience	<p>The CBS division is developing an EXIM-wide culture that recognizes the essential value of external customers and focuses on meeting and exceeding the customer’s needs.</p> <ul style="list-style-type: none"> <li>• <b>Customer (defined):</b> Although the term “customer” is frequently used to identify any entity involved in an EXIM-supported transaction, the use of the term in this context is focused on any U.S. company that is exporting.</li> </ul>
	Enhanced Internal Communications	The CBS division is implementing an internal communications plan with the aim of keeping EXIM employees informed and engaged.

Unit	Responsibility	Description
2A: Operations and Management Reporting (OPS): Management Reporting	Strategic Planning	<p>The Operations and Management Reporting (OPS) division serves as the long-term steward of the strategic plan document. A team in OPS supports senior leadership in setting strategic direction, formulating measureable goals, and monitoring performance against the goals.</p> <ul style="list-style-type: none"> <li>• <b>GPRA:</b> The SVP of OIP has been designated as the agency Performance Improvement Officer and has overall responsibility for ensuring the agency is compliant with the requirements of the Government Performance and Results (GPRA) Modernization Act of 2010.</li> </ul>
	Management Reporting	<p>The OPS division creates data reports for management and staff. OPS is the system owner of EXIM's data warehouse and management reporting system which is called the EXIM Reporting System (ERS).</p> <ul style="list-style-type: none"> <li>• <b>ERS Technical Support:</b> The Office of the Chief Information Officer has technical responsibility for the maintenance and enhancements to ERS.</li> </ul>
	Data Quality	<p>The OPS division monitors the quality of EXIM's data. A team in OPS addresses data quality issues, in consultation with the Office of the Chief Information Officer, and is system owner for EXIM's centralized participant (customer) database.</p> <ul style="list-style-type: none"> <li>• <b>Data Quality Board:</b> The Data Quality Board (DQB) consolidates EXIM's efforts at improving data quality. The DQB serves as a central clearing house for data issues. It also tracks data quality projects, documents policies and procedures, and works to improve EXIM-wide understanding of data.</li> <li>• <b>Senior Accountable Official:</b> The SVP of OIP has been designated as the agency Senior Accountable Official (SAO). The SAO is responsible for ensuring EXIM compliance with the DATA Act of 2014 and for aspects of OMB Circular A-123.</li> </ul>

Unit	Responsibility	Description
2B: Operations and Management Reporting (OPS): Application Processing	Application Input	<p>The OPS division receives and enters into the appropriate system any applications for financing that are received by EXIM but were not submitted through an online application system.</p> <ul style="list-style-type: none"> <li>• <b>Application systems:</b> EXIM currently has 3 application systems, 2 of which allow for online applications. The two online systems are EXIM Online and Avoka. APS is the application processing third system.</li> </ul>
	Policy Issuance	The OPS division reviews all insurance policy documents for accuracy and completeness before they are issued to an insured.
	Loan & Guarantee Disbursement Processing	<p>The Credit Administration team in OPS reviews all requests for disbursements under EXIM's loan and guarantee programs. The review is a compliance review focused on ensuring that EXIM supports only U.S. exports of U.S.-made equipment and services to an approved buyer in an approved country.</p>

## Current Innovation and Performance Projects

The Office of Innovation and Performance is currently engaged in 13 projects that are consistent with EXIM's strategic plan and operating priorities. Each of the 13 projects listed below are currently underway and are projected to be completed in calendar year 2017.

Unit	Responsibility	Current Projects
1. Customer and Business Solutions (CBS)	Business Solutions	<ul style="list-style-type: none"> <li>• <b>Implement</b> a new case processing system for working capital transactions</li> <li>• <b>Implement</b> a new case processing system for long-term transactions</li> <li>• <b>Analyze, improve and document</b> the process for recording transaction decisions in the case processing system and the financial systems</li> <li>• <b>Analyze, improve and document</b> the process for making a direct loan transaction ready for its first disbursement request.</li> </ul>
	Customer Experience	<ul style="list-style-type: none"> <li>• <b>Define</b> EXIM's major customer segments</li> </ul>
	Enhanced Internal Communications	<ul style="list-style-type: none"> <li>• <b>Develop</b> an Employee Newsletter</li> </ul>
2A. Operations and Management Reporting (OPS): Management Reporting	Strategic Planning	<ul style="list-style-type: none"> <li>• <b>Ensure</b> compliance with GPRA requirements</li> </ul>
	Management Reporting	<ul style="list-style-type: none"> <li>• <b>Ensure</b> compliance with DATA Act reporting requirements</li> </ul>
	Data Quality	<ul style="list-style-type: none"> <li>• <b>Develop</b> a Data Assessment and Assurance program</li> </ul>
2B. Operations and Management Reporting (OPS): Application Processing	Application Input	<ul style="list-style-type: none"> <li>• <b>Implement</b> a new online application system</li> <li>• <b>Improve</b> the data quality of applications for financing</li> </ul>
	Policy Issuance	<ul style="list-style-type: none"> <li>• <b>Establish</b> system validations for certain policy documents</li> </ul>
	Loan & Guarantee Disbursement Processing	<ul style="list-style-type: none"> <li>• <b>Replace</b> requirement for bills of lading with electronic export documentation from Customs and Border Protection</li> </ul>

## Planned Innovation and Performance Projects

In addition to the current projects, the Office of Innovation and Performance has identified 12 additional projects that are targeted to be started in FY2017. These 12 projects are also aligned with EXIM's strategic plan and operating priorities.

Unit	Responsibility	Planned (but not yet started) Projects
1. Customer and Business Solutions (CBS)	Business Solutions	<ul style="list-style-type: none"> <li>• <b>Develop</b> system usability enhancements for EXIM systems</li> <li>• <b>Analyze, improve and document</b> hand-off procedures for medium-term transactions that become operative</li> </ul>
	Customer Experience	<ul style="list-style-type: none"> <li>• <b>Develop</b> a communication/training program for EXIM staff on the importance of customers</li> <li>• <b>Identify</b> the two major decisions/actions a customer needs from EXIM in order to be successful in their business</li> </ul>
	Enhanced Internal Communications	<ul style="list-style-type: none"> <li>• <b>Re-design</b> EXIM's internal website (EXIMConnect)</li> </ul>
2A. Operations and Management Reporting (OPS): Management Reporting	Strategic Planning	<ul style="list-style-type: none"> <li>• <b>Develop</b> a new strategic plan for EXIM</li> <li>• <b>Identify</b> performance measures that are consistent with EXIM's strategic plan and operating priorities</li> </ul>
	Management Reporting	<ul style="list-style-type: none"> <li>• <b>Ensure</b> management information is available in a useful and user-friendly way</li> </ul>
	Data Quality	<ul style="list-style-type: none"> <li>• <b>Develop</b> data quality internal controls</li> <li>• <b>Perform</b> a risk assessment of EXIM's management information</li> </ul>
2B. Operations and Management Reporting (OPS): Application Processing	Application Input	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
	Policy Issuance	<ul style="list-style-type: none"> <li>• <b>Streamline</b> the time between policy approval and policy issuance</li> </ul>
	Loan & Guarantee Disbursement Processing	<ul style="list-style-type: none"> <li>• <b>Establish</b> mechanisms to facilitate the acceptance of electronic documents</li> </ul>

