PRODUCT INFORMATION

July 2023

Forfaiting Guarantee (FFG)

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

Hermes Cover

► Forfaiting Guarantee (FFG)

A Forfaiting Guarantee enhances the exporter's supplier credit cover and makes it easier for it to finance its export receivables through forfaiting backed by a guarantee-like claim against the Federal Government in favour of the forfaiter.

WHAT CONDITIONS MUST BE MET FOR AN FFG TO BE ISSUED?

The prerequisites for the issue of an FFG are that the Federal Government has provided supplier credit cover for the export transaction and that the exporter assigns the corresponding export receivable as well as its claims under this cover to a forfaiter. The FFG can only be granted in combination with a Supplier Credit Guarantee. The terms and conditions of supplier credit cover, which is structured as an insurance product, are enhanced by the FFG in favour of the forfaiter and converted into a guarantee-like claim that can be asserted directly against the Federal Government.

WHAT IS COVERED?

The FFG protects the forfaiter as the beneficiary (and not the exporter) against the risk of not receiving any indemnification under the assigned supplier credit cover for reasons beyond its control. This is the case, for example, if entitlement to indemnification is denied because the exporter's claim for payment against the foreign debtor is not legally valid (enforceability risk).

IN WHAT WAY DOES AN FFG ENHANCE SUPPLIER CREDIT COVER?

The FFG improves the protection offered under supplier credit cover. With the declaration issued by the Federal Government consenting to the assignment of the export receivable and the claims under the guarantee in favour of the forfaiter, individual provisions of the Supplier Credit Guarantee are deemed to be non-applicable or are amended.

This particularly includes the following aspects:

- The legal validity of the supplier credit claim and of any   is not a prerequisite for indemnification (Art. 5 (1) Sentence 1, (2) and (3) of the General Terms and Conditions (G)).
- Any failure on the part of the exporter to comply with its duties in accordance with Art. 15 of the General Terms and Conditions (G) does not release the Federal Government from its liability.
- The waiting period in the case of protracted default is reduced from 6 months to one month.
- The claim settlement period is reduced from 2 months to one month.

The details are governed by the Special Conditions for the Consent of the Federal Government to the Assignment of Covered Supplier Credit Receivables with Enhanced Cover in Favour of the Assignee (Special Conditions (FFG)).

FOR WHAT TRANSACTIONS IS AN FFG AVAILABLE?

An FFG can be granted for the delivery of goods / the provision of services with an order value of up to EUR 10 million (or the euro equivalent) for which supplier credit cover with an uninsured percentage reduced to 5% for commercial risks (95% cover) has been provided. Trading and / or service-only transactions are excluded.

The granting of cover is contingent upon a positive performance check for the exporter determined on the basis of the self-disclosure form completed for the FFG.

The FFG is available for export transactions if the exporter already has a successful business relationship with this customer. An FFG can only be granted for business with new foreign customers if the exporter has experience with the Federal Government's Export Credit Guarantees and can also demonstrate that it has sufficient experience of the intended foreign market (e.g. including through uncovered business).

WHAT IS THE COVER RATIO FOR THE FORFAITER UNDER THE FFG?

Credit risks under the Supplier Credit Guarantee in favour of the forfaiter remain subject to a cover ratio of 95%. The guarantee-like claim under the FFG is capped at 80%.

WHO CAN APPLY FOR AN FFG?

The application for an FFG must be submitted by the exporter. The FFG can be issued either together with the Supplier Credit Guarantee or at a later date. An application is still possible even when the covered supplier credit has already entered the repayment phase.

If the export contract has not yet been entered into, the applicant initially receives a legally binding offer of cover. The exporter can use this offer of an FFG in the negotiation process for the sale of the receivable. The forfaiter is not involved in the FFG cover process. After the export contract has been signed, cover is granted by the Federal Government for the supplier credit together with the FFG. The FFG takes effect when the Federal Government has received the exporter's notice of assignment together with the forfaiter's consent to the Special Conditions (FFG).

WHO CAN BE A BENEFICIARY UNDER AN FFG?

The following parties can be beneficiaries:

- Credit institutions domiciled in a country which is a member of the European Economic Area (EEA) or in Switzerland; or

- Domestic financial services companies which have a licence issued by the German Federal Financial Supervisory Authority (BaFin) allowing them to buy receivables on a recurring basis under master contracts in accordance with Art. 1 (1) No. 2 of the Supplementary provisions relating to the assignment of Guaranteed Amounts – GC (FAB).

WHAT CONDITIONS MUST BE MET FOR THE SALE OF RECEIVABLES?

The Federal Government's consent to the sale of the covered export receivables subject to cover enhancement is particularly contingent on the following conditions:

- The forfaiter must purchase 100% of the covered export receivable.

