



# Competing in the Global Race:

A Guide to Trade Finance and Credit Insurance



# Michael Izza's Foreward

Chief Executive, ICAEW

Getting businesses to export for the first time remains the highest hurdle to improving the UK's export performance. Since this guide was first published, a new Government is in power and has named boosting exports one of its top priorities. Business and government will need to collaborate to make good on this commitment and reach the targets of £1tr exports and 100,000 new exporters by 2020. This updated guide provides clear information on new and existing options for those looking to secure export finance.

While there are now more options than ever for potential exporters, the need to get more businesses exporting remains the same. ICAEW research shows export performance in 2015 has been inconsistent at best. The UK economy's growth has been heavily dependent on domestic spending, but for a sustainable, balanced and stable long term economic performance, we need to close the trade deficit. A balanced economy is the best bet to face the challenges of the next decade and beyond.

The benefits to businesses that export are clear as well: the ability to take advantage of economies of scale; improved productivity; and a larger market for their product. This guide acts as a crucial bridge between the UK and these international markets. ICAEW Chartered Accountants are poised to help put this into practice as we are the second biggest source of advice for businesses looking to export. ICAEW Chartered Accountants advise 1.5m businesses in the UK each year.

The mission to boost exports is as urgent today as it has ever been. We must all play our part in supporting companies ready to export. I'm grateful to UKTI and UKEF for the hard work they do supporting UK exporters, and for their assistance in writing this guide. I hope this excellent guide provides a clear and safe path for potential exporters.



*Michael Izza*

**Michael Izza**  
Chief Executive, ICAEW

# Louis Taylor

Chief Executive, UK Export Finance

I am delighted to support this newly updated guide which gives UK businesses a useful overview of export finance and credit insurance. It covers a subject which is critical to helping companies to export.

As the world becomes ever more interconnected and digital, the potential for businesses of all sizes to reach out to new customers and lucrative new markets beyond the UK has never been greater. Research shows that exporters, of all sizes, are more productive, innovative and resilient to economic downturns; achieve a stronger bottom line; boost their reputation and profile; and are more likely to grow their business.

The government is working with private sector partners to help more UK companies make exporting work for them. We have launched <http://www.exportingisgreat.gov.uk> where UK companies can access live business opportunities around the world, training sessions, business seminars and other events, as well as specialist trade services and support.

I welcome the help of ICAEW and its members in promoting the world of opportunity that awaits UK businesses both existing and first-time exporters. I see this guide as an excellent tool to raise awareness and understanding of the trade finance support available for exporters, which can help them achieve their export aspirations.

Of particular relevance to the export finance and credit insurance needs of UK companies is the support available through UK Export Finance (UKEF), which works with private sector partners to help UK companies of all sizes access finance support. UKEF continues to work very hard to help ensure viable export contracts do not fail for want of private sector finance or insurance.

I want to see UKEF become the best export credit agency in the world. The rates and terms it offers compare with the best of its peers. Its redeveloped offering is relevant to companies of all sizes, with a range of products focussed on supporting small and medium-sized companies. It offers free and independent guidance from its team of export finance advisers and will continue to listen to the needs of business. It must remain ready to meet these changing needs by working with its partners across government and in the financial services sector to refine its products and services as required. It must also be easier to access: the goal is to make the pathway to UKEF support, and indeed to all government export support, simpler, clearer, and faster, so it bears comparison with the best examples from digital commerce.

My thanks go to ICAEW for producing this comprehensive guide and I sincerely hope it will lead to more UK businesses deciding to export in 2016.



A handwritten signature in black ink that reads "Louis Taylor". The signature is written in a cursive, slightly stylized font.

**Louis Taylor**  
Chief Executive, UK Export Finance



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# 01 Introduction

Rebalancing away from consumption and debt towards investment and exports is at the heart of the government's economic agenda. Last November, United Kingdom Trade and Investment (UKTI) launched the 'Exporting is Great' programme designed to get 100,000 businesses exporting by 2020. As Lord Francis Maude, former Minister for Trade and Investment said:



With UK products and services in such high demand, this is an opportune moment to capitalise and encourage companies across the length and breadth of the UK to expand overseas.

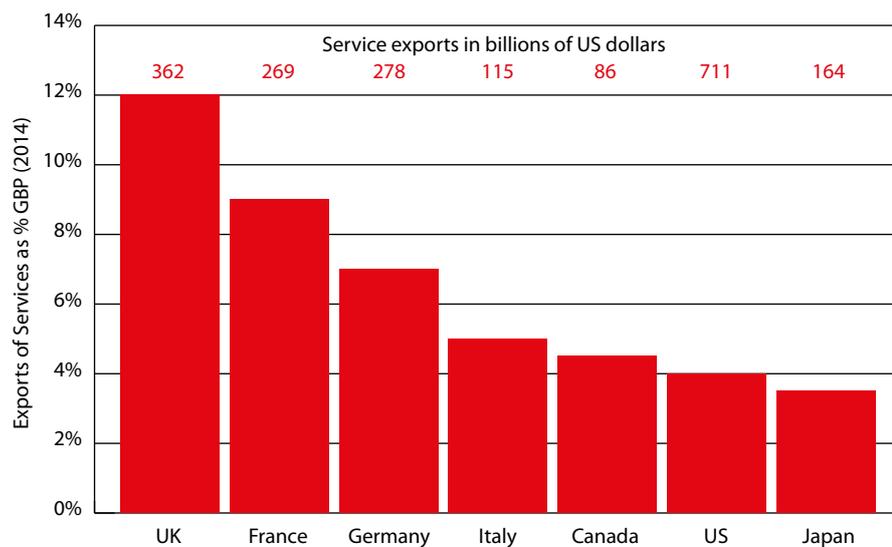
But what sectors should businesses and government focus on as the future drivers of export growth? Andrew Sentence, PwC's Senior Economic Advisor, suggests that a key area of focus for government and businesses should be the services sector. As Sentence said:



Global services trade is growing faster than goods trade...and the UK appears to have quite a strong comparative advantage.

