

**TRADE AND AGRICULTURE DIRECTORATE
PARTICIPANTS TO THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT
CREDITS**

CIRR REFORM DRAFTING PROPOSAL

Paris, week of 18 November 2019

This document contains proposed text for incorporating the new CIRR rules presented at the 141st Meeting of the Participants to the Arrangement [TAD/PG(2019)4/PROV refers] into the Arrangement on Officially Supported Export Credits. It is for the consideration of the Participants at their 142nd Meeting to be held on the week of 18 November 2019.

Ms. Juliette SCHLEICH, Export Credits Division, Trade and Agriculture Directorate, OECD
Tel.: +33 (0)1 45 24 17 41; e-mail: Juliette.schleich@oecd.org; cc: Xcred.secretariat@oecd.org.

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CIRR REFORM DRAFTING PROPOSAL

I. Introduction

1. At their 141st Meeting, held on 13 June 2019, the Participants agreed in principle to the compromise proposal for new Commercial Interest Reference Rate (CIRR) disciplines [[TAD/PG\(2019\)4/PROV](#) refers]. The Participants also agreed, in principle, on the proposal to move the current CIRR provisions of the Arrangement into an Annex (Annex A), and to insert the newly-agreed CIRR provisions into another Annex (Annex B), to ensure that the current CIRR provisions remain in effect for the Sector Understanding on Export Credits for Ships (SSU). This document provides a drafting proposal for the consideration of the Participants at their 142nd Meeting.
2. In view of the fact that the new CIRR rules will not come into force until 1 July 2021, in order to avoid any confusion, it is suggested that the Arrangement text be amended sequentially in three stages instead of all at once.
3. In Stage I, all of the existing structural and operational provisions of the CIRR would be grouped together into a new Annex (Annex A). Annex A would be applicable to all standard export credit transactions (Chapter II), and all of the sector understandings other than the Sector Understanding on Export Credit for Civil Aircraft (ASU). The modifications to the Arrangement necessary for this first step would have no impact on substance (see Part II for the proposed draft Annex A and the relevant modifications of the Arrangement text). Article 20 (Construction of CIRRs) would be amended to reference Annex A. Note that the rules on the construction of the differentiated discount rates (Article 40) used to calculate concessionality under the tied aid rules would also reference the new Annex A.
4. Stage II envisions agreement by the Participants on the language of Annex B which would consist of the new CIRR provisions, as well as adding several new definitions to be included to Annex XV (see Part III for a proposed drafting of Annex B and amendments to Annex XV).
5. Finally, Annex B would be introduced into the Arrangement in Stage III, prior to entry into force on 1 July 2021 of the CIRR reform. This incorporation would trigger some changes to the body of the Arrangement; more specifically Article 20 (Construction of CIRRs) would be amended to reference Annex A as governing the construction of CIRRs for the SSU and Annex B for all other transactions other than Annex I (SSU) and Annex II (ASU). This incorporation would also require some modifications to Annex A, as all the specific CIRR provisions relating to Annexes II, IV, V, and VII would need to be removed (see Part II for details concerning the affected language).
6. This staged approach clearly achieves the outcome sought by the Participants (*i.e.* new CIRR rules taking force as from 1 July 2021 for all but ASU and SSU transactions and the current CIRR rules remaining in force for the SSU) without any need for any action to be taken by the SSU Participants.

II. STAGE I – INTEGRATION OF CURRENT CIRR PROVISIONS INTO AN ANNEX (ANNEX A)

a) Amendments to the body of the Arrangement and its Sector Understandings

7. Grouping the current provisions of the CIRR into an Annex would require some changes to the Arrangement body and Annexes II, IV, V and VII which are presented in the text below.
8. In addition to the changes highlighted below, slight adjustments in the numbering of Articles and cross-referencing would be necessary, which will be done once the final text is agreed.
9. Proposed additions to the current Arrangement text are in red and proposed deletions are highlighted using strikethrough.

16. *VALIDITY PERIOD FOR EXPORT CREDITS*

Financial terms and conditions for an individual export credit or line of credit, other than the validity period for the Commercial Interest Reference Rates (CIRRs) set out in **Annex A Article 24**, shall not be fixed for a period exceeding six months prior to final commitment.

