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## Alerts

### The French Parliament Extends the Guarantee of the French State Via COFACE to All French Civil Aircraft

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On 29 December 2012, the French Parliament passed a long-awaited law that significantly extends the support of the French State for the export credit financing of aircraft with French content through COFACE, the French export credit agency. COFACE was previously entitled to grant its 100% financial guarantee backed up by the guarantee of the French State only to Airbus financings. The new law, which will become effective when the implementation decree is issued (expected by the end of March 2013), extends the ability of COFACE to grant such a guarantee to financings for all aircraft with French content, allowing transactions for the financing of ATR, Dassault Falcon, Eurocopter and Sukhoi SuperJet aircraft to benefit from the same full financial guarantee. In addition, the law extends the guarantee of the French State to the financial guarantee by COFACE of notes issued on capital markets to finance or refinance export credit transactions for all such aircraft.

#### Extension of the Guarantee to All Aircraft

Until now only financings for Airbus aircraft were eligible for a 100% unconditional on-demand guarantee by COFACE (backed by the guarantee of the French State). Such a guarantee permits the lending banks to be reimbursed for all payment defaults regardless of the underlying reasons for such default. Financings for other aircraft with French content have heretofore had to rely on traditional export credit insurance based on specified events of loss and subject to limitations as to the amount insured.

Owing to significant pressure from the relevant manufacturers and aircraft financiers, the French Parliament included as Article 84 of the Corrective Finance Law (Loi de Finances Rectificative) of 29 December 2012 dispositions granting the full guarantee of the French State to COFACE, permitting it in turn to grant a full financial guarantee to all transactions involving aircraft with French content.

Article 84 defines the civil aircraft that are concerned as fixed wing aircraft with a take-off weight of more than 10 tons and helicopters with a take-off weight of more than one ton. This effectively includes all ATR, Dassault Falcon and Sukhoi SuperJet aircraft and virtually all Eurocopters.

#### Guarantee of Capital Markets Transactions

The second innovative aspect of the law for French export credit financing is the extension of the guarantee of the French State to COFACE guarantees of entities that have issued notes on capital markets to finance or refinance transactions for the export of aircraft with French content as defined in the law.

The law specifically notes that this measure was adopted to conform French export credit support to the market practices in this area, alluding to the significant number of capital markets transactions in the United States and increasingly in Europe involving export credit support for aircraft. The parliamentary report that recommended the passage of this measure specifically noted that capital markets transactions are particularly important for French banks whose support for export credit transactions for French aircraft have been affected by liquidity constraints.

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