The economic evidence supports this opinion. Service exports are important for the UK economy — more so than for any other G7 economy. Chart 1 below shows that in relative terms the UK was the biggest service exporter in the G7 and that they made up 12% of GDP, three times as much compared to the US. And in absolute terms, the UK exported a similar volume of services as Italy, Canada and Japan combined.

## Cash in advance



Source: PwC analysis of OECD, IMF data

## Service exports come with advantages

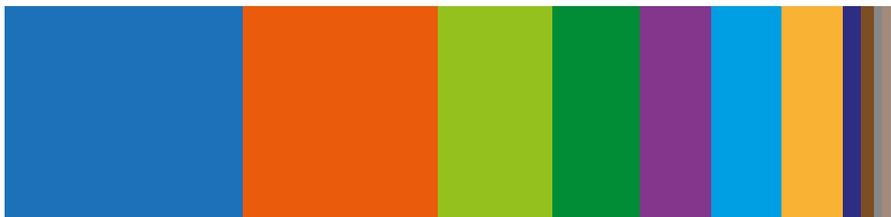
The service sector is key to realising the export potential of the UK. The UK is well placed to grow its service export base further because of the three main reasons.

First, demand for services is expected to continue to grow. PwC analysis shows that 2010 marked the first year when the volume of services imported by emerging economies exceed that of the G7.

This trend is expected to continue as economic power continues to shift from the West to the East and technological improvements make services more accessible to a growing middle class.

Second, the nature of UK service exports means that they are relatively resilient to fluctuations in exchange rates. Chart 2 shows that around 50% of UK service exports relate to specialised financial and business services. These are highly skilled sectors in which the UK has world-class reputation. Demand for these services are relatively price inelastic which means that businesses can charge more and earn higher margins.

### Chart 2: Breakdown of UK service exports in 2014



- Other Business Services (incl. legal, consulting, IT) (27%)
- Financial (22%)
- Travel (13%)
- Transport (10%)
- Telecommunication, Computer & Information (8%)
- Insurance (8%)
- Intellectual Property (7%)
- Maintenance (2%)
- Personal, Cultural & Recreational (1.5%)
- Postal & Courier (1%)
- Government (1%)
- Manufacturing & Construction (1%)

Source: PwC analysis of ONS data

*Percentages refer to sub-sector as a proportion of total service exports. Percentages do not add up to 100% as values are rounded.*

And third, the UK service sector is competitive. Unlike the manufacturing sector, the UK consistently runs a trade surplus on services and, as seen in Chart 1, is a global leader in services exports. Such an advantage means that UK services firms are well placed to compete on a global level.

## Service exports: where to go?

Business surveys support that view that UK services are in demand. For example, in the latest British Chamber of Commerce's Trade Survey more than half of the service businesses said that they experienced record sales growth.

So which countries are UK service businesses considering when thinking of expanding their exports network? Table 1 shows that service businesses would consider exporting their offerings to a mix of advanced and emerging economies.



Country	% service exporters who would consider exporting to the country
US	32%
France	29%
China	24%
UAE	24%
Brazil	20%

This, however, is easier said than done. Exporting services comes with regulatory, cultural and financial barriers which businesses need to overcome. Survey data shows that main barriers to exporting abroad are as follows:

- More than 25% cite regulation and language/culture differences as a significant barrier when entering new markets;
- Around 18% cite access to availability of finance as a significant barrier.

Exporters, however, are clear on where they need further support with most citing better funding, easier access to agent distributors and better availability of information as the main areas.

### Where you can go for help?

Help is available. PwC's Growth Markets Centre ensures businesses receive the full benefit of PwC's global knowledge and access to bespoke teams to help them successfully achieve their Growth Markets ambitions. Our team's global experience is put to use across many sectors as we collaborate with industry subject matter specialists to host seminars and client workshops on key Growth Markets issues. Find out more on: <http://www.pwc.com/gx/en/issues/high-growth-markets.html>

## 02 | What is trade finance and credit insurance?

As international trade involves buying and selling over extended periods of time across oceans, borders, legal systems and regions with very different business cultures and environments, a range of financial products and services – from bank guarantees to specialised loans providing exporters with working capital – have developed to allow businesses to trade with confidence. This is the area known as trade finance. Credit insurance is the overlapping field of covering exporters against the risk they will not be paid for a range of reasons such as a political upheaval or simply default.

Some common elements of trade finance include:

- Letters of credit
- Forfaiting
- Project finance.

### Letters of credit

A letter of credit is an undertaking issued by a bank on behalf of the buyer to pay a stated amount to the exporter within a specified period, provided certain conditions are met. These generally include receipt by the bank of various documents such as a commercial invoice, transport documentation and an insurance certificate.

When the goods have been delivered to the specified location the relevant documents are sent to the buyer's bank, which will then make the payment.

A confirmed letter of credit is one whose settlement is guaranteed by another bank of the exporter's choosing – usually their house bank in the UK – subject to the exporter complying with all the terms of the original deal. The bank issuing this confirmation then collects the payment from the foreign bank issuing the initial letter of credit.

### Forfaiting

Forfaiting is a form of credit whereby a bank or other third party effectively buys an export transaction, presented as bills of exchange. The forfaiter now has the contract with the buyer. The forfaiter pays the exporter for the goods – providing security to the exporter – and agrees a payment schedule with the buyer over a period typically of between two to five years. As liability has now passed to the exporter's bank or other forfaiter, they usually insist the bills are avalised or guaranteed by the buyer's bank, which must promise to honour the bill if the buyer defaults – often using a letter of credit as above.