- The uninsured percentage totalling 5% for political and commercial risks (under the Supplier Credit Guarantee) may not be passed on to the exporter. However, it is still possible to cover the uninsured percentage of 20% for the additional risks covered with the FFG by alternative means.

- The forfaiting proceeds may only be paid out after all (partial) deliveries and services have been completed or upon confirmation of operational readiness if this is required of the exporter under the export contract.

WHAT ARE THE PARTIES' OBLIGATIONS IN THIS TRIANGULAR CONSTELLATION?

The exporter is the policyholder under the Supplier Credit Guarantee with all rights and obligations. It must ensure that it is able to fulfil its obligations independently of the forfaiting transaction. The forfaiter is not a policyholder. The FFG has a guarantee-like structure for the benefit of the forfaiter. Accordingly, the forfaiter's own obligations are confined to those actions that it can control itself. These particularly entail the obligation for the forfaiter to satisfy itself with the diligence dictated by sound banking practice that the exporter has submitted evidence confirming that the deliveries/ services have been made to the foreign customer before disbursing the forfaiting proceeds.

WHEN AND HOW IS INDEMNIFICATION PAID?

If any payment default arises under a transaction covered by the FFG, the forfaiter will on request receive indemnity of 80% of the covered receivable one month after the due date and a further claim examination period of one month. In this respect, it is irrelevant whether a credit or a legal enforceability risk has arisen with respect to the outstanding receivable. This is an upfront abridged indemnification procedure. For this purpose, the forfaiter must submit a form confirming the disbursement requirements, among other things.

The subsequent usual loss assessment process determines whether or not an indemnification claim exists under the Supplier Credit Guarantee. If so, the forfaiter receives indemnification for the further 15 percentage points of the covered receivable under the export transaction after the expiry of the standard six-month waiting period. Otherwise, the forfaiter continues to receive indemnification for continuing maturities under the FFG, although no indemnity is paid under the Supplier Credit Guarantee. Since such a loss, which is not indemnifiable under the supplier credit cover, falls within the exporter's sphere of risk, the Federal Government has a corresponding right of recourse against the exporter.

HOW IS THE RIGHT OF RECOURSE AGAINST THE EXPORTER STRUCTURED?

As a rule, the German Federal Government will only exercise its right of recourse when and as soon as it has rejected indemnification under the Supplier Credit Guarantee. However, the exporter must cooperate in the indemnification procedure and provide the necessary documentation. If it fails to duly comply with this duty, the right of recourse may be asserted on a correspondingly earlier date.

WHAT DOES THE FFG COST?

The exporter is charged a variable additional premium for the issue of an FFG on top of the premium for the underlying Supplier Credit Guarantee. No insurance tax is payable.

An interactive tool is available on the Internet for calculating the premium. Further information can be found in the brochure **"Fees and premium rates".**

HOW DO I OBTAIN COVER?

Contact with the Federal Government is established via **Euler Hermes Aktiengesellschaft.**

The employees of Euler Hermes AG in Hamburg as well as at the numerous regional offices will be pleased to answer any additional questions you may have. Information material and the Special Conditions (FFG) can also be viewed and downloaded at **www.exportkreditgarantien.de/en.**

► Forfaiting Guarantee (FFG)

Main features of Forfaiting Guarantees (FFG) at a glance
(Product available for a limited period of time until 30 June 2026):

Policyholder:	German manufacturing companies with export experience
Accepted beneficiaries:	German credit institutions; German branches of foreign credit institutions; Foreign banks domiciled in a country which is a member of the European Economic Area (EEA) or in Switzerland; Certain German forfaiting/factoring companies
Conditions:	Issue of a Supplier Credit Guarantee (single transaction policy) with a cover ratio of 95%, an application for an FFG can also be submitted at a later date. Sale of a supplier credit claim to an accepted beneficiary
Object of cover:	Receivables from the cross-border delivery of goods or provision of services (in favour of the beneficiary under the assigned right)
Form of assignment:	Disclosed and undisclosed assignment
Extent of forfaiting:	100% of the export receivable covered; forfaiting of the last instalments is also permissible (e.g. forfaiting of the third to last instalment)
Cover ratio:	80% of the export receivable covered; the cover ratio under parallel supplier credit cover is 95% for all guarantees.
Guarantee commitment:	Guarantee-like payment to the forfaiter in accordance with the FFG conditions in the event of non-collectability of the covered receivable
Administrative fees:	None
Premium:	Variable additional charge (see calculation tool at www.exportkreditgarantien.de)

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 Climate Action

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 have been established and effective foreign trade promotion instruments of the Federal Government 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. 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.bmwk.de/en under the heading Promotion of Foreign Trade and Investment.

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