New Zealand Export Credit
Export Credit Guarantee

TE TAI ŌHANGA
THE TREASURY

What is an Export Credit Guarantee?

Our Export Credit Guarantee covers credits or loans, greater than one year, provided to your foreign buyer. NZEC's Export Credit Guarantee cover can also be utilised by New Zealand companies who are supplying to a New Zealand Exporter where the goods being provided to the Exporter are integral to the Exporter. We cover the risk of your buyer or a foreign bank failing to make its repayments as they fall due.

There are three different ways our export credit policies can be applied:

- directly to you where you have offered your foreign buyer a credit period under your export contract **(supplier credit)**
- directly to your bank where bills of exchange are accepted by your foreign buyer as the form of payment in relation to your export contract **(financing guarantee)** or
- directly to a bank that provides a loan to your buyer which finances your export contract **(buyer credit)**.

We do not have the ability to directly provide finance to your buyer.

Benefits

The benefits of our export credit guarantee include:

- The opportunity to offer multi-year payment terms to your buyer which may enable them to advance their capital expenditure decisions
- The provision of extended payment terms which may be paid from expected future revenue streams
- The mitigation of loss in the event your buyer fails to pay you due to offshore political or commercial events and
- The potential ability to structure the deal so you receive your payments either during the performance or upon final completion of your export contract.

We have brochures in several languages intended for your buyers that describe the benefits of these arrangements and the process for them. You will be able to download the **brochures** from our website (https://exportcredit.treasury.govt.nz/resources/export-credit-guarantee).

Treasury:4096489v1

What is covered?

We can support the provision and finance of extended payment terms to your foreign buyer, in respect to exported goods and associated services. As a general principle, the credit term should not exceed the useful life of the exported goods and services.

We underwrite the risks of your buyer failing to repay any amounts outstanding to you under your supply contract, accepted bills of exchange or a loan. The reason for this non-payment must be as a result of specific commercial (e.g. liquidation or insolvency) or political events (e.g. foreign currency restrictions).

Talk to our team for our full list of insurable events, and also visit our website https://exportcredit.treasury.govt.nz/country-information to see our **current country risk categorizations and cover status**.

We can provide up to 95% political and commercial risk cover on any outstanding payments. This means that you or the funding bank will retain some risk in the transaction.

Under a **supply credit** arrangement, our policy does not cover non-payment if it is a result of a dispute between you and your buyer, unless you obtain a judicial or arbitration judgment in your favour.

However if your buyer properly signs **bills of exchange** or a **loan agreement**, then any subsequent performance dispute is no grounds for refusing payments, and we will consider your claim.

There are international rules which export credit agencies, like NZEC, apply in respect to export credit arrangements with payment terms greater than 2 years. These include maximum credit terms, minimum deposits, and frequency of repayments.

One example is a requirement that your buyer must make a minimum deposit of 15% of your contract amount before the starting point of your credit. Another example is that the buyer's repayments must be made in equal instalments with maximum six-monthly intervals. Please talk to our team for further examples.

Our cover can be issued in the following currencies: NZ dollar, Australian dollar, US dollar, Canadian dollar, the Euro, Japanese Yen, Chinese Renminbi, or UK Sterling.

How it works

If your buyer asks for, or you would like to proactively offer, extended payment terms then we encourage you to talk to our team as soon as possible.

In the first instance, we will discuss with you details about your buyer, your export opportunity, and your proposed extended credit terms. You can access our **information checklist** from our website (https://exportcredit.treasury.govt.nz/what-we-do/how-apply).

We will also explore with you the different financing arrangements that may be appropriate for you and your buyer.

If we obtain sufficient information, then we may be able to provide you with a formal letter of support containing indicative terms and premium pricing.

If you and your buyer wish to proceed, then we will undertake an in-depth, assessment of the export transaction and creditworthiness of your buyer and your buyer's country. At a minimum, this will include receipt of your buyer's financial accounts, as well as cashflow forecasts.