### Project finance

With some major self-contained overseas projects undertaken by UK firms, such as building a sports stadium or oil installation, exporters may seek to fund the project in a stand-alone manner using project finance. With this, a bank or other funder will issue a loan for the project based on an overall assessment of its viability including projected future income streams (for example oil revenues), and risks of default by the buyer or general project overspend or failure.

If the project does encounter difficulties, the deal will often be structured so the bank will then be able to take over the project, to try to recoup its funds, but the other parts of the exporter's business should not be liable for the loss. Political or other risk insurance might be taken out to protect the parties involved in financing the project. Project finance is often used in developing countries where there is a good business framework and a history of successfully funded commercial projects.



## Credit insurance

The majority of international trade is conducted on 'open account' whereby the exporter accepts payment after the goods or services have been received by the buyer. Exporters face greater risks than sellers within the UK, because they may have no previous experience of dealing with their buyers or because of political or economic uncertainties – or disasters – in the buyer's country. It is therefore usual to cover against non-payment or other unforeseen events outside the exporter's control.

Risks covered might include:

- Insolvency of the buyer;
- Slow payment by the buyer;
- Shortage of foreign exchange;
- Political intervention;
- Pre-delivery losses can usually be added for the event that the buyer becomes insolvent or a political event terminates the contract before goods are despatched; and
- Unfair calling of an on-demand contract is an optional extra.

A financial institution can be added as loss-payee on the policy allowing access to low cost invoice finance.

As with all insurance, care must be taken in ensuring the cover is on the correct name of your contractual buyer – in other words, always read the small print!

## 03 | Getting access to working capital

For exporters, access to working capital is vital for filling new orders, capitalising on new markets and maintaining adequate inventory levels. Businesses can make use of private, institutional and governmental sources of working capital.

### Revolving credit

If your business is established and has good credit and references, you can apply for a line of credit/overdraft from a financial institution and only pay interest on the money actually withdrawn from the credit line. Business credit cards are another source of revolving credit.

### Debt financing

Businesses that are well established and have good credit history can apply for short- and long-term business loans from banks and financial institutions to meet working capital needs.

### UK Export Finance (UKEF) Export Working Capital Scheme

For businesses that require increased working capital to finance export contracts, UKEF can help by providing partial guarantees to lenders to cover the credit risks associated with export working capital facilities. UKEF can typically guarantee 50% of the credit line, increasing the size of the facility available to the exporter (see UKEF in section 8).

### Accounts receivables financing

Another way to obtain much-needed working capital is to sell your accounts receivables to a financing company. This could be done in various ways, listed below.

### Invoice discounting

Invoice discounting is mostly aimed at larger businesses with well-established systems and procedures in credit control and sales ledger management. In very simple terms, it allows you to receive up to 90% of the money you're owed within 24 hours of submitting an invoice. An advantage is its anonymity: your customers need never know that their invoices are providing a source of financing.

### Factoring

Factoring is primarily for smaller businesses which do not have a large finance department and which may have customers who don't always pay on time. You issue your invoices as normal, but your bank manages the issuing of statements and collects the monies owed to you.

### Asset finance

Asset finance is a form of funding that uses the asset as security and helps businesses release working capital that can be used for other business requirements. It is a flexible means of funding capital investment without taking money out of reserves.



## Equity financing

You can sell equity in your company in exchange for an infusion of funds. Typically, you give the investor either a percentage of ownership in your business or a number of shares based on your company's value.

## Better access to cash already in the business

You can also improve your working capital position by making better use of existing cash. This can be done in a number of ways: from getting paid quicker by your suppliers to pooling cash across different parts of your business. Your bank will be able to help you identify what will work best for your individual business.

## 04 | Export insurance

### Export credit insurance protects against non-payments

The majority of international trade is conducted on open credit terms. It is important to protect your company against the risk of non-payment and loss arising from a political event such as war, or natural disaster. There are banking techniques that provide similar protection, but these may be expensive for an overseas buyer.

With credit insurance you protect against non-payment and the resulting bad-debt write-off. At its simplest, you offer open account terms to your customer and if they do not pay, then you claim on your insurance.

Sometimes the insurer might ask you to obtain payment security as a condition of giving cover for a certain customer or country.

It is wise to get advice from a broker on insurance issues, to ensure that the insurance meets your needs.

Insurable export risks are:

- **Credit risk:** the risk of non-payment;
- **Pre-delivery/work-in-progress risk:** if your goods are made to order, you can buy cover from date of contract for the risk of insolvency or contract frustration before dispatch; and
- **Bond unfair calling risk:** it is possible to buy cover, as an extension of your export credit insurance, against the unfair call of an on-demand contract bond or bid bond.

You will also need to consider:

- **Cargo risk:** insurance for goods in transit may be provided through your logistics supplier or can be separately negotiated; and
- **Liability risk:** consideration should be given to both public/products liability insurance as well as overseas local statutory insurances such as employers liability/workers compensation and motor.

If export insurance proves difficult to obtain from a commercial insurer, UKEF might be able to help (see UKEF in section 8)

## 05 | Making sure you get paid

Getting paid can present particular challenges for exporters. This is because the buyer and seller are in different countries, so securing payment or reclaiming the goods can be more difficult. To address this, a number of options are available, all of which reduce the risk of non-payment to varying degrees and in different ways.

### Cash in advance

In this simple arrangement the importer (or buyer) pays the exporter in advance for goods or services. All the advantages accrue to the exporter, and all the disadvantages accrue to the importer, who has parted with his money and has no assurance of receiving the goods. More usually, some element of credit will be involved.

### Letters of credit (LC)

With other payment methods the exporter and the importer depend on each other for the contract to be properly fulfilled. With a letter of credit (LC), however, the exporter and the importer both have the additional independent assurance of the bank that issues the LC (the issuing bank).

However, the exporter is still at some risk of non-payment if they are unable to meet the terms and conditions of the LC, or if the importer's bank finds discrepancies not previously found by either the exporter or the paying bank.