20. *CONSTRUCTION AND APPLICATION OF CIRRs*

The CIRR for official financing support provided under the Arrangement and all of its Annexes other than the Sector Understanding on Export Credits for Civil Aircraft (Annex III) is determined and applied according to the provisions of Annex A.

- a) ~~Each Participant wishing to establish a CIRR shall initially select one of the following two base rate systems for its national currency:~~
 - 1) ~~three year government bond yields for a repayment term of up to and including five years; five year government bond yields for over five and up to and including eight and a half years; and seven year government bond yields for over eight and a half years; or~~
 - 2) ~~five year government bond yields for all maturities.~~
- ~~— Exceptions to the base rate system shall be agreed by the Participants.~~
- b) ~~CIRRs shall be set at a fixed margin of 100 basis points above each Participant's base rate unless Participants have agreed otherwise.~~
- c) ~~Other Participants shall use the CIRR set for a particular currency should they decide to finance in that currency.~~
- d) ~~A Participant may change its base rate system after giving six months' advance notice and with the counsel of the Participants.~~
- e) ~~A Participant or a non-Participant may request that a CIRR be established for the currency of a non-Participant. In consultation with the interested non-Participant, a Participant or the Secretariat on behalf of that non-Participant may make a proposal for the construction of the CIRR in that currency using Common Line procedures in accordance with Articles 58 to 63.~~

21. *VALIDITY OF CIRRs*

~~The interest rate applying to a transaction shall not be fixed for a period longer than 120 days. A margin of 20 basis points shall be added to the relevant CIRR if the terms and conditions of the official financing support are fixed before the contract date.~~

22. *APPLICATION OF CIRRs*

- a) ~~Where official financing support is provided for floating rate loans, banks and other financing institutions shall not be allowed to offer the option of the lower of either the CIRR (at time of the original contract) or the short term market rate throughout the life of the loan.~~

- b) ~~In the event of a voluntary, early repayment of a loan or any portion thereof, the borrower shall compensate the government institution providing official financing support for all costs and losses incurred as a result of such early repayment, including the cost to the government institution of replacing the part of the fixed rate cash inflow interrupted by the early repayment.~~

40. *CALCULATION OF CONCESSIONALITY LEVEL OF TIED AID*

The concessionality level of tied aid is calculated using the same method as for the grant element used by the DAC, except that:

- a) The discount rate used to calculate the concessionality level of a loan in a given currency, *i.e.* the Differentiated Discount Rate (DDR), is subject to annual change on 15 January and is calculated as follows:
- The average of the CIRR + Margin
- Margin (M) depends on the repayment term (R) as follows:
- | R | M |
|---|------|
| less than 15 years | 0.75 |
| from 15 years up to, but not including 20 years | 1.00 |
| from 20 years up to but not including 30 years | 1.15 |
| from 30 years and above | 1.25 |
- For all currencies the average of the CIRR is calculated taking an average of the monthly CIRRs valid during the six month period between 15 August of the previous year and 14 February of the current year, **as determined according to the provisions of Annex A**. The calculated rate, including the Margin, is rounded to the nearest ten basis points. If there is more than one CIRR for the currency, the CIRR for the longest maturity as set out in **Annex A Article 20 a)**, shall be used for this calculation.

~~SECTION 6: OPERATIONAL PROVISIONS FOR THE COMMUNICATION OF MINIMUM INTEREST RATES (CIRRs)~~

~~64. COMMUNICATION OF MINIMUM INTEREST RATES~~

- a) ~~CIRRs for currencies that are determined according to the provisions of Article 20 shall be sent by means of instant communication at least monthly to the Secretariat for circulation to all Participants.~~
- b) ~~Such notification shall reach the Secretariat no later than five days after the end of each month covered by this information. The Secretariat shall then inform immediately all Participants of the applicable rates and make them publicly available.~~

~~65. EFFECTIVE DATE FOR APPLICATION OF INTEREST RATES~~

~~Any changes in the CIRRs shall enter into effect on the fifteenth day after the end of each month.~~

66. IMMEDIATE CHANGES IN INTEREST RATES

When market developments require the notification of an amendment to a CIRR during the course of a month, the amended rate shall be implemented ten days after notification of this amendment has been received by the Secretariat.