If you are looking to provide a **supplier credit** to your buyer, using your own balance sheet to fund the extended terms then, if we approve your application, we will provide our policy directly to you. You will then collect the repayments directly from your buyer over the term of the credit. This arrangement suits smaller value deals, and you will need to have the ability to provide finance to your buyer.

If you are unable to provide finance to your buyer yourself, then a financing arrangement using bills of exchange may be an option. This requires the preparation, and your buyer's signed acceptance of, bills of exchange which typically occurs on completion of your contract. Our **financing guarantee** covers non-payment of these bills of exchange and is provided to your bank. Our guarantee enables your bank to purchase these bills of exchange from you, which means that you receive a discounted payment for your exports soon after the buyer's acceptance. Your bank will then collect the repayments from your buyer.

Another financing option for your buyer is via a loan agreement. Typically this is provided by the buyer's bank, and the loan is underwritten by our **buyer credit** guarantee. We work in partnership with the bank to assess the risks and structure the loan. This arrangement can be structured so that you receive milestone payments as you perform your export contract, which supports your working capital and results in you being fully paid upon the completion of the contract. The bank then collects the loan repayments from the buyer. Due to the time and costs in structuring these arrangements they are normally used for larger transactions (e.g. greater than NZD 10 million).

In the event of non-payment and a claim, there is normally a three month waiting period before we compensate you or your bank. This recognises that delayed payments are common and this waiting period is used to attempt to recover or reschedule the outstanding payments. Upon payment of a claim, we continue to explore options to recover money back from your buyer.

We don't have a standard requirement for security to be taken over your exported goods, however this may be required in certain circumstances.

How to apply

To apply for our Export Credit Guarantee, please complete the **application form** available from our website (https://exportcredit.treasury.govt.nz/what-we-do/how-apply).

- The key eligibility criteria for our support are:
- confirmation that you are a New Zealand registered company or a subsidiary of a New Zealand registered company domiciled overseas
- evidence of a commercially sound transaction with a credit-worthy buyer or bank
- signed acknowledgment of our anti-bribery declaration (https://exportcredit.treasury.govt.nz/corporate-responsibility/new-zealand-export-credit-anti-bribery-policy) and
- evidence of economic benefits to New Zealand relating to your delivery of the goods and/or services provided under the export contract(s) or
- evidence that the performance of your contract is integral to the Exporter.

It is critical that we are able to obtain information to understand the business and credit worthiness of your international buyer. Our assessment focuses on your buyer's financial position, market position, as well as their industry and country. We also want to understand the underlying contract and your ability to perform it.

As part of your assessment, we will seek the following information:

- your buyer's (and/or guarantor's – if applicable) audited financial accounts (for the previous two years of trading PLUS the current year of trading);
- your buyer's cashflow forecasts for the next three years;
- details of your buyer's market;
- details of your prior trading history with this buyer;
- a credit report (for example from Dun & Bradstreet) that has been conducted within the last six months; and
- your most recent financial statements.

We also promote corporate responsibility and our assessment will consider any environmental and social impacts, as well as the promotion of sustainable lending in poorer countries.

We recommend that you discuss your risk management and export finance with us and your bank as early as possible. If you would like to email us an enquiry for our indicative feedback, please complete the **information checklist** available on our website: https://exportcredit.treasury.govt.nz/what-we-do/how-apply

What it costs

If we approve your application, we charge a risk-weighted, commercial premium for our cover which reflects the commercial and political risks, the financing and payment terms, our level of cover, and any underlying securities in respect to your export contract.

Our premium is a fixed percentage which is calculated against the total credit amount. This premium is paid in full, upon issuance of our policy.

We also charge an application fee to contribute to our due diligence costs. Our fee is a minimum NZD 2,000, or 0.05% of the credit amount applied for.

Dependent on which financing structure is used, there will be additional financing costs, as well as potential legal and other bank fees.

Contact us

Tel: +64 4 917 6060
Email: exportcredit@treasury.govt.nz
Website: https://exportcredit.treasury.govt.nz/