



## **LINES OF CREDIT**

MECM is pleased to provide facilitation to our valued clientele to access UK Government's UK Export Finance: Lines of Credit.

UKEF can support a line of credit to provide the overseas buyers of capital goods, services and intangibles exported from the UK with access to finance made available by a UK bank. Lines of credit can be set up to enable:

- overseas buyers to purchase unrelated capital goods or services via a line of credit made available to a bank (known as a general purpose line of credit)
- an individual overseas buyer to purchase a wide range of capital goods or services for a particular project (known as a project line of credit)

Lines of credit can benefit the exporter, because they are usually put in place before an export contract is signed, meaning the exporter should be able to gain access to the facility quickly. A line of credit follows the same format as a conventional buyer credit except it can be used for multiple different contracts.

### ***Local Currency Financing***

UKEF can guarantee a buyer credit loan to an overseas borrower in local currency, financing the purchase of capital goods, services and/ or intangibles from a UK exporter. Loans can be made in over 60 currencies. For the overseas borrower (and buyer) it reduces foreign currency risk and avoids a variable debt service cost.

A buyer credit in local currency follows the same format as a conventional buyer credit in a standard currency such as sterling, euros or US dollars except that it is funded from a bank in the buyer's country.

Local Currency Financing is particularly suited to projects that do not usually generate foreign currency revenue, such as water/gas/electricity utilities, local transport and local municipalities.



## **Export Refinancing Facility**

The Export Refinancing Facility (ERF) is an add on to UK Export Finance's standard Buyer Credit, in that it provides:

- an undertaking to the bank that UK Export Finance will purchase the export loan by a given time; and
- an undertaking to the borrower that UK Export Finance will provide a repayment guarantee for bonds issued (or other replacement refinancing) to refinance the loan

The ERF is available to banks funding non-sterling Buyer Credit Loans, typically with values above £50m that are intended to be refinanced through the debt capital markets (DCM) or other commercial loans. Such re-financings are priced competitively as a result of UK Export Finance's Guarantee of Payments Scheduled Principal, and interest due under the bonds.

Should such commercial refinancing be unavailable, UK Export Finance provides certainty to the borrower and to the banks that it will fund the loan until such time as markets reopen.

We, at MECM, will ensure that your application is compliant with UK Export Finance requirements and will provide necessary assistance throughout the process. Please go through the quick guide link below to familiarise yourself of what's involved.

### 1. Lines of Credit: Quick Guide

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*Disclaimer: MECM is not an affiliate of UK Export Finance or endorsed by it. MECM works in an independant capacity solely to provide facilitation to its clientele as a consulting firm.*



## Quick guide to Lines of credit

This quick guide explains what a line of credit is, how it works, its benefits, its key features and how to enquire about the facility from UK Export Finance.

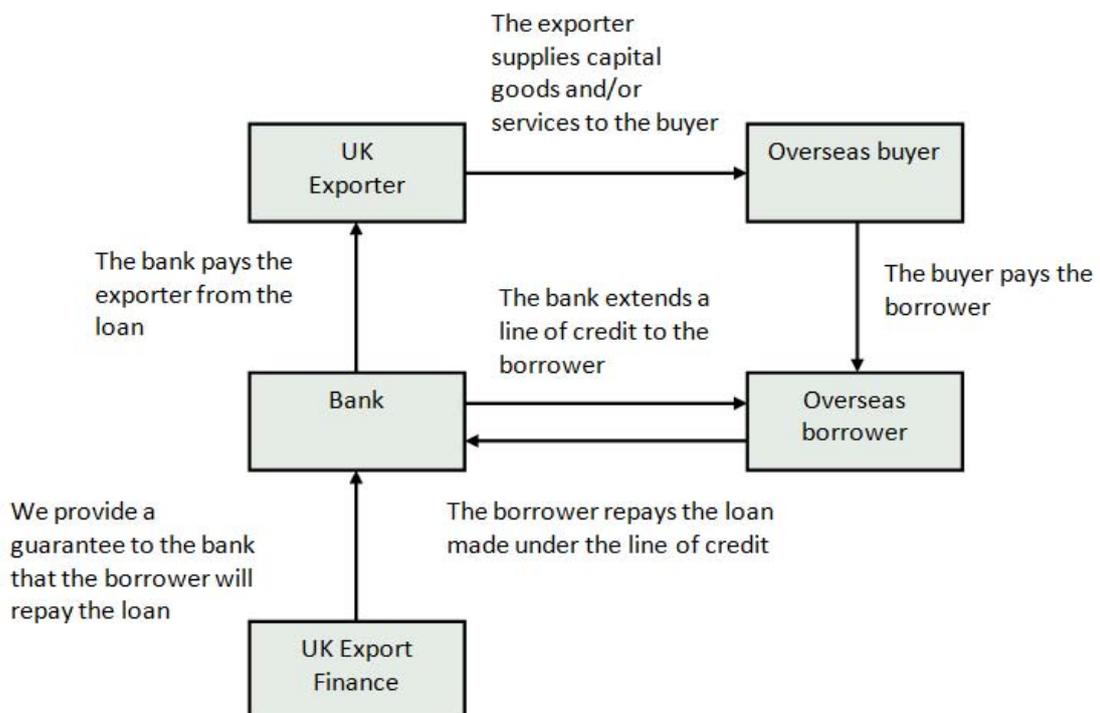
### What is a line of credit?

A UK Export Finance-supported line of credit can provide UK exporters of capital goods with a quick way to access finance made available by a UK bank to assist an overseas buyer to purchase UK exports.

Lines of credit can be set up to enable:

- a variety of overseas buyers to purchase unrelated capital goods or services (known as a general purpose line of credit); or
- an individual overseas buyer to purchase a wide range of capital goods or services for a particular project (known as a project line of credit).

Finance can be made available in the main trading currencies (including sterling, US dollars and euro).



The buyer may also act as borrower in its own right (if this is acceptable to us), otherwise an acceptable bank in the borrower's country will need to act as borrower. A foreign bank will almost always act as borrower in the case of a general purpose line of credit.

## What are the benefits of a line of credit?

The benefits are:

- the line will usually be put in place before an export contract is signed, which means that the exporter should be able to gain access to the facility quickly;
- the exporter is paid as soon as the goods have been shipped and/or services performed;
- the buyer or borrower has time to pay over a number of years and can borrow at fixed or floating rates of interest;
- the bank receives a guarantee from us for the amounts due under the line of credit.

## Risks covered

The bank is protected against non-payment by the borrower under the loan.

## Eligibility

The following criteria must be met:

- the exporter must be carrying on business in the UK;
- the export contract value must be at least £25,000 or the equivalent in another currency; and
- the bank which is to provide the line of credit must be acceptable to us.

## Maximum amount

The maximum amount that can be made available for each contract financed by the line of credit is 85 per cent of the contract value. A minimum of 15 per cent of the contract's value must be paid directly to the exporter by the buyer before the loan starts to be repaid. We can consider support for foreign content (the cost to the exporter of purchasing goods or services from sub-contractors outside the UK) of up to 80 per cent of the export contract value.

## Term

The period for repayment of the loan made under the line of credit must be at least two years.

## Cost

The premium is payable on the amount of support that is provided. The premium rate is determined on a case by case basis.

## Disclaimer

The information available in this brochure is not intended to be a comprehensive description for lines of credit and many details which are relevant to particular circumstances may have been omitted.

Underwriters will look at each case on its merits.

The brochure was last updated in May 2012.