ANNEX II: SECTOR UNDERSTANDING ON EXPORT CREDITS FOR NUCLEAR POWER PLANTS

CHAPTER II: PROVISIONS FOR EXPORT CREDITS AND TRADE-RELATED AID

4. CONSTRUCTION OF CIRRs

The applicable CIRRs for official financing support provided in accordance with the provisions of this Sector Understanding are constructed using to the following base rates and margins:

Repayment Term (years)	New nuclear power stations ¹		All other contracts ²	
	Base Rate (Government bonds)	Margin(bps)	Base Rate (Government bonds)	Margin(bps)
< 11	Relevant CIRR in accordance with Article 20 of the Arrangement			
11 to 12	7 years	400	7 years	400
13	8 years	420	7 years	420
14	9 years	420	8 years	420
15	9 years	420	8 years	420
16	10 years	425	9 years	420
17	10 years	430	9 years	420
18	10 years	430	10 years	420

5. ELIGIBLE CURRENCIES

The currencies that are eligible for official financing support are those which are fully convertible and for which data are available to construct the minimum interest rates mentioned in Article 4 of this Sector Understanding, and in Article 20 of the Arrangement for repayment terms less than 11 years.

¹ Article 1 a) 1) refers.

² Articles 1 a) 2) to 4) refer.

ANNEX IV: SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RENEWABLE ENERGY, CLIMATE CHANGE MITIGATION AND ADAPTATION, AND WATER PROJECTS

CHAPTER II: PROVISIONS FOR EXPORT CREDITS

7. — MINIMUM INTEREST RATES

A Participant providing official financing support for fixed rates loans shall apply the following minimum interest rates:

Repayment term (years)	Standard minimum interest rates		Minimum interest rates for projects with long construction periods, i.e.: New large hydro-power projects- Appendix II Project Class A- Appendix III Adaptation Projects	
	Government bonds (years)	Margin(bps)	Government bonds (years)	Margin(bps)
< 11	Relevant CIR in accordance with Article 20 of the Arrangement			
11 to 12	7	100	7	100
13	7	120	8	120
14	8	120	9	120
15	8	120	9	120
16	9	120	10	125
17	9	120	10	130
18	10	120	10	130

8. — ELIGIBLE CURRENCIES

The currencies that are eligible for official financing support are those which are fully convertible and for which data are available to construct the minimum interest rates mentioned in Article 7 of this Sector Understanding, and in Article 20 of the Arrangement for repayment terms of less than 11 years.

ANNEX V: SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RAIL INFRASTRUCTURE

CHAPTER II: PROVISIONS FOR EXPORT CREDITS

4. — MINIMUM FIXED INTEREST RATES

A Participant providing official financing support for fixed rate loans shall apply, as minimum interest rates:

- a) For repayment terms of up to and including 12 years, the relevant Commercial Interest Reference Rates (CIRRs) constructed in accordance with Article 20 of the Arrangement.
- b) For repayment terms in excess of 12 years, the relevant Commercial Interest Reference Rates (CIRRs) constructed in accordance with Article 20 of the Arrangement, to which a surcharge of 20 basis points shall be added for all currencies.

*ANNEX VII: TERMS AND CONDITIONS APPLICABLE TO PROJECT FINANCE
TRANSACTIONS*

CHAPTER II: FINANCIAL TERMS AND CONDITIONS

~~4. *MINIMUM FIXED INTEREST RATES*~~

~~Where Participants are providing official financing support for fixed rate loans:~~

- ~~a) For repayment terms of up to and including 12 years, Participants shall apply the relevant Commercial Interest Reference Rates (CIRRs) constructed in Accordance with Article 20 of the Arrangement.~~
- ~~b) For repayment terms in excess of 12 years, a surcharge of 20 basis points on the CIRR shall apply for all currencies.~~

b) Proposed Annex A: Commercial Interest Reference Rate

10. Below is the proposed new Annex A which contains the current provisions on CIRR which can be found in the body of the Arrangement as well in Sector Understandings in Annexes II, IV, V, and VII.

11. The language highlighted in green represents the text that would be deleted after the entry into force of the new CIRR provisions and the incorporation of Annex B into the Arrangement.

