

# Letter of credit guarantee

## *Guarantee holder: bank*

The letter of credit guarantee is a risk-sharing arrangement between EKN and a bank for letters of credit confirmed by the bank. 50 per cent of the total confirmed amount can be guaranteed by EKN. The period of validity is based on EKN's risk assessment.

The guarantee has been adapted to the special circumstances of the letter of credit market, and its processing is simple and fast. EKN's offer and guarantee are irrevocable.

### **LETTERS OF CREDIT THAT CAN BE GUARANTEED**

The letter of credit must comply with ICC rules governing letters of credit. Stand-by letters of credit are not covered by EKN's guarantee.

The guarantee is for letters of credit confirmed or guaranteed by a bank. In the case of a guaranteed letter of credit, so called silent confirmation of a letter of credit, the bank issuing the guarantee must be the nominated bank. EKN may also make an irrevocable offer in respect of binding advance commitments for letters of credit not yet opened. The letter of credit shall be payable/negotiable with the confirming bank.

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, although transactions that indirectly lead to Swedish exports may also be acceptable.

### **RISKS COVERED BY THE GUARANTEE**

EKN compensates the guarantee holder (the bank) for the amount paid under the letter of credit, insofar as the issuing bank is liable for payment of the amount to the guarantee holder.

### **HOW DOES THE GUARANTEE WORK?**

The guarantee holder is the confirming/guaranteeing bank, which may be a Swedish or foreign bank.

EKN guarantees up to 50 per cent of the total confirmed amount. Risk may be shared among several parties. At least 25 per cent of the risk must remain with the confirming bank.

When considering a new application for a letter of credit guarantee, EKN may, after a risk assessment, also guarantee existing letter of credit transactions for the same issuing bank. In this case, EKN's letter of credit guarantee will be subject to more restrictive conditions.

### **WHAT ARE THE FEES?**

The applying bank suggests a premium, which normally is expressed as a per annum fee. EKN then considers the suggested premium in relation to the level of risk in the transaction.

The minimum premium is SEK 1,500 or the equivalent in the guaranteed currency.

### **WHEN DOES EKN PAY COMPENSATION ?**

Compensation is paid more or less immediately following notification of non-payment by the issuing bank, without any waiting period. Interest on the compensation amount is paid from the date of the guarantee holder's disbursement until the date of payment by EKN.

Non-payment by the issuing bank must be reported to EKN as soon as possible, and no later than 30 days after the due date. Requests for indemnification must be received by EKN within one year of the due date.

### **CURRENCY**

The letter of credit guarantee can be issued in Swedish kronor, euros, US dollars, Swiss francs or Japanese yen. Compensation is paid in the currency of the guarantee. The premium paid to EKN must be in the same currency.

### **PAYMENT TERMS IN THE EXPORT TRANSACTION**

The credit period is based on the underlying export transaction and must follow international guidelines. For credit periods in excess of one year, the exporter must describe the underlying transaction in the exporter's appendix to the application.

### **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 Letter of Credit Guarantees (March 2014).

### **HOW TO OBTAIN A GUARANTEE**

You can apply and make requests and notifications either via EKN online or by sending in forms.

The online function (for letters of credit with credit periods of up to 12 months) and relevant forms can be found at [www.ekn.se](http://www.ekn.se).

#### **Apply**

Make your application well in advance, but no later than the date of the first presentation of documents under the letter of guarantee, or the date on which a binding advance commitment is made to the exporter.

Applications for letters of credit with credit periods in excess of 12 months must be accompanied by the exporter's appendix.

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

#### **Notify us**

You can request the guarantee to be issued immediately.

If you prefer to receive the offer first, you will then need to notify EKN when you wish to have the guarantee issued. Pay the premium

#### **Pay the premium**

The premium is paid to EKN in arrears at the time of settlement.



The Swedish Export Credits Guarantee Board

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