

# POLITICAL RISK AND STRUCTURED CREDIT SOLUTIONS FOR FINANCIAL INSTITUTIONS



Global recession, the credit crisis, increased terrorist activity, political unrest and unpredictable government policies have all contributed to a heightened risk landscape for companies investing, manufacturing and trading overseas. Add to this liquidity and capital constraints for financial institutions and the old adage *too big to fail* is replaced by *too big to save*.

## VALUE CREATION

Marsh's Political Risk and Structured Credit Practice consists of a dedicated group of specialists focused on providing financial institutions with bespoke advice on the mitigation of emerging market credit default and political risks. Our global team of professionals, services commercial and investment banks and multilateral agencies offering in-depth knowledge and understanding of emerging markets and experience in developing a variety of insurance and risk management solutions to suit individual client needs.

In September 2010, the Group of Governors and Heads of Supervision (the oversight body of the Basel Committee on Banking Supervision) announced a substantial strengthening of existing capital requirements, dubbed 'Basel III'. While widely anticipated by banks, the increase in minimum capital (common equity) required puts further pressure on lenders. Our Practice offers banks an alternative risk syndication and distribution option through comprehensive non-payment insurance, protecting the lender against non-payment by the borrower of principal and / or

interest under the insured loan. Structured correctly for eligible banks using the advanced or nonstandard approach, policies can secure some element of regulatory capital relief, while also providing immediate obligor and country limit relief.

- Commodity / pre-export finance
- Trade finance
- Forfaiting
- Export finance
- Project finance
- Fixed income (sovereign and corporate bonds)
- Acquisition finance
- Lease or asset backed financing
- Corporate lending

## OUR EXPERTISE

Financial institutions which acquire emerging market assets (loans or bonds) or which are operating subsidiaries or branches in emerging markets are exposed to both counterparty risk and country risk. The appropriate management of these risks is fundamental to enhancing shareholder returns and to leveraging the bank's balance sheet. Our product offerings for financial institutions include:

- Comprehensive credit default insurance: We arrange insurance protection against loss to our financial institutions clients due to borrower nonpayment under a loan or bond.
- Political risks insurance: We also arrange protection against loss where the borrower nonpayment has arisen due to a defined political risk event, such as war, political violence, terrorism, restriction on remittance of funds and expropriation of borrower's assets.

Coverage is available for both single risk and portfolio programmes, for risks located in all emerging market countries. We offer a full service portfolio which includes programme structuring to match the risk profile, policy wording, placement and syndication, claims management and advocacy and policy administration.

### To find out more:

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## RECENT AWARDS

- Voted "Best Trade Credit & Political Risk Insurance Broker 2010" by the readership of Trade & Forfaiting Review.
- Voted "Best Insurance Broker in Trade Finance" by Trade Finance Magazine (Euromoney) for three consecutive years (2006, 2007 and 2008).
- Awarded "Deal of the Year" in 2006 (for the European Bank for Reconstruction and Development Trade Facilitation Programme) in Trade Finance Magazine and Trade & Forfaiting Review.

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

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