



New Zealand Export Credit General Contract Bond Guarantee

What is a General Contract Bond?

A contract bond is a financial guarantee which protects your buyer from losses in the event you fail to properly perform your contractual obligations.

Our General Contract Bond Guarantee is provided to your bank or bond provider to help you provide bonds without tying up additional credit facilities.

Benefits

Our General Contract Bond Guarantee may enable you to:

- ▶ bid for additional or larger contracts with overseas buyers who require bonds
- ▶ negotiate higher advance payments to support your project cashflow
- ▶ extend your bonding lines with your bank without requiring additional security, and
- ▶ free up your working capital.

If you have a government buyer that is seeking a New Zealand Government endorsement of your performance, then our Guarantee may also assist.

What is covered?

We can provide a guarantee of up to 100% of the bond amount in relation to your export contract, although our preference is for your bank to share some of the risk. NZEC's General Contract Bond Guarantee cover can also be utilised by New Zealand companies who are supplying to a New Zealand Exporter where the goods or services being provided to the Exporter are either: integral to the Exporter being able to fulfil the export contract; or integral to the Exporter.

Contract bonds are often required by government buyers and increasingly sought by corporate buyers. They may be on-demand guarantees, which entitle your buyer to demand payment from your bank without giving a reason.

It is important to note that our guarantee is not bond insurance, which protects you from fair or unfair calling of a bond. Instead, our guarantee is an indemnification to your bank to enable you to secure a bond. In the event of a bond being called and indemnified by us, we will then seek recourse from you.

The types of bonds that we can support include:

- ▶ **Bid bond*** that protects your buyer against loss from re-tendering a project in the event you are unwilling or unable to take on a contract after being awarded it
- ▶ **Advance payment bond** that provides your buyer with security for any advance payments they make to you under your contract
- ▶ **Performance bond** that protects your buyer from losses if you do not meet your contractual obligations
- ▶ **Warranty/maintenance bond*** that protects your buyer from loss if you fail to meet your warranty or maintenance obligations after completing the contract

*NZEC will only guarantee bid and warranty / maintenance bonds if they are in conjunction with an advance payment and/or performance bond that also requires a NZEC guarantee. 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.

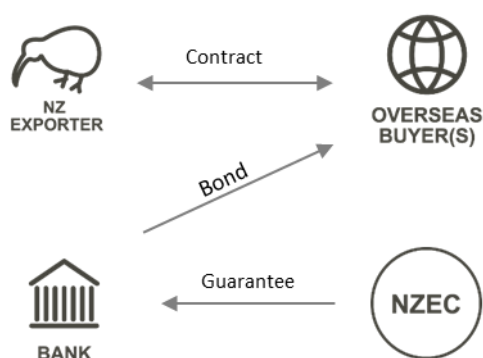
How it works

If your bank or bond provider is unable to support your bonding requirements, then you both submit a joint General Contract Bond Guarantee application to us. The **application form** is available from our website <https://exportcredit.treasury.govt.nz/what-we-do/how-apply>

We work closely with you and your bank to understand your business and the underlying export contract. Our assessment focuses on the technical, managerial and financial capacity of your business to successfully perform the export contract.

If we approve your application, we will provide our Government-backed guarantee to your bank or bond provider to enable it to issue bonds on your behalf in support of an export contract. Our guarantee substitutes securities or cash collateral that you may otherwise have to provide your bank or bond provider.

How the General Contract Bond Guarantee works is summarised in the diagram below:



In the event of a bond being called and paid, we will indemnify your bank or bond provider within 30 days of notice.

We normally don't require director's guarantees or seek to share in general securities already provided to your bank, although we reserve the right to, particularly if there are large exposures

NZEC is being asked to underwrite. In certain scenarios we may seek a specific security over the underlying export good.

A standard condition of our cover is that we both enter into a Recourse Agreement which recognises that you have an obligation to repay us in the event of a bond being called and NZEC indemnifying your bank or bond provider.

We recommend that you discuss your bonding requirements with us and your bank or bond provider 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>

How to apply

To apply for a General Contract Bond Guarantee, you and your bank or bond provider jointly complete the **application form** and pay a non-refundable assessment fee of \$1,000.

The application form is 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
- ▶ signed acknowledgment of our **anti-bribery declaration** <https://exportcredit.treasury.govt.nz/what-we-do/how-apply> evidence of economic benefits to New Zealand relating to your performance of the export contract, or
- ▶ evidence that the performance of your contract is integral to the Exporter, and
- ▶ demonstration of your managerial, financial, and technical capabilities to perform the export contract.

In order to understand the credit risks, we request the following information:

- ▶ a description of your business, management and key shareholders
- ▶ financial accounts of your company
- ▶ your company and project cashflow forecasts for the tenor of the bond
- ▶ a summarised description of the works, and any examples of similar contracts that you've performed
- ▶ information about your buyer and the key parties involved in the delivery of the contract, including examples of your prior working relationships
- ▶ a summary of your current lending terms and arrangements, and
- ▶ a copy of the bond(s).

What it costs

To apply for a General Contract Bond Guarantee, you and your bank or bond provider jointly complete the **application form** and pay a non-refundable assessment fee of \$1,000.

If we approve your application, we charge a premium for our General Contract Bond Guarantee, which is based on our assessment of your credit and performance risks.

We apply a per annum fee which is applied to the bond amount that NZEC is guaranteeing. Normally this premium is paid in full upon issuance of the bond(s).

Contact us

For more information, please contact us or visit our website:

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