### Collection (term and sight)

This is when the exporter ships the goods before payment but retains control of them until payment (or a legal promise to pay) is received from the importer. The transaction is initiated by the exporter, who despatches the goods to the importer's country. At the same time, they entrust the related documents (which may include negotiable bills of lading) to their bank, for collection of sale proceeds and the delivery of documents to the importer according to the terms of the sales contract. It is important to note that collections do not give the exporter the security of advance payment, and require both exporter and importer to exercise great care in agreeing the detail of the sales contract.

There are three types of collections, each of which provides a different level of protection for the exporter and importer. These are: clean collection, documentary collection: documents against acceptance (D/A), and documentary collection: documents against payment (D/P).

### Open account trading

This applies when the exporter despatches goods to the importer and at the same time sends an invoice for those goods, for payment at an agreed date or after an agreed period. It is commonly used for trade between established pairs of exporters and importers, both of whom tend to operate in stable markets. The arrangement is based primarily on trust and the advantages accrue to the importer, while the exporter takes on all the risk. If the customers do not pay, or if they do pay but their country blocks remittance of funds to the exporter, the exporter has neither the goods nor the money, and may not be able to get their goods back. It is these risks that are covered by export credit insurance.

## 06 | How to raise contract bonds

When exporting, it is common for your customer to require a bond or guarantee. These are internationally-recognised ways of ensuring buyers and sellers keep their promises to each other.

### How do they work?

A bond or guarantee is issued by the guarantor – usually a bank – on behalf of the exporter. If the exporter fails to deliver the goods or services as described in the contract, the importer can ‘call’ the bond and receive financial compensation from the bank. Under a counter-indemnity, the bank can then reclaim the full amount from the exporter, including costs and interest.

Bonds and guarantees fall into two classes. Most overseas buyers require on-demand bonds, which can be called at the buyer’s sole discretion without contest. Conditional bonds give greater protection to exporters, but are unacceptable to many overseas buyers. Within these two classifications, there are bonds to support each stage of the trade cycle.

### Bid or tender bonds

These are required by your potential buyer to show that you, the supplier, are serious in your intent; will not withdraw your tender before adjudication; will sign contracts if awarded; and provide any subsequent bonding. Bid bonds typically cover 2% to 5% of the value of the tender and remain valid for three months after the bid closure date.

### Performance bonds

These guarantee that if you fail to carry out the terms of the contract, the importer will be paid a sum in compensation – typically around 10% of the contract price. The bonds are purely financial guarantees and carry no warranty that the bank will complete the contract if its customer fails to do so.

### Advance payment and progress payment guarantees

These give protection to the buyer by guaranteeing that any advance payment and progress payment guarantees that have made will be refunded if the exporter fails to complete a contract.

### Retention bonds

These enable retention monies, which would otherwise be held by the buyer beyond completion of the contract, to be released early.

### Warranty bonds

These provide a financial guarantee to cover the satisfactory performance of equipment supplied during a specified maintenance or warranty period.



## Overdraft guarantees

These guarantee the borrowing requirements of UK exporters or contractors who need finance in the importer's country. The guarantee covers the local bank against the exporter defaulting. Without such security, the local bank would be unwilling to lend monies where the UK exporter is unknown to them.

## Standby letters of credit

An exporter and their customer may arrange that goods will be paid for in an agreed manner after they have been dispatched. But if such payment is not forthcoming, the exporter will need another way of getting paid. A standby letter of credit (also referred to as 'standby credit') can provide this security backup.

For all types of bonds or guarantees, make sure you obtain an estimate of the likely costs early, so that you can take it into account in your bid price.

UKEF can support the issue of contract bonds through guarantees to banks (see UKEF section 8).

## 07 | How to secure buyer finance

### How can it help me?

Buyer finance can help exporters compete effectively for contracts by enabling overseas buyers to purchase the exporter's goods or services.

### What is it?

Buyer finance is a loan made available to an overseas buyer so that they can purchase a UK exporter's goods or services. The buyer's ability to get a loan from a financial institution in the UK, their own country or a third country and might be critical to the deal going ahead. Buyer finance loans are often a medium- to long-term financing solution for buyers to buy capital goods or for large projects.

### How does it work?

Finance for your overseas buyer can take the form of a direct loan from a bank or other financial institution to the buyer. The loan may cover all or part of the export contract value. At the buyer's direction, the lender may provide funds to the exporter as payments under the export contract. The overseas buyer makes loan repayments to the lender in accordance with the loan agreement.

Sometimes a bank may be unwilling to lend to the overseas buyer – especially in risky or developing markets – unless the bank can either remove or mitigate the default risk (see UKEF overleaf). Once the loan (and associated guarantee) is in place, the lender may advance the loan funds to the exporter as payments under the export contract become due. The overseas buyer then repays the lender in accordance with the loan agreement. This means that the overseas buyer can pay for the goods or services over a longer period of time (typically two years or more).



## UK Export Finance buyer finance support

For loan contracts offering more than two years' credit to the buyer, UKEF can provide support with a buyer credit facility or a line of credit facility. Under these facilities, UKEF provides a guarantee to the bank making a loan to the overseas buyer so that, if the buyer defaults on a loan repayment, the bank can make a claim under UKEF's guarantee. The benefit for the bank is that they transfer the risk of the buyer not repaying the loan to UKEF. The benefit for the exporter is that they can offer competitive credit terms to their buyer, while being paid up front.

Where the repayment term is greater than two years, the credit terms which UKEF can support are set out in the OECD Arrangement on Officially Supported Export Credits. This regulates the credit terms in four main areas.