## XV. Congressional Relations

The Office of Congressional and Intergovernmental Affairs (OCIA) is the primary point of contact for Congress and state and local governments at EXIM. OCIA informs and educates elected officials and their staff on how EXIM supports American jobs through the financing exports of U.S. made goods and services. In addition, OCIA responds to Congressional concerns, prepares EXIM officials for Congressional hearings, and helps elected officials to educate their constituents on EXIM financing tools through hosting local events. All relationships with Committee staff are managed through the Office of Congressional and Intergovernmental Affairs.

### Oversight Committees

- Senate Committee on Banking, Housing & Urban Affairs (Subcommittee on National Security & International Trade & Finance)
- House Financial Services Committee (Subcommittee on Monetary Policy & Trade)
- Senate Appropriations (Subcommittee on State, Foreign Operations, and Related Programs)
- House Appropriations (Subcommittee on State, Foreign Operations, and Related Programs)
- House Oversight and Government Reform Committee
- While the House Foreign Affairs & Senate Foreign Relations do not have primary jurisdiction over EXIM, EXIM officials have testified before these Committees

### Senate Banking Committee

In the 115<sup>th</sup> Congress, Sen. Crapo (ID) is serving as Chairman and Ranking Member Brown (OH) is maintaining his position as the top Democrat on the Committee.

- **Key Republican Staff:** John O'Hara (EXIM), Gregg Richard (Crapo staff and expected to be on Committee)
- **Key Democrat Staff:** Graham Steele (EXIM), Mark Powden (Staff Director), Laura Swanson (Deputy Staff Director)

Party	Members
Republicans	Michael Crapo, <i>Chairman</i> (R-ID); Richard C. Shelby (R-AL); Bob Corker (R-TN); Patrick J. Toomey (R-PA); Dean Heller (R-NV); Tim Scott (R-SC); Ben Sasse (R-NE); Tom Cotton (R-AR); Mike Rounds (R-SD); David Perdue (R-GA); Thom Tillis (R-NC); John Kennedy (R-LA)
Democrats	Sherrod Brown, <i>Ranking Member</i> (D-OH); Jack Reed (D-RI); Robert Menendez (D-NJ); Jon Tester (D-MT); Mark R. Warner (D-VA); Elizabeth Warren (D-MA); Heidi Heitkamp (D-ND); Joe Donnelly (D-IN); Brian Schatz (D-HI); Chris Van Hollen (D-MD); Catherine Cortez Masto (D-NV)

## House Financial Services Committee (HFSC)

**Chairman Hensarling is serving as chair of the House Financial Services Committee, with Rep. Waters (CA-43) continuing as Ranking Member.** Rep. Barr (KY-6) is taking over as chair of the Subcommittee on Monetary Policy and Trade, with Ranking Member Moore (WI-04) expected to continue serving in that capacity.

- **Key Republican Staff:** Brett Sisto, Anthony Chang, Drew Davidhizar, Kirsten Mork (Staff Director)
- **Key Democrat Staff:** Kirk Schwarzbach, Dan McGlinchey, Charla Ouertatani (Staff Director)

Party	Members
Republicans	Jeb Hensarling, Texas, <i>Chairman</i> ; Peter T. King, New York; Edward R. Royce, California; Frank D. Lucas, Oklahoma; Patrick T. McHenry, North Carolina; Stevan Pearce, New Mexico; Bill Posey, Florida; Blaine Luetkemeyer, Missouri; Bill Huizenga, Michigan; Sean P. Duffy, Wisconsin; Steve Stivers, Ohio; Mick Mulvaney, South Carolina; Randy Hultgren, Illinois; Dennis A. Ross, Florida; Robert Pittenger, North Carolina; Ann Wagner, Missouri; Andy Barr, Kentucky; Keith J. Rothfus, Pennsylvania; Luke Messer, Indiana; David Schweikert, Arizona; Scott Tipton, Colorado; Roger Williams, Texas; Bruce Poliquin, Maine; Mia Love, Utah; French Hill, Arkansas; Tom Emmer, Minnesota; Zeldin (NY), Trott (MI), Loudermilk (GA), Mooney (WV), MacArthur (NJ), Davidson (OH), Budd (NC), Kustoff (TN), Tenney (NY), and Hollingsworth (IN).
Democrats	Maxine Waters (D-CA), <i>Ranking Member</i> ; Joyce Beatty (D-OH); Michael Everett "Mike" Capuano (D-MA); William Lacy Clay, Jr. (D-MO); Emanuel Cleaver, II (D-MO); John K. Delaney (D-MD); G. William "Bill" Foster (D-IL); Al Green (D-TX); Dennis "Denny" Heck (D-WA); James A. "Jim" Himes (D-CT); Daniel T. Kildee (D-MI); Stephen F. Lynch (D-MA); Carolyn B. Maloney (D-NY); Gregory W. Meeks (D-NY); Gwendolynne S. "Gwen" Moore (D-WI); Edwin G. "Ed" Perlmutter (D-CO); David Albert Scott (D-GA); Terrycina Andrea "Terri" Sewell (D-AL); Brad Sherman (D-CA); Kyrsten Sinema (D-AZ); Juan Vargas (D-CA); Nydia M. Velázquez (D-NY); Gottheimer (NJ), Gonzalez (TX), Crist (FL), and Kihuen (NV).

## Senate Appropriations Committee

**Sen. Cochran (MS) is continuing to serve as chairman of the Committee, while Sen. Leahy (VT) is taking over as vice chairman.** Most of the activity for EXIM has historically taken place within the Subcommittee on State & Foreign Operations (SFOPs). Sen. Graham (SC) has served as chairman of the subcommittee and Sen. Leahy had been serving as Ranking Member in the last Congress. It remains unclear whether both will continue serving in this capacity.

