

JULY 2017

PRODUCT INFORMATION

Revolving buyer credit cover

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

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Revolving buyer credit cover

With revolving buyer credit cover, a bank insures repayments due under a loan with a maximum credit period of twelve months (in exceptional cases up to 24 months) which is given to finance export business transacted by a German exporter with a specified foreign buyer with whom he regularly does business.

WHAT IS COVERED?

A revolving buyer credit cover protects the banks against payment default if

- the borrower fails to make payment within one month after the due date (protracted default)
- the borrower becomes insolvent
- adverse measures are taken by foreign governments or warlike events arise
- local currency amounts are not converted or transferred

The object of cover is receivables under loan agreements concluded between the lender and the foreign borrower to finance export transactions within the scope of a regular business relationship between a specified German exporter and the foreign borrower. The type of export goods to be financed must be specified to the Federal Government in the application for cover. In general all types of goods are eligible for cover provided that the credit period does not exceed twelve months (in exceptional cases 24 months) and that they are either German goods or goods typically handled in transit through Germany. Cover for loans to finance contracts for work and supplies is also possible.

The loan is to be paid to the German exporter on a pro rata basis per consignment. It can be disbursed either in Euro or a foreign currency. However, payments in any currencies for which no reference rate is fixed at the European Central Bank are excluded from cover. No prepayment is necessary in the case of transactions with a credit period up to twelve months.

Principal and interest instalments from several disbursements can be bundled, provided that this does not lead to the maximum permissible credit period being exceeded.

The interest agreed in the loan agreement is included in the cover granted up to an amount of 8% – without any extra premium – up to the agreed maturity of each repayment instalment.

The debtor must not be domiciled in EU and OECD core countries (i.e. EU Member States, Australia, Iceland, Japan, Canada, New Zealand, Norway, Switzerland, the USA and the United Kingdom).

WHO CAN APPLY FOR REVOLVING BUYER CREDIT COVER?

Eligible for cover are

- German banks and their foreign branches
- Branches of foreign banks domiciled in Germany
- Foreign banks under certain circumstances

WHAT ARE THE CONDITIONS FOR COVER?

The conditions of cover for buyer credit cover apply, in particular the uninsured portion of 5%, which may not be passed on, as well as the reduced waiting period and claims processing time.

HOW DOES THE COVER WORK?

The basis for this type of cover is the revolving system. For this, the bank states the (estimated) total turnover with the foreign borrower. The Federal Government then grants a certain maximum amount of cover (the limit) on the borrower. All receivables eligible for cover are insured under this provided that they do not exceed the limit, accrue during its period of validity and comply with the terms of

payment and other conditions stipulated. If the limit is “exhausted” by the amounts declared monthly as turnover, then new receivables can only be included under the limit to the extent that space is freed up through the payment of older receivables by the borrower.

DO ALL INSURABLE AMOUNTS DUE TO THE BANK FROM THE FOREIGN BUYER HAVE TO BE DECLARED?

No, there is no obligation to offer all insurable amounts due for cover.

HOW ARE THE EXPORTER’S RISKS INSURED?

When an export transaction is financed under revolving buyer credit cover, a manufacturing risk cover (pre-shipment cover) can be granted in favour of the exporter, but it is not possible to get a separate supplier credit cover (export credit cover). The receivables due under the transaction are not required to be declared under an existing wholeturnover policy, and are consequently not covered by it.

However, since the exporter is already on risk from the moment when he ships the goods, liability under the revolving buyer credit cover is advanced to the point of shipment of the goods (or the commencement of work or services). This means that the Federal Government can no longer exclude from cover the as yet not disbursed part of the loan in respect of a consignment already shipped if the risk subsequently increases. This protects the exporter in the event that the quality of the risk deteriorates after the goods have passed out of his hands.

In addition, the bank waives its right to cancel the loan by its own decision, i.e. it may only rescind the loan agreement with the consent of the Federal Government.

WHAT POINTS SHOULD THE EXPORTER PAY PARTICULAR ATTENTION TO?

The (indirect) insurance against the exporter’s supplier credit risk under a revolving buyer credit cover differs from a conventional export credit guarantee in several respects.