- Minimum payment of 15% on or before the starting point of credit.
- The starting point of credit is the date which defines when the buyer has to start repaying an export credit loan being guaranteed by UKEF.
- The maximum credit period is generally decided according to the buyer's country and the type of business being supported.
- Normally the loan must be repaid in equal instalments payable at least half yearly. The first instalment must be paid within six months from the starting point of credit. Interest on the export credit loan also has to be paid at least semi-annually and is usually paid on the reducing balance of the principal outstanding.

For transactions done under UKEF's buyer credit facility or a line of credit facility, both the bank and UKEF must assess the transaction and deem it acceptable. UKEF can also now provide a loan directly to the buyer either independently or (as is usually the case) in partnership with one or more banks. This is under UKEF's Direct Lending Facility and the access criteria and terms of this facility are set out on UKEF's website.

See page 16 for a summary of all UKEF products.

## 08 | The role of UK Export Finance

UK Export Finance (UKEF) is a government department and the UK's export credit agency. Its role is to support UK exporters.

- It provides guidance – to help companies access finance and to identify, manage and minimise the financial risks of exporting.
- It guarantees or provides loans to overseas buyers – to finance the purchase of goods and services from UK exporters.
- It protects exporters – with insurance against non-payment by overseas buyers and against contract bonds being called unfairly, or for political reasons.
- It facilitates working capital finance and bonds – with guarantees to banks to reduce the risk of providing loans to the exporter and contract bonds.

### Complementing the private sector

UKEF helps UK businesses by supporting their exports and helping them to expand internationally, working alongside them, and helping them to access the export finance they need to grow.

Typically, UKEF helps businesses when the private sector finance and insurance market is unable to provide full support. Exporters will often go to their bank or to specialist financial organisations to help them get finance, and to credit insurers for insurance against the risks of not being paid. But when the risk is too high or when capacity is constrained for these private sources, UKEF may be able to help. Smaller companies may, for example, have trouble securing financial support in a situation where an important contract proves too small for private underwriters.

The role of UKEF is not, however, to replace the role of the commercial markets. UKEF complements and partners with the banking and credit insurance commercial providers, and bridges the gap between what insurers and banks can support and what businesses need to confidently trade with new and expanding overseas markets. Without UKEF support, many export deals simply would not go ahead.

### Supporting UK exporters

Over the last five years UKEF has provided guarantees and insurance with an exposure value of £14bn in support of over 500 exporting companies. UKEF has a total capacity of £50bn to support UK exports, and its products and services are available for over 200 overseas markets.

UKEF has become increasingly active as the UK economy pulls away from the 2008 financial crisis. It is an important contributor towards achieving economic growth in the UK and sustainable economic recovery. UKEF has steadily increased the number of exporters it has backed by 80% on average over each of the last five years, selling to a broad range of overseas markets, with over 6000 companies benefiting in export supply chains. Individual support per case ranged from £10,000 to £500m, helping companies ranging from micro-exporters to multinationals.

The organisation has adapted to changes in the market by developing its products to facilitate greater access to finance for UK companies doing business overseas. These include products that support small and medium-sized companies, such as bond support and export working capital schemes.



A great example is the support UKEF gave to JDR Cables which supplies sub-sea power and control cables to the energy sector. UKEF's bond support scheme helped JDR Cables raise the performance bond it needed to perform a contract to provide cables for two wind farm projects off the North Sea coast of Germany. This contract helped JDR Cables boost its European expansion.

Case studies involving UK companies Alexander Dennis and Espirit Digital are also included in this publication and represent very good examples of how UKEF support has enabled businesses to fulfil their export contracts and become more profitable.

UKEF can consider support for all exporters, large and small, and for all types of UK exports, whether they are goods or services. In recent years UKEF has supported businesses in sectors such as aerospace, agriculture, automotive, construction, healthcare, industrial processing, oil and gas, petrochemical, water treatment, and satellite technology.

When exporters require finance or credit insurance in situations where commercial banks and insurers cannot provide support, an easy way to check whether UKEF can help is to contact UKEF's network of regional advisers. They are your local point of contact, to support both existing exporters and businesses with export potential by explaining the support on offer from UKEF, and from banks, credit insurers, brokers, trade support bodies and other parts of government.

## Contact UKEF

If you wish to speak to an adviser directly, please find a full contact list at [www.gov.uk/uk-export-finance](http://www.gov.uk/uk-export-finance). Alternatively, please ring the helpline number on +44 (0)20 7271 8010 or email [customer.service@ukef.gsi.gov.uk](mailto:customer.service@ukef.gsi.gov.uk)

## 09 | An overview of UK Export Finance products

Export finance question	How UK Export Finance can help	How it works
What if I need working capital?	Export Working Capital Scheme	Your bank can provide the working capital you might need to deliver an export contract. UKEF provides a guarantee to your bank so they can do this.
What if I am asked to provide an advance payment guarantee or tender, performance and warranty bonds?	Bond Support Scheme	If you need a bond, your bank can help you by issuing one to your overseas customer. UKEF provides a guarantee to your bank so they can do this. This may also improve your working capital by releasing cash that is sometimes required by the bank to secure the bond.
What if I am concerned that a bond may be called through events outside my control?	Bond Insurance Policy	UKEF can provide an insurance policy to protect you against a demand for payment under a bond which is either unfair or caused by political events.
How do I protect myself against not being paid by my buyer?	Export Insurance Policy	UKEF provides an insurance policy that covers you against not being paid under your export contract. The policy covers costs incurred if the export contract is terminated because your buyer defaults, before the goods are delivered, or if they fail to pay due to specified political, economic or administrative events.
What else can I do to reduce my payment risk?	Letter of Credit Guarantee Scheme	Letters of Credit are one of the safest ways to make sure you get paid. UKEF provides a guarantee to your bank so they can confirm a Letter of Credit.
I am providing goods or services on payment terms of two years or more. How can I be sure I'll receive stage payments from the buyer?	Buyer and Supplier Credit Facilities	Banks can provide loans to exporters or overseas buyers to help fund payment terms of two years or more. UKEF provides a guarantee to your bank so it can do this. These loans involve stage payments.
	Direct Lending Facility	UKEF also provides loans directly to overseas buyers so they can purchase goods and services from the UK.
How do I know what cover is available in my target market?	Country Cover Policy	Search Google for "UKEF country cover" to find up-to-date information across over 200 markets. Note: this is not relevant for the Bond Support or Export Working Capital products.