- **Key Republican Staff:** Jason Wheelock
- **Key Democrat Staff:** Alex Carnes

Party	Members
Republicans	William Thad "Thad" Cochran (R-MS), <i>Chairman</i> ; Lamar Alexander (R-TN); Roy Blunt (R-MO); John Boozman (R-AR); Shelley Moore Capito (R-WV); Susan M. Collins (R-ME); Steve Daines (R-MT); Lindsey O. Graham, USAFR (Ret) (R-SC); John H. Hoeven, III (R-ND); John Neely Kennedy (R-LA); James Lankford (R-OK); Addison Mitchell "Mitch" McConnell (R-KY); Jerry Moran (R-KS); Lisa Murkowski (R-AK); Marco Rubio (R-FL); Richard C. Shelby (R-AL)
Democrats	Patrick J. Leahy (D-VT), <i>Vice Chairman</i> ; Tammy Baldwin (D-WI); Christopher A. "Chris" Coons (D-DE); Richard J. "Dick" Durbin (D-IL); Dianne Feinstein (D-CA); Joe Manchin, III (D-WV); Jeff Alan Merkley (D-OR); Christopher S. "Chris" Murphy (D-CT); Patty Murray (D-WA); John F. "Jack" Reed (D-RI); Brian E. Schatz (D-HI); Jeanne Shaheen (D-NH); Jon Tester (D-MT); Thomas S. "Tom" Udall (D-NM); Christopher "Chris" Van Hollen, Jr. (D-MD)

## House Appropriations Committee

**Rep. Frelinghuysen (NJ) is the new Chairman of the House Appropriations Committee.** The former Chairman Rogers (KY) will serve as chair of the State and Foreign Operations Subcommittee. Rep. Lowey (NY) is expected to continue serving as Ranking Member on both the full committee and the State and Foreign Operations Subcommittee.

- **Key Republican Staff:** Alice Hogans
- **Key Democrat Staff:** Erin Kolodjeski

Party	Members
Republicans	Rodney P. Frelinghuysen (R-NJ), <i>Chairman</i> ; Robert B. Aderholt (R-AL); Mark Eugene Amodei (R-NV); Kenneth S. "Ken" Calvert (R-CA); John R. Carter (R-TX); Tom Cole (R-OK); John Abney Culberson (R-TX); Charles W. "Charlie" Dent (R-PA); Mario Diaz-Balart (R-FL); Charles J. "Chuck" Fleischmann (R-TN); Jeff Fortenberry (R-NE); Kay Granger (R-TX); John Thomas "Tom" Graves, Jr. (R-GA); Andrew P. "Andy" Harris, USNR (R-MD); Jaime L. Herrera Beutler (R-WA); Evan H. Jenkins (R-WV); David P. "Dave" Joyce (R-OH); John Moolenaar (R-MI); Daniel Milton "Dan" Newhouse (R-WA); Steven McCarty Palazzo, CPA, ARNG (R-MS); Martha (Dubina) Roby (R-AL); Thomas Joseph "Tom" Rooney (R-FL); Michael K. "Mike" Simpson (R-ID); Chris Stewart (R-UT); Scott William Taylor (R-VA); David G. Valadao (R-CA); Stephen A. "Steve" Womack (R-AR); Kevin W. Yoder (R-KS); David Edmund Young (R-IA)
Democrats	Nita M. Lowey (D-NY), <i>Ranking Member</i> ; Peter "Pete" Aguilar (D-CA); Sanford D. Bishop, Jr. (D-GA); Matthew Cartwright (D-PA); Katherine M. Clark (D-MA); Henry Cuellar (D-TX); Rosa L. DeLauro (D-CT); Marcia Carolyn "Marcy" Kaptur (D-OH); Derek Kilmer (D-WA); Barbara Lee (D-CA); Grace Meng (D-NY); Chellie M. Pingree (D-ME); Mark Pocan (D-WI); David E. Price (D-NC); Michael B. "Mike"

Quigley (D-IL); Lucille Roybal-Allard (D-CA); "C.A. Dutch" Ruppersberger, III (D-MD); Timothy J. "Tim" Ryan (D-OH); José Enrique Serrano (D-NY); Peter J. "Pete" Visclosky (D-IN); Debbie Wasserman Schultz (D-FL)

## Other Notable Members

**EXIM has broad bipartisan support in both Chambers, in addition to those directly on the Committees of jurisdiction.** While many Senators and Members of Congress have been active on EXIM in recent years, a partial list of those who have been particularly outspoken include:

- **Senators:** Cantwell(WA), Shaheen(NH), Klobuchar(MN), Manchin(WV), Blunt(MO), Portman(OH), Murray(WA), Kaine(VA), Coons(DE)
- **Representatives:** Hoyer (MD-05), Pelosi (CA-12), Cartwright (PA-17), Heck (WA), Dent (PA), Kinzinger (IL-16), Newhouse (WA-04), Poe (TX-02), Collins (NY-27), Reed (NY-23), Sessions (TX-32)

## Reports and Other Communications

**EXIM is required by statute to submit various reports to its authoring committees and the committees on appropriations.** This include its annual report (typically submitted in January), the competitiveness report (typically submitted in June), its Congressional Budget Justification (following the release of the President's budget), its Operating Plan (after passage of its appropriations legislation), a report on its pilot program for reinsurance (December), and its sensitive sector list.

**Additionally, it submits on a quarterly basis a default report and its Dual-Use Transactions/Munitions List Items Not Put to Military Use.**

**Furthermore, various transactions under consideration by EXIM's Board of Directors may have their own separate reporting requirements.** Separate reporting requirements may include nuclear transactions, those with a value of greater than \$100 million, those that are subject to dual-use restrictions, as well as those that trigger economic impact analysis.

## Budget Request and Appropriations

**The Office of Congressional and Intergovernmental Affairs works closely with other EXIM offices, including the Office of the Chief Financial Officer, to ensure timely delivery of the Congressional Budget Justification and to monitor the Appropriations process.** OCIA informs senior staff about developments with the appropriations legislation and responds to committee and congressional inquiries about its Congressional Budget Justification. As issues arise throughout the appropriations process, OCIA remains in close contact with relevant Committee staff to ensure clear communication about the potential impact budgetary figures and legislative language would have on EXIM operations.

## Reauthorization and Other Legislation

**The Office of Congressional and Intergovernmental Affairs closely monitors legislation moving through the Senate Banking Committee and House Financial Services Committee to identify potential impacts to EXIM operations.** OCIA then works with various divisions within the Bank, particularly the Office of General Counsel, to further determine the implications for the Bank. The authorizing Committees tend to initiate legislation related to the extension of EXIM's Section 7 authority and OCIA closely monitors any such developments and shares with relevant offices within the Bank.

