

香港特別行政區政府

商務及經濟發展局  
工商及旅遊科

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COMMERCE, INDUSTRY AND TOURISM BRANCH  
**COMMERCE AND ECONOMIC  
DEVELOPMENT BUREAU**

GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

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12 May 2011

Ms Miranda Hon  
Clerk to the Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 56)  
Hong Kong Export Credit Insurance Corporation (ECIC)**

Thank you for your letter dated 19 April 2011.

Based on the information available from relevant websites and documents accessible to the public, we have examined the operations of export credit agencies (ECAs) in 10 different countries in the Asia Pacific, Europe and North America. All of these ECAs, except for the one in Singapore which has been privatized in 2003, are 100% owned by the respective governments and are members of the Berne Union which is the leading international organisation of public and private sector providers of export credit and investment insurance.

The listed ECAs are established in different forms, e.g. as government departments, public corporations, banks or as a publicly listed company. However, none of them have functions which are identical to the ECIC. All offer products and services (including loans, project financing, investment insurance and banks guarantees) wider than the

ECIC. A table comparing the products and services offered by the ECIC and the other ECAs, and a description of their governance structure is at **Annex**. It is noted that the ECA in New Zealand which performs functions most similar to the ECIC has an advisory board structure.

In view of the more focused services offered by the ECIC, we consider that the present governance structure of the ECIC is appropriate.

A Chinese translation of our response is attached as requested. Soft copies have been sent to you separately. If you have any enquires, please feel free to contact the undersigned or Mr Cyril Leung at 2918 7473.

Yours sincerely,



( Mrs Candy Yeung )  
for Secretary for Commerce and Economic Development

c.c. Commissioner, Hong Kong Export Credit Insurance Corporation  
(fax no. 2311 8446)  
Secretary for Financial Services and the Treasury (fax no. 2147 5239)  
Director of Audit (fax no. 2583 9063)

**ECIC and 10 Overseas Export Credit Agencies (ECA)**

Name of Economy/Country		Governance Structure	Products and Services Offered										
Name of ECA			A <sup>1</sup>	B <sup>2</sup>	C <sup>3</sup>	D <sup>4</sup>	E <sup>5</sup>	F <sup>6</sup>	G <sup>7</sup>	H <sup>8</sup>	I <sup>9</sup>	J <sup>10</sup>	K <sup>11</sup>
1.	Hong Kong  Hong Kong Export Credit Insurance Corporation (ECIC)	Advisory Board of a Statutory Body <ul style="list-style-type: none"><li>Set up under the ECIC Ordinance, to advise the ECIC in the conduct of its business since 1966. The Advisory Board consists of nine members from different industries such as manufacturing, banking, insurance, services, import and export, an official from CEDB and ex-officio representing Trade Development Council and the office of the Commissioner of Insurance.</li></ul>	✓	✓									
2.	New Zealand  New Zealand Export Credit Office (NZECO)	Advisory Board of a Government Department <ul style="list-style-type: none"><li>Founded in 2001, the NZECO Advisory Board consists of three members from the business sector. It advises New Zealand's Secretary to the Treasury on issues such as the operation and performance of the NZECO, the effectiveness of risk management strategies and auditing and reporting requirements. All transactions are assessed by NZECO's underwriters and then recommendations are made to the NZECO Advisory Board. If a transaction is accepted by the NZECO Advisory Board, a recommendation is made to the Secretary to the Treasury (or delegate) to approve a transaction.</li></ul>	✓	✓				✓					

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3.	United Kingdom  Export Credits Guarantee Department (ECGD)	Management Board of a Government Department <ul style="list-style-type: none"><li>Founded in 1919, the ECGD is a separate department of the UK Government, responsible to the Secretary of State for Business, Innovation &amp; Skills. The Board is made up of a non-executive chairman, five non-executive directors and five executive directors including the Chief Executive of the ECGD. While the ECGD Management Board advises and supports the Chief Executive in operating the ECGD, it is accountable to the Secretary of State for Business, Innovation &amp; Skills for overseeing the work of the Chief Executive and the senior management team.</li></ul>	✓	✓	✓			✓				✓	
4.	Australia  Export Finance and Insurance Corporation (EFIC)	Board of Directors of a Public Corporation <ul style="list-style-type: none"><li>Founded in 1957, the EFIC is governed by a Board of nine members. Apart from the Managing Director, who is a full time employee appointed by the Board after consulting the Minister for Trade, all Board members are non-executives appointed by the Minister. The majority of the Board members is from the private sector, with the Secretary of the Department of Foreign Affairs and Trade representing the Australian Government. The Board is responsible for the corporate</li></ul>	✓	✓	✓	✓	✓	✓					✓