## 10 | Case Studies

### Esprit Digital

#### Strong future

**A flexible working capital facility, backed by UK Export Finance, powered up Hertfordshire-based Esprit Digital's biggest contract supplying display screens to Australia.**

#### Major contract

Hertfordshire-based Esprit Digital is the UK's leading manufacturer of digital "out of home" screens, including digital advertising, signs and video walls in shopping malls, airports and other public spaces.

The company had been able to grow to a £3.5m turnover by funding its own working capital needs. However, when in 2014 it won a contract worth more than A\$20m (£9.6m) to install 1,204 digital display units in 37 Westfield shopping malls in Australia, the company needed bank support. Because the contract was so large – involving more than 80 suppliers – Esprit Digital was keen to explore new finance options to help it overcome potential cash flow glitches.

#### Risk shared

"Up to this point we had rowed our own boat, without any commercial financing," says Peter Livesey, Esprit Digital's managing director. "We operated an ordinary current account and a handful of foreign currency accounts, but had never required anything else, because we tended to receive substantial deposits up front, as advance payments.

"Now, we were looking for around a £1m facility in case of delays in the supply chain triggering delays in stage payments from the customer, so our bank suggested a meeting with UK Export Finance, with a view to them sharing some of the risk." Working alongside the firm's bank, UK Export Finance (UKEF) was able to provide support through its Export Working Capital Scheme.

Under the scheme, UKEF provides partial guarantees to banks to cover up to 80% of the credit risks associated with both pre- and post-shipment export working capital facilities. The scheme helps exporters access greater amounts of working capital than they might otherwise be able to do, using the government guarantee as a cast-iron form of security.

#### Quickfire support

"We showed UKEF our track record – including other work for Westfield, and for London Underground – and a strong pipeline of future deals. After we and our bank completed the paperwork, we soon had a £1m limit working capital line in place, part-guaranteed by UKEF."

With operational flexibility now assured, Esprit Digital was able to draw down working capital as and when needed.

"In a similar situation, we are likely to seek to use UKEF products again," says Peter. "The most important thing for us was the confidence that if our sums were slightly out, or we were let down by a key supplier and had to pay performance penalties, we would not be jeopardising the company."

And with several new permanent jobs created to service the Westfield contract, this small UK innovator is well placed for a strong export-driven future.



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**Peter Livesey,**  
Managing Director at Esprit Digital

## Alexander Dennis

### Maximum capacity

**When Scottish business Alexander Dennis won a major contract in Canada, support from UK Export Finance helped free up the cash it needed to power ahead.**

### World class fleet

Alexander Dennis Limited (ADL) is the UK's leading maker of buses and coaches. Headquartered in Larbert, Scotland it is a large business turning over more than £500m a year.

International sales are vital to the firm's success and in 2014 the company won a major five-year contract to supply a fleet of buses to Metrolinx, the transport authority for the Greater Toronto area in Ontario, Canada. The contract is for the supply of a minimum of 253 double-deck buses, with options on a further 150. As well as improving seat capacity, the new buses are more wheelchair-accessible than the vehicles they replace.

To start work however, ADL needed to redesign and re-engineer the buses to cope with local infrastructure challenges in Toronto including low bridges; and the firm also committed to opening a small manufacturing facility in Ontario, bringing jobs to the local economy. To help cover these costs an advance payment was negotiated, with Metrolinx in turn requesting an advance payment bond and a performance bond guarantee from ADL's bank.

### No red tape

ADL's bank was able to issue the bonds but normally these require a high level of cash cover from the firm to do so. This would have locked up funds for ADL, negating most of the value of the advance payment – a Catch-22 situation.

The company then contacted UK Export Finance (UKEF), whose bond support scheme offers guarantees to banks to help free up exporters' funds. After assessing the case, UKEF was able to act quickly to underwrite the bonds.

"The UKEF guarantee allowed ADL to use the advance payment facility for our business needs", says Robert Davey, Group Commercial Director at Alexander Dennis.

"This was quite a complicated contract, denominated in Canadian dollars, but it was important for us to keep the negotiations moving at pace, to receive our advance payment. Principles were agreed quickly with the UKEF team, and we didn't have to cut through layers of red tape to get a decision."

### Freeing up funds

The guarantee freed up a significant chunk of the advance payment for ADL to use, benefiting not only the work now beginning on the Metrolinx contract but also the company's ongoing work to seek out new export opportunities.

"Our focus on expansion to international markets, including new countries and territories in Latin America, Europe and Asia Pacific, makes UKEF support vital", says Robert. "It is hugely important for us."



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It was important for us to keep the negotiations moving at pace, to receive our advance payment. Principles were agreed quickly with the UKEF team, and we didn't have to cut.

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**Robert Davey**  
Group Commercial Director  
at Alexander Dennis

## 11 | An overview of UK Trade & Investment

### Exporting is GREAT

The UK's success is built on the hard work and ingenuity of businesses like yours. It's your leadership, your talent and your determination to make the most of every opportunity that creates jobs and drives growth across our country.

As the world becomes ever more globalised and digital, the potential for you to reach out to new customers and lucrative new markets beyond the UK has never been greater.

Whatever your sector, there's a market out there for your products or services. That goes for established markets, like the European Union (EU) and US, and high-growth markets such as Brazil, India, China, Colombia, Indonesia and others.

Right now, there are UK businesses out in the world selling tea to China, wine to France and boomerangs to Australia. The world wants to buy what we're selling. For them, it's a mark of quality, innovation and excellence.