ANNEX A: COMMERCIAL INTEREST RATE PROVISIONS

CHAPTER I: GENERAL PROVISIONS

1. CONSTRUCTION OF CIRRs

- a) Each Participant wishing to establish a CIRr shall initially select one of the following two base rate systems for its national currency:
 - 1) three-year government bond yields for a repayment term of up to and including five years; five-year government bond yields for over five and up to and including eight and a half years; and seven-year government bond yields for over eight and a half years; or
 - 2) five-year government bond yields for all maturities.Exceptions to the base rate system shall be agreed by the Participants.
- b) CIRRs shall be set at a fixed margin of 100 basis points above each Participant's base rate unless Participants have agreed otherwise.
- c) Other Participants shall use the CIRr set for a particular currency should they decide to finance in that currency.
- d) A Participant may change its base-rate system after giving six months' advance notice and with the counsel of the Participants.
- e) A Participant or a non-Participant may request that a CIRr be established for the currency of a non-Participant. In consultation with the interested non-Participant, a Participant or the Secretariat on behalf of that non-Participant may make a proposal for the construction of the CIRr in that currency using Common Line procedures in accordance with Articles 58 to 63.

2. VALIDITY OF CIRRs

The interest rate applying to a transaction shall not be fixed for a period longer than 120 days. A margin of 20 basis points shall be added to the relevant CIRr if the terms and conditions of the official financing support are fixed before the contract date.

3. APPLICATION OF CIRRs

- a) Where official financing support is provided for floating rate loans, banks and other financing institutions shall not be allowed to offer the option of the lower of either the CIRr (at time of the original contract) or the short-term market rate throughout the life of the loan.
- b) In the event of a voluntary, early repayment of a loan of or any portion thereof, the borrower shall compensate the government institution providing official financing support for all costs and losses incurred as a result of such early repayment, including the cost to the government institution of replacing the part of the fixed rate cash inflow interrupted by the early repayment.

CHAPTER II: SPECIFIC PROVISIONS

4. CONSTRUCTION OF CIRRs FOR TRANSACTIONS UNDER ANNEX II AND ANNEX IV OF THE ARRANGEMENT

- a) The applicable CIRRs for official financing support provided in accordance with the provisions of the Sector Understandings on Export Credits for Nuclear Power Plants (Annex II) and for Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects (Annex IV) are constructed using to the following base rates and margins:

Repayment Term (years)	New nuclear power stations and Annex IV projects with long construction periods ¹		All other contracts ²	
	Base Rate (Government bonds)	Margin(bps)	Base Rate (Government bonds)	Margin(bps)
< 11	Relevant CIRR in accordance with Chapter I, Article 1 of this Annex A			
11 to 12	7 years	100	7 years	100
13	8 years	120	7 years	120
14	9 years	120	8 years	120
15	9 years	120	8 years	120
16	10 years	125	9 years	120
17	10 years	130	9 years	120
18	10 years	130	10 years	120

- b) The currencies that are eligible for official financing support are those which are fully convertible and for which data are available to construct the minimum interest rates mentioned in Article 4 a) above, and in Article 1 of this Annex A for repayment terms less than 11 years.

5. CONSTRUCTION OF CIRRs FOR TRANSACTIONS UNDER ANNEX V AND ANNEX VII OF THE ARRANGEMENT

A Participant providing official financing support for fixed rate loans in accordance with the provisions of the Sector Understandings for Rail Infrastructure (Annex V) or the Terms and Conditions Applicable to Project Finance Transactions (Annex VII): shall apply, as minimum interest rates:

- a) For repayment terms of up to and including 12 years, the relevant CIRR in accordance with Article 1 of this Annex A.
- b) For repayment terms in excess of 12 years, the relevant CIRRs constructed in accordance with Article 1 of this Annex A, to which a surcharge of 20 basis points shall be added for all currencies.

¹ For new nuclear power plants, Article 1 a) 1) of Annex II refers. For Annex IV, this includes new large hydro-power projects, Appendix II Project Class A, and Appendix III Adaptation Projects.

² For new nuclear power plants, Articles 1 a) 2) to 4) of Annex II refers. For Annex IV, this includes all projects not covered in footnote 1 above.

***CHAPTER III: OPERATIONAL PROVISIONS FOR THE COMMUNICATION OF
MINIMUM INTEREST RATES (CIRRs)***

6. COMMUNICATION OF MINIMUM INTEREST RATES

- a) CIRRs for currencies that are determined according to the provisions of Chapter I of this Annex A shall be sent by means of instant communication at least monthly to the Secretariat for circulation to all Participants.
- b) Such notification shall reach the Secretariat no later than five days after the end of each month covered by this information. The Secretariat shall then inform immediately all Participants of the applicable rates and make them publicly available.

