

- Finnvera's Credit Risk Guarantee provides the exporter with cover against credit losses in export trade.

Credit Risk Guarantee – insurance against risks for the exporter

Risks covered and guarantee coverage

The guarantee can be used to insure risks involving receivables due from a foreign buyer and risks arising from cancellation of a contract prior to delivery.

The guarantee covers commercial and/or political risks.

Commercial risks

Commercial risks mean the buyer's inability or unwillingness to pay. The coverage for commercial risks in short-term guarantees is normally 90% and for bank risks 95%.

In long-term guarantees the coverage for commercial risks is normally 50–90%.

Political risks

Political risks are risks connected with the buyer's country. These risks are beyond the buyer's and the exporter's control. Political risks include restrictions on transfer of currency,

rescheduling of debts, war and insurrection. The guarantee coverage for political risks is maximum 100%.

Conditions for granting the guarantee

The guarantee is granted to a Finnish exporter. In general, the products exported must be of Finnish origin, or the transaction must otherwise meet the requirement of Finnish interest. The terms of payment must conform to accepted international practice.

The buyer's creditworthiness is generally assessed on the basis of credit reports and the buyer's financial statements. The creditworthiness of the buyer's country is assessed by following the economic and political developments in the country.

For exports to the EU Member States and to other Western industrialised countries, Finnvera can normally grant guarantees only if the payment period is two years or longer. ▶

Application for a guarantee

The application for a post-delivery guarantee must be submitted before the delivery, and the application for a pre-delivery guarantee must be submitted before the contract is signed.

Short-term Credit Risk Guarantee

A short-term Credit Risk Guarantee is best suited for the export of raw materials, consumer goods, consumer durables, semi-finished products and the like. The goods are generally exported to well-established buyers. The payment terms are usually a bill of exchange or an open account, at a maximum of 180 days.

The exporter can use the short-term Credit Risk Guarantee to insure the export receivables that arise when the goods are delivered to the buyer. The guarantee may be granted to cover either a single transaction or delivery, or continuous exports.

Finnvera confirms a credit limit for each approved buyer. The limit refers to the maximum amount of outstanding receivables to be insured at one time.

Guarantee costs

The guarantee premium is charged as a flat fee on the value of exports declared to Finnvera. The premium depends on credit period and the creditworthiness of the buyer's country. A handling fee is charged for granting the credit limit.

Short-term Credit Risk Guarantees can normally only be granted for exports to countries with political risk, i.e. not to the EU Member States or to other Western industrialised countries.

Long-term Credit Risk Guarantee

The long-term Credit Risk Guarantee is available for exporting capital goods and for project exports. In these transactions, the buyer is usually granted a period of several years for repayment, but cash payment terms are also possible.

The exporter may use the guarantee to insure receivables due from a foreign buyer and/or to insure pre-delivery losses.

The exporter can use a Credit Risk Guarantee to insure an export transaction against credit losses.

Regulations concerning bribery and environmental assessment are taken into consideration when handling the guarantee applications. In case of heavily indebted poor countries (HIPCs), guarantees are only granted for projects that have a positive effect on the social or economic development in the countries involved.

Terms of payment/ OECD Export Credit Arrangement

In long-term guarantees, Finnvera complies with the regulations of the OECD Export Credit Arrangement. The OECD member countries have agreed on the terms of officially supported export credits with a repayment period of two years or more. The OECD Arrangement defines interest rates, credit periods, cash payment requirements and the starting point of repayment.

Cash payment must be at least 15% of the export contract value, and the credit may not exceed 85%. The credit period is determined by the type of goods, the contract value and the category of the buyer's country. The credit must be repaid in equal and regular instalments not less frequently than every six months, without any grace period.

Buyer countries are classified in two categories according to their GNP. The acceptable credit periods are based on these categories. ▶

The maximum credit periods

- relatively rich countries: 5 years (in exceptional cases 8.5 years)
- relatively poor countries: 10 years.

Guarantee costs

The guarantee premium is determined separately in each case, and it depends on the creditworthiness of the buyer and the buyer's country, the terms of payment and the securities provided.

Finnvera charges handling fees for the processing of the guarantee application and the subsequent guarantee.

For further information, please contact the Export Credit Guarantees Unit or one of Finnvera's regional offices.

Application forms can be downloaded from Finnvera's website. You can apply for Credit Risk Guarantee online at www.finnvera.fi – Online Services.

Telephone service 020 690 784 – advice on financing and on how to fill in applications.

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Regional offices: Helsinki, Joensuu, Jyväskylä, Kajaani, Kuopio, Lahti, Lappeenranta, Mikkelä, Oulu, Pori, Rovaniemi, Seinäjoki, Tampere, Turku, Vaasa

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