And the UK is a global leader in some of the world's fastest-growing and/or innovative sectors: agriculture, creative industries, advanced engineering, high-value manufacturing, defence and security, education and skills, energy and infrastructure, professional services, food and drink, healthcare, ICT, life sciences and retail. The list goes on and the benefits of exporting are too good to miss.

Again and again, research shows that exporters, of all sizes, are more productive, innovative and resilient to economic downturns; achieve a stronger bottom line; boost their reputation and profile; and are more likely to stay in business.

Of course, making the move into any new market – especially when you're dealing with a different language, culture or regulations – can feel like a leap into the unknown. But you don't need to be an old hand at exporting to have an impact globally. Two in five of the UK's smallest exporters – that's companies with fewer than 10 employees – are already doing business in at least one high-growth market. To put it simply, there is no limit to what you can achieve.

We want to inspire first-time exporters to make that move overseas and seize the growth it can bring. And we're working with organisations passionate about helping UK companies like yours to export and excel.

So visit [www.exportingisgreat.gov.uk](http://www.exportingisgreat.gov.uk) now to access live business opportunities around the world, training sessions, business seminars and other events, as well as specialist trade services and support.

The demand is out there. You could be too.

### Expert support to export

#### UK Trade & Investment

UK Trade & Investment (UKTI) is at the heart of the whole-of-government effort to boost UK exports and increase inward investment. We not only want to get more of the UK's businesses exporting, we also want them to sell to more markets and to a greater value than ever before. We are working with the best of the private sector and focusing on our customers' needs, while ensuring the full weight of government is behind this collective effort.

UKTI has a network of experienced international trade advisers across the UK - alongside staff based in UK Embassies and other Diplomatic Offices around the world - ready to provide companies with expert trade advice, market know-how and practical support to grow their business internationally.



Whether a firm is starting out or is experienced in exporting, UKTI can help make doing business internationally as easy as possible. UKTI can provide the following:

- Access to an experienced International Trade Adviser
- Support to participate in trade fairs overseas
- Opportunities to participate in sector-based trade missions and seminars
- Exploratory visits to new markets
- Access to major buyers, governments and supply chains in overseas markets
- Advice on forming international joint ventures and partnerships
- Support for experienced exporters to build on their previous successes and develop new export markets
- Alerts to the latest and best business opportunities
- An export health-check to assess your company's trade development needs and help develop a plan of action
- Export skills training
- Access to providers who can help with export documentation and regulatory issues
- Specialist help with tackling cultural and language issues when communicating with overseas customers and partners
- Advice on how to conduct market research and the possibility of a grant towards approved market research projects
- Ongoing support to help your business continue to develop overseas trade and look at dealing with more sophisticated activities or markets.

To find out more visit [www.gov.uk/ukti](http://www.gov.uk/ukti)

## 12 | Information on brokers and insurance companies

### Trade credit insurance brokers

Trade credit insurance brokers specialise in advising businesses on international risk mitigation, a part of which may involve the purchase of insurance. Through their knowledge of the market they can obtain the most appropriate cover at the optimal price, receiving brokerage or charging a fee for their services. Insurance brokers are an intermediary acting on behalf of a client. In the UK, insurance brokers are regulated by the Financial Conduct Authority (FCA).

The British Insurance Brokers' Association (BIBA) recognises the following list of brokers as expert in trade credit insurance. The BIBA can also supply names of other small brokers who may be more appropriate for more specific needs.

Aon Limited	LFE Insurance Services Ltd
Aon Risk Services (NI) Ltd	LDPA Credit Insurance
Antur Insurance	LLTPS Brokers
Arthur J Gallagher (UK) Ltd	Marsh Limited
Bluefin	Newstead International
Berry Palmer & Lyle Ltd	Perkins Slade Ltd
Bridge Insurance Brokers Ltd	R K Harrison
Cooper Darwin Credit Insurance Consultants	Thomas Carroll (Brokers) Ltd
Credit & Business Finance Group LLP	T L Dallas Group
Credit Risk Solutions Ltd	T L Risk Solutions Ltd
Financial and Credit Insurance Services	The John Reynolds Group Limited
Gallagher Heath	Underwood Insurance Services
JLT Speciality Limited	Willis Limited

You can also buy trade credit insurance directly through the larger trade credit insurers.

These are listed below.

#### Atradius Credit Insurance NV

3 Harbour Drive  
Capital Waterside  
Cardiff CF10 4WZ

#### HCC International

Walsingham House  
35 Seething Lane  
London EC3N 4AH

#### AIG Europe Ltd

The AIG Building  
58 Fenchurch Street  
London EC3M 4AB

#### Markel

The Markel Building  
49 Leadenhall Street  
London EC3A 2EA

#### Coface UK

80 St Albans Road  
Watford  
Hertfordshire WD17 1RP

#### QBE Insurance (Europe) Ltd

Plantation Place  
30 Fenchurch Street  
London EC3M 3BD

#### Euler Hermes UK

1 Canada Square  
London E14 5DX

#### Zurich Credit

3 Minster Court  
Mincing Lane  
London EC3R 7DD

## 13 | Information on banks

### Barclays

Trading overseas is a key way for small and medium-sized businesses to accelerate their growth. And we'd like to help you make the most of it.

We have over 100 specialist international and trade business bankers – one of the largest teams in the UK – ready and waiting to help you. All of our managers study for the CITA qualification (Certified International Trade Advisor), so they are fully equipped to provide the right support and expertise, whether you are looking to export for the first time or further increase your international footprint.

Barclays has a range of services to help your business make the most of its global opportunities. From euro and international currency accounts, efficient payment methods and managing credit risk to foreign exchange and day-to-day banking support. Plus our unique proposition, 'Business Abroad', provides the tools and know-how that businesses need to start trading internationally with confidence. It offers free access to expert guidance, advice and tools, as well as discounts on international products and services.