7. EFFECTIVE DATE FOR APPLICATION OF INTEREST RATES

Any changes in the CIRRs shall enter into effect on the fifteenth day after the end of each month.

8. IMMEDIATE CHANGES IN INTEREST RATES

When market developments require the notification of an amendment to a CIRR during the course of a month, the amended rate shall be implemented ten days after notification of this amendment has been received by the Secretariat.

III. STAGES II AND III – ADDITION OF NEW CIRR PROVISIONS INTO ANNEX B AND ITS INCORPORATION IN THE ARRANGEMENT

a) *Proposed Annex B and modifications to Annex XV (List of Definitions)*

12. The following definitions would be added to Annex XV (List of Definitions) upon entry into force of the CIRR reform:

- **Date of Financial Contract (DFC):** the date at which all parties to the Financial Contract are bound, taking into account any entailing legal obligations.
- **Date of Quote (DoQ):** the date at which a CIRR is locked-in.
- **Holding Period:** the period starting at DoQ and ending at DFC.
- **Interest Accrual Period:** the period during which interest accrues (*i.e.*, from first disbursement until the last repayment of principal: drawdown period + repayment period).

13. Below is the suggested new Annex B which encompasses the CIRR provisions agreed to in principle by Participants at their 141st Meeting.

ANNEX B: COMMERCIAL INTEREST REFERENCE RATES

SECTION 1: CONSTRUCTION OF THE CIRR

1. A CIRR shall be established for each Participant's currency, provided that the required data is made available to the Secretariat. A Participant or a non-Participant may request that a CIRR be established for the currency of a non-Participant. In consultation with the interested non-Participant, a Participant or the Secretariat on behalf of that non-Participant may make a proposal for the construction of the CIRR in that currency.
2. Other Participants shall use the CIRR set for a particular currency should they decide to finance in that currency.
3. The CIRR is composed of a base rate and a margin.
4. The minimum CIRR for any currency shall be no lower than 15 basis points.

I. ESTABLISHMENT OF THE BASE RATE

5. CIRR rates shall be calculated monthly and will take effect on the 15th day of each month.
6. CIRR base rates are computed using government bond yields.
7. The maturity of the government bond to be used for each transaction shall be determined according to the following formula: Drawdown Period + 0.5 Repayment Period + 0.5 Repayment Frequency (for standard repayment profiles with semi-annual equal instalments). For transactions with a non-standard repayment profile, the following formula shall be applied: $[\sum_{i=1}^n (t_{li} - t_{sp}) * D_{li}] / \sum_{i=1}^n D_{li} * 1/365$ ¹. The result will be rounded to the nearest year and capped at a maximum of ten years and a minimum of three years.
8. Participants shall compute the bond yields using the mathematical average of all the daily yields of the 3,4,5,6,7,8,9 and 10-year government bonds of the previous calendar month for their respective currencies. Those yields shall be reported to the Secretariat no later than five days after the end of each month and shall be made publicly available on a monthly basis.
9. Participants may use linear interpolation in order to achieve the necessary yields as long as it is within the interpolation region of 2-year government bonds up to and including 15-year government bonds. Extrapolation to a lower or higher bond yield shall not be allowed.
10. In the event where the data for one or more of the necessary government bonds could not be obtained (according to Articles 8 and 9), there will be no CIRR in that currency for transactions requiring such maturities (Article 7 refers) unless the missing data concerns shorter maturities and data for higher maturities (up to 10-years) has been provided. In such event, the yields of the nearest higher government bond shall be used to compute the base rates requiring such shorter maturities.

¹ t_{li} = date of the i_{st} installment; t_{sp} = date of the starting point ; D_{li} = amount paid at the i_{st} installment

II. ESTABLISHMENT OF THE MARGIN

11. The margin shall be calculated on a quarterly basis (respectively on 15 January, 15 April, 15 July and 15 October of each year) according to the five-year swap spread yields.
12. The margin shall be computed using the following formula: $0.5 * (\text{three-month average of daily five-year swap spread yields}) + 80$ basis points. The result shall be rounded to the nearest basis point and capped at a maximum of 120 basis points and a minimum of 80 basis points.
13. The three-month average of the daily five-year swap spreads to be used shall be obtained by calculating the mathematical average of the daily five-year swap spread yields of the last three calendar months in the relevant currencies. They shall be reported to the Secretariat no later than five days after the end of each quarter.
14. In the event where the five-year swap spread is not available for a given currency, the margin shall be set at 100 bps.
15. The resulting margins shall be made publicly available at the beginning of each quarter.