## Hearings and Testimony

**From time to time, Congressional Committees may hold a hearing and invite EXIM officials to testify.** The Office of Congressional and Intergovernmental Affairs coordinates the development of testimony and the preparation for potential questions that may arise throughout the course of the hearing. OCIA also monitors hearings that may not directly feature EXIM officials, but may have bearing on the Bank or in which the Bank may be discussed.

## Education and Outreach

**The Office of Congressional and Intergovernmental Affairs leads efforts to inform Members of Congress and their staff about EXIM's mission and the role that it plays in supporting exports from businesses of all sizes across the country and in their own region.** Additionally, Congressional offices occasionally inquire about individual transactions, constituent companies, or other public policy issues. OCIA directly communicates with Congressional offices and also works with the Office of Communications to develop materials to effectively communicate with these offices.

**Additionally, some Congressional offices may express interest in hosting events with EXIM officials to inform their constituents about export finance opportunities that are available to them through the Bank.** OCIA coordinates events featuring Senators or Members of Congress with senior EXIM officials, the Office of the Senior Vice President for Small Business, and the Office of Communications.

## EXIM Board of Directors & Senate Confirmation

**EXIM has a five-member Board, which is currently required by statute to have three members to constitute a quorum.** In January President Obama renominated Claudia Slacik to serve a term through January 2019. Her paperwork is expected to be resubmitted to the committee shortly.

**OCIA works with nominees during the confirmation process.** Once nominees are named to fill vacancies on EXIM's Board, OCIA will work with the nominees to facilitate the submission of the necessary paperwork to

the Senate Banking Committee and prepare them for meetings with Senators and in preparation for their confirmation hearings.

## Intergovernmental Affairs

**Intergovernmental outreach and education at the state, regional, and local levels supports overall EXIM business development and partnerships as well as OCIA divisional goals of confirmation of EXIM Board Members and future EXIM congressional reauthorization.** OCIA works with several organizations representing state and local elected and appointed officials. Outreach to these groups provides opportunities for EXIM to educate and inform these officials about the services the Bank can provide to businesses to increase export sales and maintain and create jobs. OCIA works with these organizations to secure participation by EXIM senior leadership or staff at relevant meetings and conferences both in DC and throughout the country.

### U.S. Conference of Mayors

President – Oklahoma City, OK Mayor Mick Cornett (R)  
 Vice President – New Orleans, LA Mayor Mitch Landrieu (D)  
 Second Vice President – Columbia, SC Mayor Steve Benjamin (D)

### National Governors Association

Chair – Virginia Governor Terry McAuliffe (D)  
 Vice Chair – Nevada Governor Brian Sandoval (R)  
 Economic Development and Commerce Committee Chair – Colorado Governor John Hickenlooper (D)  
 Economic Development and Commerce Committee Vice Chair – Maryland Governor Larry Hogan (R)

### National Association of Counties

President – Leon County, FL Commissioner Bryan Desloge (R)  
 First Vice President – Tarrant County, TX Commissioner Roy Charles Brooks (D)  
 Second Vice President – San Diego County, CA Supervisor Greg Cox (R)

### National League of Cities

President – Joplin, MO Councilmember Melodee Colbert Kean (D)  
 First Vice President – Cleveland, OH Councilmember Matt Zone (D)  
 Second Vice President – Little Rock, AR Mayor Mark Stodola (D)

## XVI. Communication to External Stakeholders

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The Office of Communications is responsible for outreach and marketing for EXIM to key stakeholders and audiences domestically and globally to articulate EXIM's mission of supporting U.S. jobs through exports.

### Overview

Communications is comprised of four areas: Public affairs/Media relations, External Affairs, Digital Engagement and Marketing. In addition, the speechwriting and press secretary functions are an essential part of the Communications team to support the Office of the Chairman.

The Public Affairs Section fields and answers media queries; coordinates and monitors interviews; contrives, vets, and executes roll-out plans and other media campaigns; composes, vets, and distributes press releases; and devises media guidance for EXIM decision-makers. Additionally, the section drafts speeches for board members; packages slide shows and other presentations for board members and EXIM executives; and ghostwrites and/or reviews material penned by EXIM executives destined for publication. The section also spearheads the production of the Annual Report.

The External Affairs team develops domestic and international thought leadership opportunities for the Office of the Chairman, senior leadership and division staff. External Affairs is also responsible for cultivating relationships with external stakeholders and overseeing logistics for EXIM events such as global access forums, small business roundtables and the EXIM signature event, the EXIM Annual Conference. The team utilizes trackers for stakeholder engagement, thought leadership, and events (project task lists) to measure progress.

The Digital Engagement team develops content for and manages EXIM's official social media accounts, including LinkedIn, Facebook, Twitter, and YouTube. DE is also the Product Owner of and manages the business side of EXIM.gov. IMT is responsible for implementing standard content updates and performing any technical work, while DE provides guidance on the business needs which drive technical work which are not part of systems administration. Metrics for social media and EXIM.gov are reported on quarterly, and tracked against year-end goals in the Communications Dashboard.

The Marketing team is responsible for implementing the agency branding and increasing awareness of EXIM among its many stakeholders through the development of collateral support materials for clients inside EXIM. Projects vary from graphic design and publications management to brochure development, email marketing and video production.

# Signature Products and Events

## Annual Conference

**EXIM hosts its Annual Conference each spring, which serves as EXIM's marquee event.** The two-day conference attracts more than 1,100 participants consisting of exporters, business leaders, policy-makers, foreign investors, foreign trade partners, financial institutions, government officials and the media. The program is comprised of a main stage component, consisting of plenaries, keynote addresses and one-on-one interviews, as well as break-out sessions on a range of topics. During the conference, EXIM and external groups also host business meetings and networking events

## Competitiveness Report

**The calendar year (CY) Competitiveness Report compares the programs and financing levels of EXIM with other export-credit agencies (ECAs) around the world.** This report is required to be submitted to Congress by June 30 of each year. EXIM's Office of Policy Analysis and International Relations researches and produces the content. The Office of Communications coordinates the professional design of the report and the online posting. The CY 2016 Competitiveness Report will be produced in the spring of 2017 in coordination with the Office of Policy Analysis and International Relations.

## Other Events

**Global Access Forums (GAFs):** Global Access Forums (GAFs) are half day seminars organized by the external affairs team with help from the small business regional staff.

**Small Business Exporter Round Tables:** Are events hosted, sometimes with partners for small business exporters in a round table discussion on EXIM Products and services for local companies and minority and women-owned businesses.

**Annual Report:** <http://www.exim.gov/news/exim-bank-releases-its-fy-2016-annual-report>.

# XVII. Crisis and Emergency Management

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## Order of Succession

**The order of succession is prescribed by the Charter, EXIM's By-Laws, Continuity of Operations Plan (COOP and the Vacancies Reform Act).** The COOP is required by the National Continuity Policy Homeland Security Presidential Directive-20 and the National Security Presidential Directive-51.

