

Buyer Credit Guarantee

Guarantee holder: bank

The Buyer Credit Guarantee is designed for banks financing export contracts and covers the risk of non-payment by the borrower under a credit agreement. This guarantee provides protection against events that occur from the date when the claim arises, which normally is upon utilisation under the credit agreement.

With this EKN guarantee, the bank receives compensation if the borrower does not pay. This makes it easier for the bank to offer credit.

TRANSACTIONS THAT CAN BE GUARANTEED

You can apply for a Buyer Credit Guarantee for different types of cross-border transactions, both exports of goods and exports of services.

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

The export contract financed must be described by the exporter in an exporter declaration, which is submitted in connection with the bank's application. In order for EKN to be able to guarantee the transaction, there must be a legally binding written agreement between lender and borrower and between exporter and buyer. EKN's guarantee never covers more than what has been agreed between the bank and the borrower, as described in the application for guarantee to EKN.

Due to EU regulations, the guarantee cannot be used for transactions with a risk period of less than 24 months with Australia, EU countries, Iceland, Japan, Canada, Norway, New Zealand, Switzerland, UK and USA.

RISKS COVERED BY THE GUARANTEE

The guarantee provides cover for non-payment by the borrower under a credit agreement.

You can choose insurance against either non-borrower related events only, or insurance against both non-borrower and borrower related events.

HOW DOES THE GUARANTEE WORK?

The guarantee normally covers 95 per cent of your claim, which means that the residual risk is five per cent. You can also opt for a higher residual risk, which will lower the premium for the guarantee. If the borrower is sovereign the cover is normally 100 per cent.

The residual risk does not necessarily mean that 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 lender for non-payment of an undisputed and due claim. In case of disputed claim, EKN needs to be satisfied that the dispute can be viewed as being without merit. There has to be a clause in the credit agreement stating that the borrower is obliged to pay under the credit agreement regardless of whether the exporter has fulfilled the obligations in the export contract or not.

WHAT ARE THE FEES?

EKN charges a premium which reflects the risk and structure of the specific transaction. The premium is expressed as a percentage of the guaranteed credit amount.

You can get an idea of the premium for a Buyer Credit Guarantee on EKN's website, ekn.se.

The premium is normally paid in advance in connection with reporting of utilisation under the credit agreement, or earlier at effective date. You can also opt to pay part of the premium in arrears, at the same time as interest payments under the guaranteed transaction.

There is no fee for applying for a Buyer Credit Guarantee or entering into a guarantee agreement. Our guarantee agreement is valid for six months. After this period, you may extend the guarantee agreement for periods of six months.

WHEN DOES EKN PAY COMPENSATION

EKN pays compensation after a three-month waiting period which begins on the claim's due date. We do not apply a waiting period if the borrower is declared bankrupt.

CURRENCY

The currency indicated in the credit agreement determines the currency in which EKN issues the guarantee. If the credit agreement currency is Swedish kronor, euros or US dollars, 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 any of the three currencies mentioned above.

PAYMENT TERMS IN THE EXPORT TRANSACTION

There are international rules setting out permitted payment terms for transactions guaranteed or financed by official export credit agencies like EKN. These include terms & conditions for advance payments and credit periods.

When the credit period is two years or longer, the buyer must make a minimum advance payment of 15 per cent of the export value* no later than at the starting point of credit. The repayment must normally be in equal instalments with maximum half-yearly intervals, but in some transactions a more flexible repayment structure may be applied.

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 40 per cent of the export value* in respect of high income OECD countries and 50 per cent of the export value* in respect of all other countries.

PAYMENT SECURITY

EKN does not have any general requirements regarding provision of security. However, in certain cases, it is a prerequisite for the issuance of our guarantee for a transaction.

Examples of security include payment guarantees provided by a third party and pledged equipment.

** Export value - the exporter's contract amount minus local costs*

SUSTAINABILITY IN THE ISSUING OF GUARANTEES

EKN promotes responsible business practices. In its guarantee operations EKN's considerations cover environmental matters, human rights, promoting sustainable lending to poor countries, combating corruption and tax evasion as well as climate change.

EKN'S GENERAL CONDITIONS

The guarantee is governed by EKN's General Conditions for Buyer Credit Guarantees.

HOW TO OBTAIN A GUARANTEE

Apply using EKN Online at ekn.se.

Apply

Submit your application well in advance of the first utilisation under the credit agreement. An exporter declaration from the exporter, describing the export transaction, must also be submitted in connection with your application.

You will normally have to provide additional information such as an annual report on the borrower.

EKN assesses the risk, and if the result is satisfactory we enter into a guarantee agreement.

Notify us

Inform EKN within 30 days when the credit agreement has been signed. Notify EKN of effective date, and when utilisation under the credit agreement has been made, no later than 30 days from utilisation.

If you choose to pay the premium in arrears, you must state this already in the application.

Payment of premium

EKN will send a premium invoice in connection with the reporting of the utilisation, or earlier at notification of effective date. The premium must be paid within 30 days of the invoice date.



The Swedish Export Credit Agency

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