SECTION 2: APPLICATION OF THE CIRR

16. Where official financing support is provided for floating rate loans, banks and other financing institutions shall not be allowed to offer the option of the lower of either the CIRR (at time of the original contract) or the short-term market rate throughout the life of the loan.

I. VALIDITY PERIOD OF CIRR

17. A CIRR may be locked in before, at, or after the Date of Financial Contract (DFC).
18. In the case where a CIRR is locked in and held prior to DFC, the Holding Period shall not exceed 12 consecutive months², the length of the Holding Period shall be decided at the latest at the Date of Quote (DoQ), and an additional spread shall be added to the applicable CIRR according to the table below.

Holding period (in months)	Cost of holding period
1 m hold	20 bps
2 m hold	20 bps
3 m hold	20 bps
4 m hold	20 bps
5 m hold	20 bps
6 m hold	20 bps
7 m hold	23 bps
8 m hold	26 bps
9 m hold	30 bps
10 m hold	34 bps
11 m hold	39 bps
12 m hold	44 bps

² If there is a reset of the CIRR, it resets the countdown for the number of months back to zero.

19. If the Holding Period lapses prior to the DFC, the CIRR rate may be reset immediately or at a later time and held for a new Holding Period. If the signature of the commercial contract (SCC) has occurred prior to the reset, the reset rate shall not be lower than the latest previously quoted rate. There is no limit to the number of times a CIRR may be reset.

20. Any change in the Interest Accrual Period prior to DFC shall trigger a recalculation of the CIRR base rate. Such recalculation shall be based on the new Interest Accrual Period using the base rates in effect at the initial DoQ; it shall not be considered as a reset or a cancellation of the CIRR rate.

II. COMMITMENT FEE

21. A commitment fee shall be charged for direct credits immediately following the DFC if the CIRR was locked in prior to or at DFC, or immediately following DoQ if the CIRR was locked in after DFC.

22. The commitment fee shall be commensurate with the commitment fees charged by private financial institutions for a similar credit provided that such information is available.

III. VOLUNTARY CANCELLATION AND VOLUNTARY PREPAYMENT

23. If a CIRR rate is voluntarily cancelled, any subsequent CIRR rate that is quoted for the same transaction and the same exporter shall be no lower than the latest previously quoted CIRR.

24. Prior to DFC, there is no cost for cancelling a CIRR rate or switching to a floating rate.

25. Once the DFC has occurred and irrespective of when the CIRR was set, in the event of voluntary cancellation or voluntary prepayment of a loan or any portion thereof, the borrower shall compensate the government institution providing official support for all costs and losses incurred as a result of such early prepayment or voluntary cancellation. This includes the costs to the government institution of replacing the part of the expected fixed rate cash inflow interrupted by the early prepayment or voluntary cancellation.

SECTION 3: REVIEW AND TRANSITIONAL AGREEMENTS

26. The provisions set out in this annex shall come into force as of 1 July 2021.

27. The Participants shall undertake a comprehensive review of the CIRR provisions detailed in this annex no later than 1 July 2023.

b) Modified Article 20 upon entry into force of CIRR reform

14. Upon entry into force of the CIRR reform and incorporation of Annex B into the Arrangement text, Article 20 detailing the application of Annexes A and B would need to be amended compared to the version existing when only Annex A would be incorporated.

15. The changes to Article 20 compared to those that would have been required under Stage I are described below: additions are highlighted in red and deletions are highlighted using strikethrough.

20. CONSTRUCTION AND APPLICATION OF CIRRS

a) The CIRR for official financing support provided under ~~the Arrangement and all of its annexes other than~~ the Sector Understanding on Export Credits for **Ships** ~~Civil Aircraft (Annex III)~~ is determined and applied according to the provisions of Annex A.

b) The CIRR for official financing support provided under the Arrangement and all of its annexes, other than the Sector Understanding on Export Credits for Ships (Annex I) and the Sector Understanding on Export Credits for Civil Aircraft (Annex III) is determined and applied according to the provisions of Annex B.