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		governance of the EFIC and oversees its operations, which include formulating strategies, defining risk appetite, monitoring performance, making decisions on capital usage and making dividend recommendations to the Government.											
5.	Canada  Export Development Canada (EDC)	Board of Directors of a Public Corporation <ul style="list-style-type: none"><li>Founded in 1944, the Board is responsible for the strategy and management of the EDC. It oversees the EDC's strategic direction, as outlined in its Corporate Plan, to ensure that it meets its public policy objectives in the most effective manner. The Board reports to Parliament through the Minister for International Trade. The Board has 12 members who are appointed by the Government of Canada, mainly comprising representatives from the private sector. All Board members other than the CEO are non-executives. The allocation of responsibilities between the Board and management is reviewed on a regular basis.</li></ul>	✓	✓	✓	✓		✓					✓
6.	Denmark  Eksport Kredit Fonden (EKF)	Board of Directors of a Public Corporation <ul style="list-style-type: none"><li>Founded in 1996, the EKF's Board of Directors consists of eight members appointed by the Minister for Economic and Business Affairs. Most of the members of the Board of Directors are from the business sector, selected on the</li></ul>	✓	✓	✓			✓	✓			✓	

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		basis of their professional background and knowledge of the market in which the EKF operates. In order to ensure that business and trade policy interests are promoted, the Ministry of Economic and Business Affairs, the Ministry of Finance and the Ministry of Foreign Affairs are represented on the Board.											
7.	India Export Credit Guarantee Corporation of India Ltd ( ECGC)	Board of Directors of a Public Corporation <ul style="list-style-type: none"><li>Founded in 1957, the Board is responsible for the strategy and operation of the ECGC. The Board is presided over by a full time Chairman-cum-Managing Director. The other directors on the Board are non-executives. All appointments to the Board, including that of the Chairman-cum-Managing Director are made by the Government.</li></ul>	✓	✓	✓	✓				✓	✓		
8.	Japan Nippon Export and Investment Insurance (NEXI)	Board of Directors of a Public Corporation <ul style="list-style-type: none"><li>Established in April 2001, NEXI is an incorporated administrative agency and is managed by a Board of Directors of four members, all of whom are the executive officers of NEXI, including the Chairman and CEO, two Vice-Chairman, and one Corporate Auditor.</li></ul>	✓	✓	✓			✓				✓	

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9.	Malaysia  Export-Import Bank of Malaysia Berhad (EXIM Malaysia)	Board of Directors of a Bank <ul style="list-style-type: none"><li>Founded in 1977, the Board of Directors is responsible for policy and strategic issues, the review of financial performance and credit operations. The Board has seven members from the business sector and the government.</li></ul>	✓	✓	✓	✓		✓					✓
10.	USA  Export Import Bank of the United States (US EXIM)	Board of Directors of a Bank <ul style="list-style-type: none"><li>Founded in 1934, the Board of Directors adopts, and may from time to time amend, such bylaws as are necessary for the proper management and functioning of the Bank, and through the bylaws, designates the vice presidents and other officers of the Bank and prescribes their duties. The Board consists of seven members including the President of the Bank as the Chairman of the Board and two ex-officio (Secretary of Commerce and US Trade Representative). Some Board members are appointed by the President of the United States with the advice and consent of the Senate.</li></ul>	✓	✓		✓			✓				✓
11.	Singapore  ECICS Limited (ECICS)	An ex-ECA: Board of Directors of a Publicly Listed Company <ul style="list-style-type: none"><li>The ECICS was originally a public body.</li><li>Founded in 2003, the ECICS is a privately</li></ul>	✓	✓			✓	✓		✓			

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		owned company which provides a broad range of credit insurance and, bonds and guarantees services. Its shares are 100% owned by publicly-listed IFS Capital Limited, a recognized financial institution which specializes in short and long-term financing services. The operation of the ECICS is governed by the Insurance Act Chapter 142 and the Insurance Regulations and the Government has no involvement in its insurance business.											

#### Note

- Export credit insurance protecting exporters against risks of nonpayment for or refusal of shipments by customers overseas due to commercial or political events.
- Guarantees on payment of a debt or performance of some obligations if the performer primarily liable fails to perform.
- Investment insurance covering a number of long-term political risks, potentially affecting the value or performance of an overseas investment. The insurance programmes may differ in different countries but are generally based on the same principle to cover the investor against the political risks in connection with their overseas investment.
- Financing services including direct loans and financing for projects.
- Bonds similar to a bank guarantee.
- Bond insurance protecting the exporter against the risk of unfair calling under a contract guarantee issued in favor of the buyer. The unfair calling cover under the insurance protects the exporter should the buyer's demand in itself be unfair due to political events in that country.
- Export loans to help export companies when foreign buyers are unable to secure credit facilities from banks for purchasing the exporters' products and services.
- Domestic credit insurance covering a wide range of commercial risks including, such as refusal of a customer to pay or accept goods, bankruptcy, insolvency and contract cancellation.
- Export factoring, a form of short term finance where a finance company (the factor) purchases the seller's receivables and assumes the credit risk, either with or without recourse to the seller.
- Project finance insurance, a guarantee solution which may be offered to project suppliers, and their international customers, covering limited recourse lending.
- Project finance in the form of loan disbursements, generally made directly to suppliers and contractors, to support investors and contractors undertaking usually overseas projects in areas such as infrastructure, manufacturing and other developmental projects.