Pursuant to Section 3(b) of the Charter, the First Vice President of EXIM shall serve as the President of EXIM during the absence or disability of or in the event of a vacancy in the office of the President of EXIM.

Pursuant to the Bylaws, in the event of vacancies in the offices of the President and First Vice President (unless the President of the United States has designated an Acting President of EXIM), the Director with the most seniority is automatically authorized to perform the duties of the President and chief executive officer of EXIM, until an Acting President is designated or a President or First Vice President is qualified.

The President of the United States is also authorized to appoint an Acting President and Acting First Vice President under the Federal Vacancies Reform Act, 5 U.S.C. § 3345 et seq. when there are vacancies in either or both of those offices.

In the event: (a) the offices of President and First Vice-President are vacant; (b) there are no duly qualified members of the Board of Directors; and (c) the office of the Executive Vice President, Chief Operating officer is vacant, then the Chief Risk Officer and others designated in Section 8.1 of the COOP are authorized to perform all the functions and duties and to exercise all of the powers of President of EXIM.

## Emergency Response Plan

**The EXIM continuity program comprised of Continuity of Government (COG) and Continuity of Operations (COOP) programs to ensure:**

1. Ensure EXIM can continue to perform mission essential functions, and support national essential functions (see the EXIM COOP Plan);
2. Ensure readiness by addressing all programmatic elements of a continuity and emergency response program;
3. Ensure that the requirements established in NSPD 51/HSPD 20, Executive Order 13618, and the program elements specified in FCDs 1 and 2 are addressed and;
4. Address preparedness and response to infectious disease/pandemic influenza and cyber events;

**The Point of Contact for the for EXIM's COG/COOP program is:**

Selma Hamilton, Director, Security Services

Office Phone: 202-565-3313, Work Cell: 202-731-6502, Email: selma.hamilton@exim.gov

## XVIII. Administrative Information

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### Security and Access

**For access to the Lafayette Building, all visitors must possess a valid government-issued identification.** Upon entering the building, visitors must go through the security screening process. Once completed, visitors will then proceed to the Guard Desk to receive their visitor badge. After receiving their badge, visitors will proceed to the waiting area for an escort.

### Technology Overview and Policies

#### Help Desk

**Information Management Technology (IMT) Support and Assistance:** The EXIM Information Technology Help Desk team is available Monday-Friday from 7:30am to 5:30pm. The Help Desk can be reached by calling 202-565-3990 or by emailing [helpdesk@exim.gov](mailto:helpdesk@exim.gov). Employees can also visit the Help Desk by visiting Room 964 on the 9th floor at EXIM HQ.

#### Equipment Provision

**EXIM employs state of the art technology, including Office 365, Skype for Business Video Conferencing, Cisco Voice over Internet Protocol (VoIP) phones, and a Cloud-based and on-site suite of applications to support its staff and to facilitate the completion of its goals.** Incoming or transitioning-to-EXIM employees will receive the following equipment upon their arrival at EXIM:

- Windows laptop
- Desktop monitor
- Cisco VoIP phone
- RSA token
- Mobile phone (if business or job function requires one—pending manager's approval)

#### Limited Personal Use

**EXIM has a limited personal use policy.** This means incidental personal use of agency equipment is permitted (e.g., you may use your agency phone to call a family member or make an appointment, you can check the open/close times for a store you need to visit on the agency computer's internet browser.) While limited personal use is permitted, all activity on agency systems is monitored and there is no right to privacy. Due to past observations of problems defining the boundaries of limited personal use, we respectfully recommend that personnel use their own equipment (e.g., your personal smartphone) to conduct personal business. A guest wireless network is available inside EXIM building that may be used by visitors and for limited personal use. The network name is "EXIMGuest"; Username: eex; Password: exim811

