

DEMYSTIFYING DOWNSTREAM

Funding Oil

Types Funding

Banks

Letter of Credit

- Usance LC
- Sight LC
- Standby LCs

Supplier

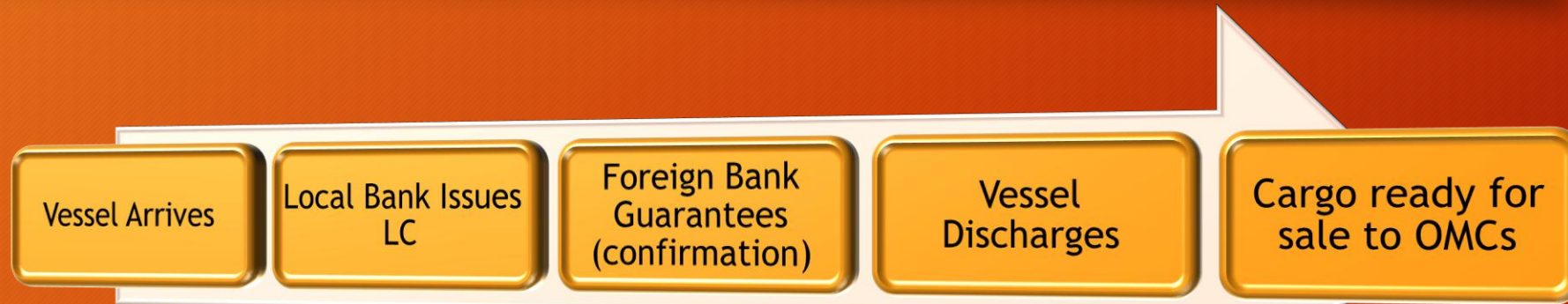
Supplier's Credit

- Open Account
- Collateral Management

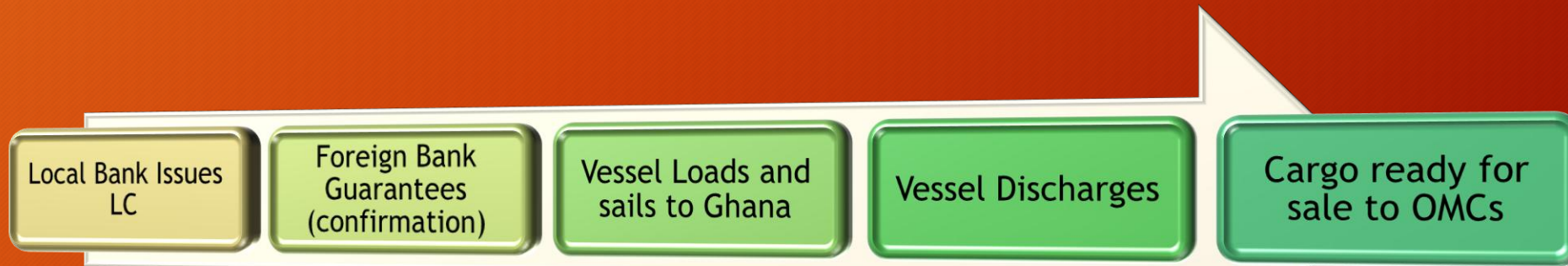


Bank Financing

CURRENT

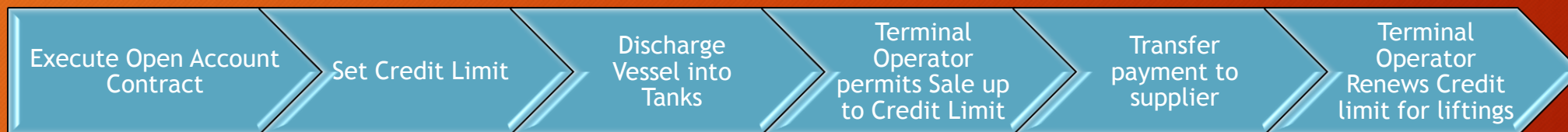


PREVIOUSLY



Supplier's Credit

OPEN ACCOUNT



COLLATERAL MANAGEMENT AGREEMENT



Notes

- Banks
 - Bank financing (both direct and partial under the CMA arrangements) is the main mode of funding oil imports.
 - Due to the size of transactions, there are comparatively immaterial immovable collateral to back funding.
 - Proceeds from sales and stock remain the main form of collateral.
 - Failure to realise full sale proceed due to under-recoveries thereby poses a major default risk.
 - The BDC industry exposure to banks stands in excess of USD1bn. Any default risk poses a systemic risk to the entire financial sector.
- Supplier's Credit
 - Comparatively cost effective. Reduced demurrage risk.
 - This has become a major model for managing the crunching credit lines from the banks.
 - Supplier's credit transactions are very limited due to the BDC exposure to Government liabilities.