



## Lines of Credit

An ECGD-supported Line of Credit offers you, the exporter, a quick and easy way of offering a finance package to your buyer when selling capital and project goods or services.

You will be paid "cash" after shipment of the goods whilst your overseas buyer will be able to pay for them over several years. With minimum contract values as low as US\$25,000 (or the currency equivalent), Credit Lines can help you win entry into new markets overseas.

A Line of Credit is an arrangement between a bank in the UK and a bank (or other borrower) overseas to make finance available for a series of contracts. The Line will be put in place before your contract is signed, which means that you and the buyer should be able to gain access to the facility quickly.

The Line will specify the currency (or currencies) and overall amount of finance that may be made available, together with any conditions including for example the minimum contract value.

You will be paid from the loan by the UK bank. If later the borrower fails to repay any part of the finance, ECGD guarantees the UK bank that it will be paid in full.

### Different types of Lines of Credit

#### General Purpose Lines of Credit (GPLOCs)

These are based on a loan arrangement entered into by a bank in the UK with an overseas bank, which may be used to finance a number of contracts with a range of buyers. The UK bank involved receives support from ECGD either under the Supplier Credit Finance facility (SCF) or by means of a Buyer Credit (BC) guarantee. Under the SCF, and for BC support, cover is only committed on a contract-by-contract basis.

#### Project Lines of Credit (PLOCs)

PLOCs are used when a specific project or identified programme requires purchases from a number of UK exporters. ECGD agrees the amount of finance to be made available under the loan in the context of the project under consideration. The borrower will then nominate individual contracts to be financed under the facility. Support for PLOCs is only ever provided by means of a Buyer Credit guarantee and cover may be committed at the outset subject to payment of a non-refundable commitment fee.

## **Amount of credit**

ECGD is able to arrange a finance package for your buyer, which will cover up to 85 per cent of the contract value. In all cases, the buyer will be required to pay at least 15 per cent directly to you the exporter before the starting point of credit under the finance facility (related to delivery or commissioning as appropriate).

In some cases, ECGD may limit the amount of finance provided for example in certain riskier markets or where the contract includes a significant non-UK content. ECGD advises exporters to contact the relevant underwriter to check whether any special conditions apply.

## **Repayment terms**

Finance provided to the borrower under Lines of Credit will offer credit of between two and five years. The length of credit allowed will generally be determined by the value of individual contracts and the type of goods being covered. In some cases, in particular for larger contracts or contracts to be financed under a PLOC, credits in excess of five years may be agreed.

## **Interest Rates**

Where contracts are to be financed under Lines of Credit you may be able to offer your buyer finance at officially supported fixed interest rates. Alternatively, ECGD can provide cover for contracts financed under Lines of Credit at commercial floating or fixed interest rates. Details of the official fixed interest rates that we can support can be found in ECGD News issued quarterly.

If you would like to receive a regular copy of this please contact our Helpline on: (+44) (0) 20 7512 7887.

## **Applying for Cover**

### **Exporters**

In order for your contract to be financed under a Line of Credit, you should, in the first instance, contact the lending bank in the UK. For SCF-GPLOCs (known as “SCFLOCs”) you will be required to provide the bank with a signed and completed SCF Proposal Form in respect of your contract for submission to ECGD. If the contract is approved an offer of cover will be made to the bank. Once this has been accepted and the premium paid, ECGD will inform the bank that finance in respect of your contract has been approved. Subject to the appropriate loan documentation being in place this will enable you to obtain payment from the bank on presentation of the requisite documents.

For BC-GPLOCs and PLOCs, the contract must be nominated for approval by the borrower. The nomination will be submitted via the UK bank to ECGD for an ‘Approval in Principle’. ECGD then asks you to provide it with a completed Declaration and Undertaking (under which you make certain declarations and give undertakings in respect of the nominated contract).



ECGD will stipulate any conditions and set the interest rate and repayment terms applicable. Once the conditions have been met ECGD will instruct the UK bank to issue a Notice of Approval in respect of your contract to the borrower. Payment from the loan will be made against the appropriate qualifying certificates. The borrower will then make loan repayments to the bank as they become due.

## **Banks**

Banks holding Master Guarantee Agreements ([listed on this website](#)) are eligible to approach ECGD to set up SCFLOCs. The Master Guarantee Agreement is an umbrella document that sets out the terms and conditions on which ECGD will guarantee payments due on all contracts financed by that bank under the SCF facility. There is no charge to banks when establishing SCFLOC's.

However, ECGD does make a one-off charge for the issue of a Master Guarantee Agreement. If a bank does not already hold a Master Guarantee Agreement under the Supplier Credit Finance facility, it should contact the Product Development and Support Branch on (+44) (0) 20 7512 7346.

When negotiating BC-GPLOCs, ECGD levies an initial non-refundable charge to the UK bank upon signature of the Premium and Support Agreement. This charge is then recouped from premium payable as contracts are approved.

## **Premium**

Premium is charged by ECGD for cover given under Lines of Credit as contracts are financed ECGD will give an indication of the likely premium, and the interest rate, on request.

For contracts financed under SCFLOC's the bank is responsible for paying the premium to ECGD. For BC-GPLOCs and PLOCs, premium is normally payable by the exporter via the bank.

## **Supplemental Insurance for exporters (EXIP)**

Under our Lines of Credit ECGD guarantee the UK bank against the risk of non-payment. You, the exporter, may also require insurance against the risk of being unable to recoup the costs you incur in performing your contract for example, political events may frustrate the contract and leave you unable to draw down the finance.

ECGD's EXIP provides this type of insurance for contracts financed under a Line of Credit. The cover applies both to the elements of the contract, which are to be financed and to any unfinanced amounts, such as local costs or other direct payments.

Further details of the EXIP and how it can provide additional protection in conjunction with contracts financed under ECGD-supported facilities are in a separate section.

## **Next Steps**

### **For exporters**

If you would like to know more about which Lines of Credit are available, or how they can help you win exports in new markets, please call our Helpline on: (+44) (0) 20 7512 7887. If you have a specific contract in mind you should contact the relevant underwriter.

### **For banks**

If you would like further information on setting up an SCF Master Guarantee Agreement with ECGD, please call our Product Development and Support Branch on (+44) (0) 20 7512 7346.

If you wish to discuss a proposal for a Line of Credit, please contact our Helpline on: (+44) (0) 20 7512 7887.