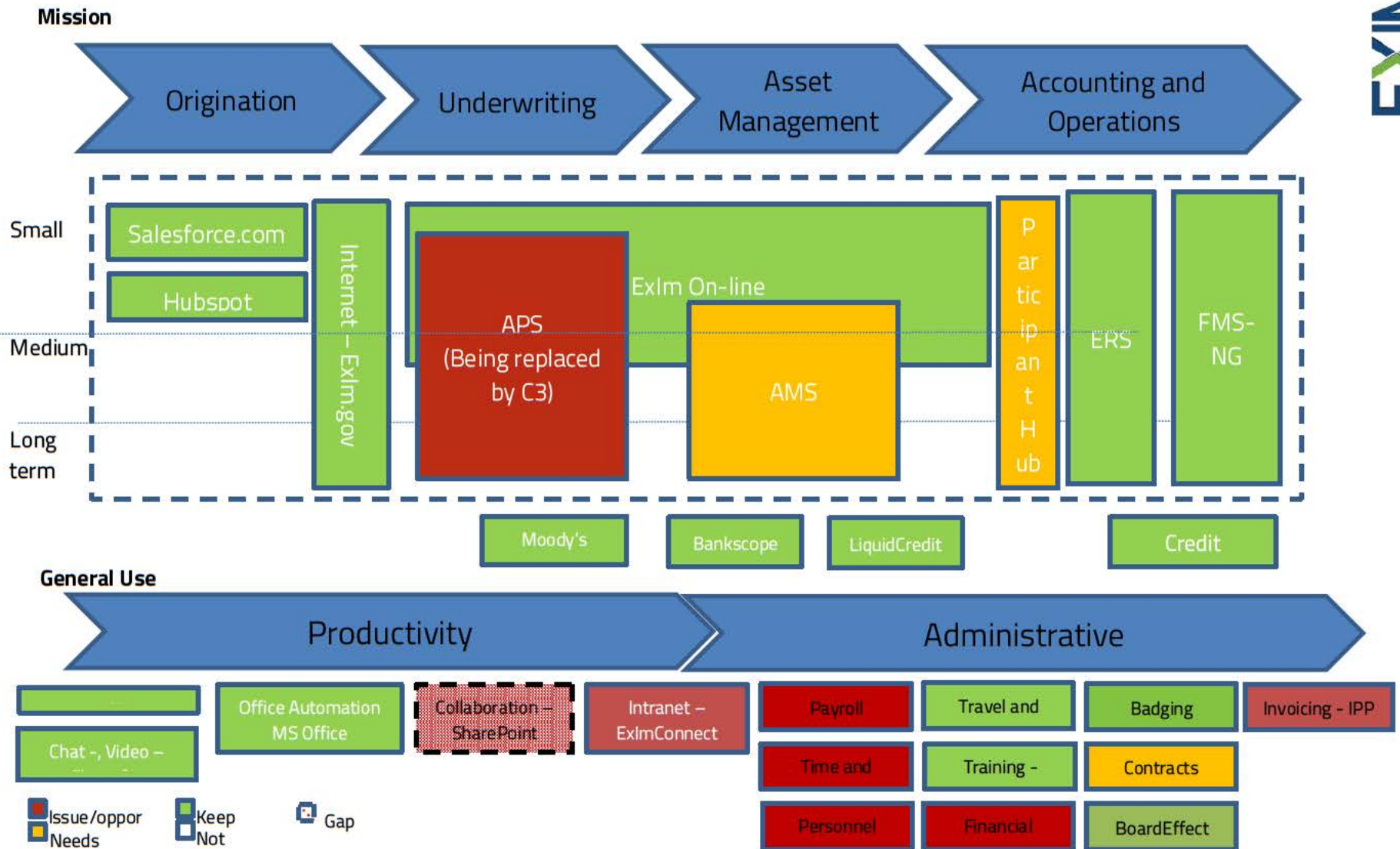
## EXIM Network Access and Compliance

**As a federal agency, EXIM adheres to all Federal Government guidelines and procedures regarding IT Infrastructure:**

- All users are required to complete the initial EXIM Security Awareness Training;
- PIV access— EXIM utilizes Personal Identity Verification (PIV) cards for login to EXIM laptops and desktops. Individuals must visit the EXIM Security Office in order to receive a PIV card. PIV cards are required for Virtual Private Network (VPN) use;
- There are a number of policies to which federal and EXIM employees are subject. The following items are the most frequent recommendations or rules we think are helpful to highlight to new federal or EXIM employees:
  - We recommend keeping personal computing separate from your agency computing. A personal smart phone with access to your personal computing is an easy way to do this;
  - Agency work must be done on agency systems. For example, personal e-mail may not be used to conduct Government business (e.g., Hotmail, Google Mail, Yahoo! Mail, etc.). Do not remove agency data from agency systems;
  - There is no right to or expectation of privacy while using any EXIM IT system at any time, including accessing the Internet, using email, or limited personal use;
  - Users may not install any personally-owned or other software not approved and licensed by IT on EXIM workstations;
  - Most tools are available 24/7 but our support desk is only available Mon-Friday 7:30 am to 5:30 pm – plan ahead and contact the helpdesk if you are expecting out-of-hours critical activity or foreign travel;
  - Conduct yourself as if everything you do on an agency system is going to be reported in the press. There are substantial transparency requirements for federal agencies and few exceptions that allow the agency to prevent electronic records from becoming public;
  - Data from agency systems should not be shared outside the agency without proper vetting – data should be vetted by data owners prior to release (e.g., financial figures must be reviewed by CFO).

## IT Systems at EXIM

**The graphic below gives a high level overview of the suite of applications we run at EXIM and the business applications in each area.** The major suites of applications align into: 1) Mission-oriented systems that support the banking process; 2) Personal Productivity applications that are oriented to every employee's general computing needs like Microsoft Office; and 3) Administrative Applications that handle general administrative chores like payroll.



Within the mission suite of applications, we break the banking process into four major sub-processes:

## 'Origination'

**'Origination' systems are oriented towards identifying and reaching out to customers, as well as allow customers who have an interest in EXIM's products and services to reach out to us.** These applications also help in getting the word out about EXIM and provide access to basic EXIM information. The key applications in this space are:

- **Salesforce** — a cloud-based 3<sup>rd</sup> party software that we use for lead tracking and follow-up. This is used extensively for our small-business products;
- **Hubspot** — a cloud-based 3<sup>rd</sup> party software for managing internet-based outreach campaigns. This is used extensively for our small-business area;
- **Exim.gov** — the public-facing website oriented to serving the needs of EXIM customers. Access to information in order to learn about EXIM's products and obtaining assistance with financing ideas are prominently featured in our Exim.gov implementation.

## Underwriting

**'Underwriting' systems focus on taking an application for an EXIM product like a loan or guarantee and the handling of internal decision-making whether to do business with a customer.** The key applications in this space are:

- **EXIM Online** — EXIM proprietary e-commerce platform. For certain products, like receivable guarantees, our customer or designated lenders can submit applications and have their applications underwritten within this platform;
- **APS** — the Application Processing System, which is where we manage our most complex, high-value, low volume product applications. The current system is over 20 years old and internal-facing only. APS is currently slated to be replaced by "C3" - a new system that will allow applicants to interact with EXIM electronically in the application process.

## Asset Management

**'Asset Management' systems focus on the point at which a loan or guarantee is made and the customer/product is on-boarded until the end of the relationship:**

- **EXIM Online** — in addition to taking applications on-line, EXIM online handles a number of post-on-boarding transactions and monitoring activities for our high-volume products like receivables guarantees;
- **AMS** — the Asset Management System, a proprietary internal system. The primary users of this system are the Asset Management Division (AMD) within the Office of the Chief Financial Officer. In this system, the AMD follows assets and identifies and addresses problem credits; in addition, the system supports the risk rating and yearly re-valuation of EXIM's portfolio.

## Accounting and Operations

**'Accounting and Operations' systems represent the accounting, administrative and reporting activities that result from our core banking activity:**

- **Participant Hub** — the commercial software that allows EXIM to manage all the participants to a transaction. Participants to a transaction are borrowers, insured, guarantors, exporters, importers, etc. Participant Hub talks to a number of EXIM's systems so that we have a single, comprehensive, and coordinated view of EXIM participants;
- **ERS** — the Enterprise Reporting System is EXIM's Data warehouse. It is based on commercial data warehouse and reporting software;
- **FMS-NG** — the Financial Management System – Next Generation, a cloud-based loan servicing and general ledger system from a commercial vendor with enhancements to support federal accounting standards.

## Personal Productivity

**Personal Productivity** — EXIM's personal productivity applications are primarily the Microsoft tool-set including Outlook e-mail, Microsoft Word, Powerpoint and Excel, SharePoint and Skype for Business. In addition, we run the cloud versions of these tools so they can be accessed remotely without the need to carry a company computer.

## Administrative

**Administrative Applications** — EXIM's administrative applications are almost exclusively federal service-center based or federal package software. While the IT team orchestrates access to these applications and provides general oversight from an information assurance perspective, the actual functional know-how for these applications typically resides within the function (e.g., HR, CFO)) and their respective service providers.

## Major IT Projects

**APS Replacement:** The APS application (Application Processing System) is the last major legacy system dating from over 20 years ago that is currently undergoing modernization. The APS system supports the processing of EXIM's most complex loan or guarantee applications for long term and working capital deals. The replacement system is called C3. The new system will allow us to interact with applicants electronically and provides for the digital submission of the majority of the application forms and data. The project is scheduled to complete for working capital in the first half of 2017 and for Long term in the first half of 2018.

