

Bill of exchange guarantee

Guarantee holder: bank

The bill of exchange guarantee is designed for banks that acquire bills of exchange for which there is an underlying export transaction. The guarantee covers non-payment of the bill of exchange. With an EKN guarantee, the bank will be compensated if the acceptor of a bill of exchange fails to pay. The guarantee improves the exporting company's liquidity when the bank takes over the bills of exchange.

TRANSACTIONS THAT CAN BE GUARANTEED

You can apply for a bill of exchange guarantee for different types of cross-border transactions: export of goods and export of services. EKN can guarantee both small and large transactions with this guarantee.

A prerequisite for EKN's participation is that the transaction promotes Swedish interests and is connected to Swedish export. This means the export transaction will normally relate to Swedish products. It could also be a transaction that indirectly leads to Swedish exports.

EKN must also have ascertained that there is functioning bill of exchange legislation in the country of destination.

Due to EU regulations, bills of exchange with a credit period of less than 24 months cannot be guaranteed for transactions with Australia, EU countries, Iceland, Japan, Canada, Norway, New Zealand, Switzerland and USA.

RISKS COVERED BY THE GUARANTEE

The guarantee provides protection when the acceptor fails to honour the bill of exchange. The guarantee covers non-payment, without differentiating between political and commercial risks.

HOW DOES THE GUARANTEE WORK?

The guarantee normally covers 95 per cent of the claim, which means the excess is five per cent. It is also possible to opt for a higher excess, which will lower the premium for the guarantee.

The excess does not necessarily mean the bank will incur a definite loss in the event of a claim. Any recoveries by EKN are shared pro rata between the bank and EKN.

EKN will only compensate the bank for non-payment of a correctly and formally drawn up bill of exchange. This means the amount, date, payment location and authorised signatures must appear on the bill. The bill of exchange must also be protested.

WHAT ARE THE FEES?

There is no fee for applying for a guarantee and receiving an offer. Our offer is valid for six months. After this period, the bank can extend the offer for periods of three months in return for a fee. If the offer results in a guarantee, the extension fee will be returned.

The premium is normally paid in advance when EKN issues the guarantee. The premium for an EKN guarantee is based on the risks and structure of the specific transaction. The minimum premium is SEK 1,500.

You can get an idea of the premium for a guarantee on EKN's website at www.ekn.se using "Calculate premium".

WHEN DOES EKN PAY COMPENSATION ?

EKN pays compensation after a one-month waiting period, which begins on the bill of exchange's due date.

CURRENCY

The currency indicated on the bill of exchange determines the currency in which EKN issues the guarantee.

If the currency is Swedish kronor, euros, US dollars, Swiss francs or Japanese yen, EKN will issue the guarantee, invoice the premium and pay compensation in this currency. For other contract currencies, EKN issues the guarantee, invoices the premium and pays compensation in Swedish kronor.

PAYMENT TERMS IN THE EXPORT TRANSACTION

There are international rules, which set out transaction payment terms, in order for official export credit agencies like EKN to be able to provide guarantees for export financing. These include terms and conditions for advance payments and credit periods.

In an export transaction with a credit period of 24 months or more, the buyer must make a minimum advance payment of 15 per cent of the contract amount no later than at the starting point of credit. The repayment must be in equal instalments with maximum half-yearly intervals.

LOCAL COSTS

Local costs are the costs for the purchase of products or services in the importing country. In a transaction with a credit period of two years or more, the proportion of financed local costs may not exceed 30 per cent of the export value (the exporter's contract amount minus local costs).

PAYMENT SECURITY

EKN does not have any general requirements regarding provision of security, for example a guarantee. However, in certain cases, we require security to be provided before we can issue a guarantee for a transaction.

CORPORATE RESPONSIBILITY IN THE ISSUING OF GUARANTEES

EKN promotes corporate responsibility. In its guarantee operation EKN's considerations include the environment, human rights and labour rights, anti-corruption and the promotion of sustainable lending to poor countries.

EKN'S GENERAL CONDITIONS

The guarantee is governed by EKN's General Conditions for bill of exchange guarantees (December 2005).

HOW TO OBTAIN A GUARANTEE

All the relevant forms can be found at www.ekn.se.

Apply

Make your application well in advance before the bills of exchange are acquired.

Your application must also include a supplementary form from the exporter, describing the export transaction, as well as a credit report on the acceptor. The credit report should be as up-to-date as possible and not more than six months old. You will normally have to provide additional information such as an annual report.

EKN makes a risk assessment, and if the result is satisfactory, we make an offer.

Notify us

As soon as you have acquired the bills of exchange, you will then need to notify EKN within 30 days that you would like the guarantee to be issued.

Payment of premium

EKN will send a premium invoice with the guarantee. The premium must be paid within 30 days of the invoice date.



The Swedish Export Credits Agency

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