First and foremost, it should be noted that the protection given by the advanced liability of the insurer is only effective if and when all the prerequisites for revolving buyer credit cover are fulfilled. This requires close cooperation between the bank and the exporter: agreement should be reached between them whether the financing of the consignment in question is to be included in the cover or not. It is also in the exporter’s interest to make sure that the bank meets the deadlines for notifying the receivables to the Federal Government and to ensure that there is sufficient cover free for the amount thus due within the limit granted.

Since it is crucial for the exporter to receive the disbursement out of the loan after shipping the goods, it is important that the loan contract does not stipulate that the payment of the loan amount depends on the consent of the foreign buyer.

WHAT HORIZON OF RISK IS COVERED?

The revolving buyer credit guarantee has a policy period of one year and is automatically renewed for another year unless notice of termination is given in time.

HOW MUCH DOES REVOLVING BUYER CREDIT COVER COST?

An application fee calculated on the amount of the limit is payable as well as a renewal fee for each new year of cover. On top of this, there is a one-off issuance fee for issuing the guarantee as well as for each increase of the limit.

The premium is a certain percentage of the loan amount to be covered, which varies according to the buyer's creditworthiness, the country risk and the horizon of risk. The premium rates charged by the Federal Government for short-term credit cover are applicable. No insurance tax is payable. Further details are given in the information leaflet **"Fees and premium rates"**.

CAN A REVOLVING BUYER CREDIT GUARANTEE BE USED FOR REFINANCING PURPOSES?

The claims arising under a revolving buyer credit cover can be assigned to banks or forfaiting houses for refinancing purposes.

No securitisation guarantee can be granted for the receivables concerned.

WHEN AND HOW IS A CLAIM PAID?

Before a claim can be paid, the legally valid and matured claim to payment of the receivables must have become uncollectable due to the occurrence of an insured event. When all the necessary documents have been submitted to the Federal Government, the claim will be processed within one month. The claim will then be paid within five bank days.

The bank (the policyholder) retains a **uniform uninsured percentage** of only 5% in respect of each loss for its own account. This is a considerable advantage compared with a supplier credit cover from the Federal Government, where the self-retention is 5% for political risks and 15% for all other risks.

HOW CAN YOU APPLY FOR COVER?

The Federal Government can be contacted via **Euler Hermes Aktiengesellschaft**. The head office in Hamburg as well as the numerous regional branch offices will be happy to give you details and answer any specific questions you may have. In addition, you can find and download general information material and the special application forms as well as the General Terms and Conditions (the General Terms and Conditions for buyer credit cover apply here) at **www.exportkreditgarantien.de/en**.

MAIN FEATURES OF THE REVOLVING BUYER CREDIT COVER AT A GLANCE

Eligible policyholders:	German banks and their foreign branches, certain foreign banks as well as their branches registered in Germany
Object of cover:	receivables (loan amount plus interest up to 8%) due under tied buyer credits with repayment terms of up to 12 months and in exceptional cases 24 months, i.e. loans granted to finance ongoing business done by a German exporter with a specified foreign buyer
Covered risks:	buyer's failure to make payment within 1 month after the due date (protracted default), other commercial risks (e.g. insolvency) as well as political risks (e.g. warlike events)
Uninsured portion:	5% per loss
Processing fees:	application fee, renewal and issuance fees according to the amount of the limit granted
Premium:	calculated as a percentage of the loan amount (premium calculator available on our website www.exportkreditgarantien.de/en)

Export Credit Guarantees and Untied Loan Guarantees: instruments to promote foreign trade and investment provided by the



Federal Ministry
for Economic Affairs
and Energy

Commissioned to implement the federal
funding instruments Export Credit Guarantees
and Untied Loan Guarantees:



EULER HERMES

Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees as well as effective foreign trade promotion instruments of the Federal Government have been established for decades. Export Credit Guarantees (so-called Hermes Cover) protect German exporters and banks financing exports against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs. The Federal Government commissioned Euler Hermes Aktiengesellschaft to manage the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bundeswirtschaftsministerium.de/en under the heading Promotion of Foreign Trade and Investment.

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