**AMS – take asset management to the next level:** the legacy AMS system was replaced by a new system of the same name in 2015. The goal of that replacement was the transition of the old application to a modern computing platform. In 2016 and 2017, our focus is to add new asset management features and capabilities

that were not part of the technically-oriented upgrade. This includes enhanced data and analytical capabilities and visualizations and workflows.

**Continue to Improve Data Quality:** This initiative is focused on IT’s participation in a broad, cross-functional EXIM initiative to improve the quality of EXIM data. In addition to technical work, this program focuses on data governance, business process design, out-reach and education to improve the ability of EXIM personnel to effectively and reliably use EXIM data.

**Implement Re-authorization Act Requirements:** As part of EXIM’s 2016 re-authorization, a number of requirements were added to the Charter that generates the need for IT work. One key element is the call in the Charter to continue to improve EXIM’s ability to interact with its customers electronically.

**Improve Administrative Applications:** There are a number of administrative applications used by EXIM that are critical to day-to-day operations. Almost exclusively, these applications are provided through federal agency service centers (payroll, invoice submission, training) and package software designed for use in the federal space (travel and expense, procurement). Making these sometimes disjointed capabilities work together effectively is the major focus of this initiative, as well as migrating to new service providers as the federal shared service system evolves. The major projects in this initiative in 2017 are the moving of payroll to the Department of Interior service center and the implementation of a procurement module that is integrated with the financial system.

**Refine, Drive, Support Collaboration Strategy:** During the review of EXIM’s IT strategy in 2015, we identified that EXIM had a substantial requirement in a space called “collaboration software”. This includes everything from the ability to share your desktop with a colleague, to on-line meetings and document repositories like SharePoint. In 2016, this initiative implemented Skype for Business at EXIM. In 2017 and 2018, the focus will be on extending our SharePoint in the cloud capabilities.

**Long-term infrastructure Strategy:** While EXIM has recently completed an upgrade to its infrastructure, we recognize that a clear roadmap of how infrastructure will develop moving forward is needed to prevent falling back into an obsolete status. This initiative focuses on servers, desktops and network capacities and lays out a rolling three-year roadmap of major maintenance and upgrades that are required to keep our infrastructure current.. In 2017, we expect to (b) (5) We will also planning to initiate a project to study moving our DR data center to the cloud.

**Enhance IT Security – Information System Continuous Monitoring (ISCM):** The requirements for state of the market information security are advancing rapidly and subject to substantial federal compliance and oversight. In late 2016, we completed our migration to Department of Homeland Security (DHS) required technology for the security monitoring of all internet traffic coming into or out of EXIM (otherwise known as MTIPS and Einstein 3A). In 2017, we will be focusing on the implementation of our ISCM technology suite which provides advanced capabilities to monitor EXIM’s IT in real-time and to identify and respond in near-real-time to concerns, threats and attacks. EXIM was recently designated to be in the first cohort of government agencies to work through this process.

## Floor Plans

**EXIM is currently housed on floors 8-12 of the Lafayette Building at 811 Vermont Avenue NW.** The main entrance is on Vermont between H and I streets, with the car garage entrance on H street between Vermont and 15<sup>th</sup> Street.

### 12<sup>th</sup> Floor:

- Office of the Chairman
- Office of Congressional and Intergovernmental Affairs
- Office of Policy Analysis and International Relations
- Office of Innovation and Performance
- Office of the Vice Chair
- Board of Directors

### 11<sup>th</sup> Floor:

- Office of the Chief Banking Officer / Export Finance
- Office of Business and Product Development
- Office of Resource Management
- Admin and Security

### 10<sup>th</sup> Floor:

- Office of Resource Management
- Office of the Inspector General
- Operations

### 9<sup>th</sup> Floor:

- Office of Risk Management
- Office of Small Business
- Office of Information Management and Technology

### 8<sup>th</sup> Floor:

- Office of the Chief Financial Officer
- Office of the General Counsel
- Office of the Chief Banking Officer / Export Finance

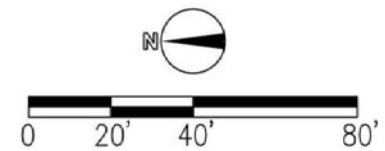
*See the following pages for the floor plans that highlight where the offices are located:*

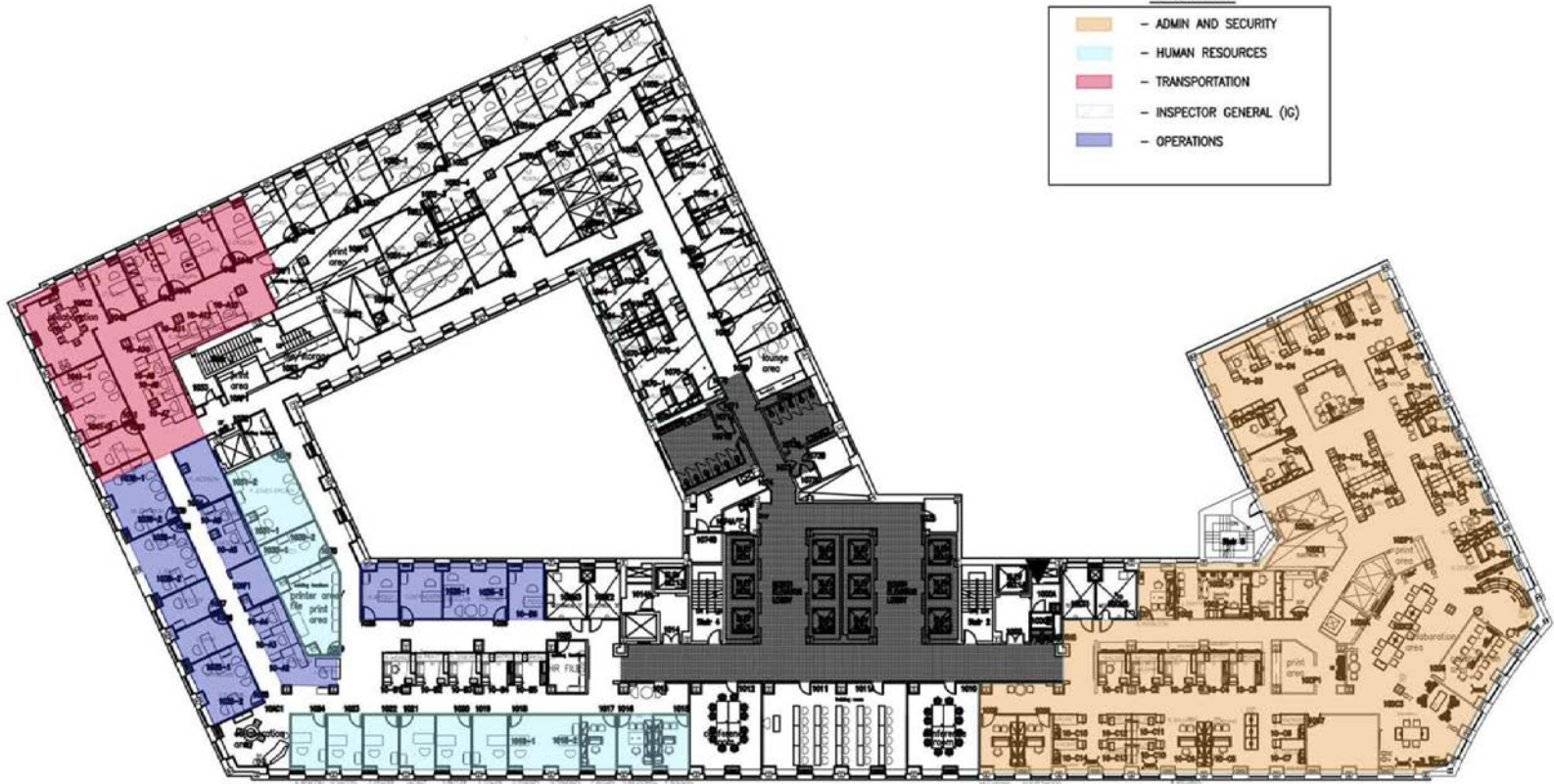


<p>DESIGNER: CAN</p> <p>DATE: 10/06/2016</p> <p>SCALE: 1:40</p> <p>PROJECT NUMBER: MODERNIZATION</p>	<p><b>EXIM</b> EXPORT-IMPORT BANK OF THE UNITED STATES</p> <p><i>Reducing Risk. Unleashing Opportunity.</i></p>	<p>811 VERMONT AVENUE, NW, WASHINGTON, DC 20571 (202)565-XXXX</p>
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**Reducing Risk, Unleashing Opportunity.**



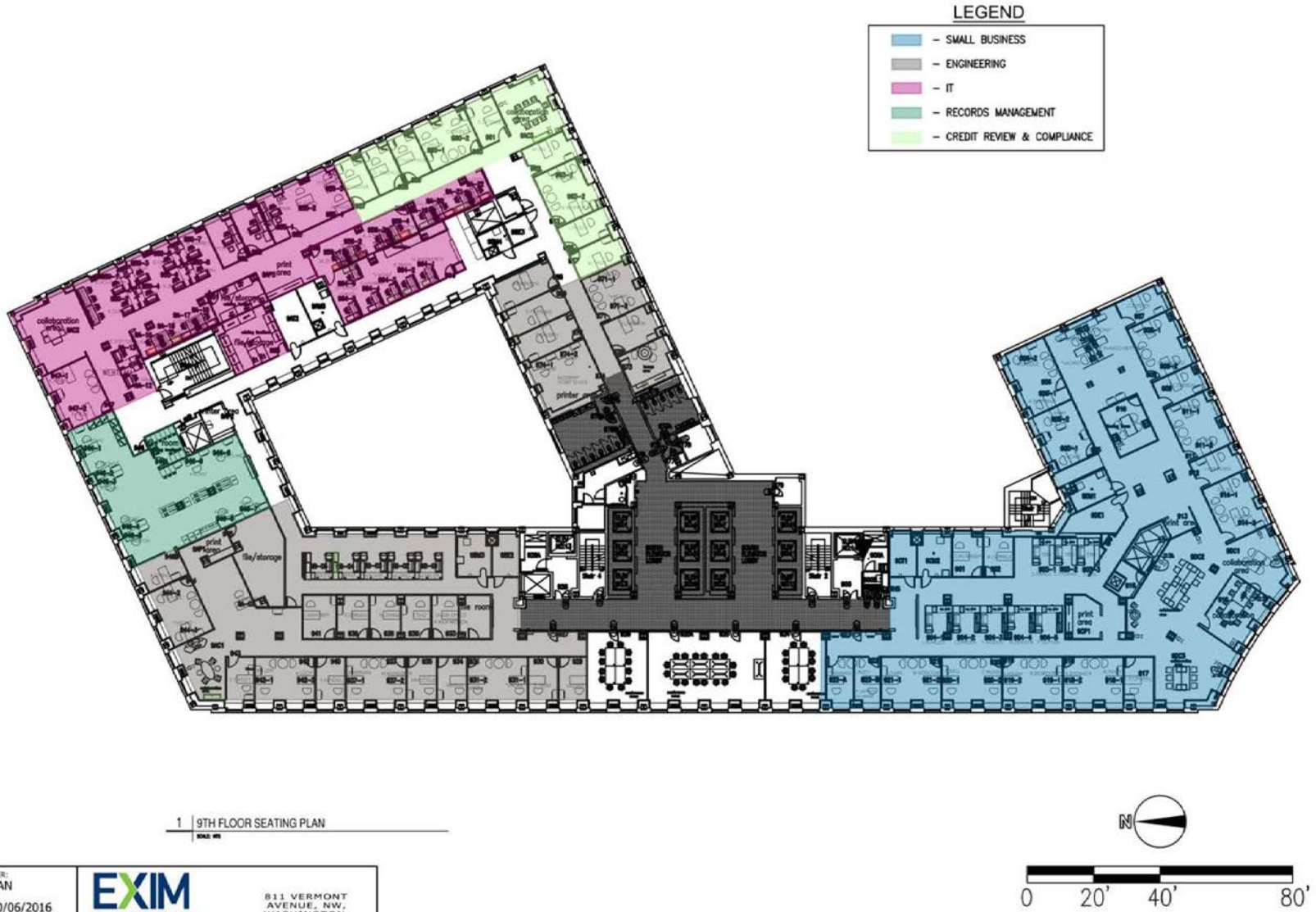


1 | 10TH FLOOR PLAN  
FLOOR PLAN UPDATED ON 09/19/2016

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10/06/2016  
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PROJECT NUMBER:  
MODERNIZATION



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DATE:  
10/06/2016  
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1 | 8TH FLOOR SEATING PLAN  
FLOOR PLAN UPDATED ON 09/21/2016

DESIGNER:  
CAN  
DATE:  
10-12-2016  
SCALE:  
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PROJECT NUMBER:  
MODERNIZATION



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*Reducing Risk. Unleashing Opportunity.*