Get up to date indicative mid-market exchange rate information and follow currency movements with the FX powered by Barclays app.

Terms and conditions apply.

You can find out more about how we can help your business to trade internationally at [www.barclays.co.uk/world](http://www.barclays.co.uk/world)

Our trade and working capital capability includes traditional documentary trade, supplier finance, receivables finance and a variety of the other working capital solutions, which we offer to SME's, Global Corporates and Financial Institutions.

If you would like to discuss your plans for trading overseas, simply contact us at [www.barclays.co.uk/world](http://www.barclays.co.uk/world)



## RBS and NatWest

International trade offers exciting opportunities for UK businesses, but it can also bring challenges. This is where your bank can play a crucial role. We are ideally placed to support SMEs and large corporates in the UK, and multinational corporates from Western Europe, the US and Asia-Pacific with significant links to the UK and the Republic of Ireland. We offer market-leading products from debt and transaction services to foreign exchange and interest rate products.



### Export services

Our export services are designed to support you at every stage of the process. We take the time to really get to know your business and understand its complexities and needs. Then we use our in-depth knowledge and strong product capabilities to help you explore opportunities, grow and do business around the world. From trade and supply chain solutions, to cash and liquidity management, we're here to help you mitigate your risks and achieve your international ambitions.

We advise corporate treasurers on how to simplify the management of their business operations in order to grow their domestic and export markets. In addition, we help corporate customers execute their trade transactions (e.g. letters of credit and guarantees), implement their cash solutions (e.g. cash pooling) and process their payments across country borders (e.g. SEPA). We are also a leading provider to global financial institutions of sterling clearing and settlement for both commercial and treasury payments and agency banking.

We are one of the leading providers of SME and corporate banking in the UK, and are among the leading transaction banking providers, processing more than £400bn through 7m international payments for UK businesses last year. And 36% of the UK exporters who benefitted from UK Export Finance support in 2015 were introduced by us.

### Export services contact details

To find out more about how we can help you export successfully, please contact our SolutionsLine team on: 0800 210 0235

(Text Relay 18001 0800 210 0235)

Lines are open 08:00-17:30, Monday to Friday (excluding public holidays).

Calls may be recorded.

### Web resources available

Our online insights can provide you with the economic, industry and trading information you need to identify the best markets for your individual business.

We also have a number of useful guides and online tools to help you get started, details of which can be found on our websites:

[www.natwest.com/international](http://www.natwest.com/international) or [www.rbs.co.uk/international](http://www.rbs.co.uk/international)

## Santander

### Trade finance

Santander Corporate & Commercial understands that trading with business partners based overseas can be challenging. Whether you are weighing the commercial and economic risk climate of individual countries, your financing needs before export or import, or how you can ensure you are paid once your goods are delivered, it is important to have ready access to the right level of support.

Business success depends on being able to mitigate the risks involved in trading internationally and in finding the right trade finance solutions. Santander Corporate & Commercial provides a wide range of trade finance solutions and can guide you through what can seem a complex area. So whether you are an established international business or taking your first steps abroad, our dedicated team of trade finance specialists are on hand to support you. We provide the solutions to help you manage risks, credit terms and payment flows and to identify opportunities to accelerate cash flow.

Our services are tailored to addressing your needs and include: helping you mitigate country and political risk, buyer/supplier risk and contractual risk; offering the right finance mix, which might include import loans, pre-export finance, receivables finance and bill discounting; as well as assisting with liquidity with accelerated cash flow, deferred payment terms or bridging funding gaps.

### Key features

- We have a dedicated team of specialists who are committed to delivering a simple, personal and fair approach to trade finance.
- We will work with you to understand your trading risk profile and how risks can be mitigated.
- We will deliver the most appropriate product mix which may include access to a wide range of trade finance solutions.
- We can improve your working capital position and help accelerate cash flow.

### Contact details

To find out more visit [www.santandercb.co.uk](http://www.santandercb.co.uk) or contact your local International Director:

Richard Arnfield, London and South East: +44 (0)7703 723 017  
[richard.arnfield@santander.co.uk](mailto:richard.arnfield@santander.co.uk)

Barrie Kilfeather, Midlands & Wales: +44 (0)116 200 4804  
[barrie.kilfeather@santander.co.uk](mailto:barrie.kilfeather@santander.co.uk)

Julian Stevens, Thames Valley & South West: +44 (0)7834 620 512  
[julian.stevens@santander.co.uk](mailto:julian.stevens@santander.co.uk)

Simon MacLeod, North: +44 (0)7860 757 312  
[simon.macleod@santander.co.uk](mailto:simon.macleod@santander.co.uk)

Simon Dunn, Northern Ireland, North East & Scotland: +44 (0)7718 121 478  
[simon.dunn@santander.co.uk](mailto:simon.dunn@santander.co.uk)



## HSBC Bank plc

HSBC was born from one small idea – a local bank providing an international service. In March 1865 HSBC opened its doors for business in Hong Kong and today it connects customers all across the globe. HSBC's international network comprises over 6,200 offices in over 74 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa.

So wherever in the world you see the trading future of your business, there's an excellent chance that HSBC is already established there.

Exporters want to accelerate receivables for working capital, reduce risks and have greater visibility and control over their trading processes. HSBC Group has been enabling companies to do just that for 150 years.

Through a global network of 5,800 trade experts in over 60 countries, HSBC Global Trade and Receivables Finance supports ambitious businesses of all sizes trading globally. From small enterprises to global multinationals, HSBC Global Trade and Supply Chain partners with exporters to design trade solutions and financing structures that not only meet their needs today, but also help them set strategies for their growth tomorrow. With trade solutions ranging from traditional paper-based documentary credits to sophisticated upstream supply chain financing, HSBC can help companies trade with confidence.

### Contact details

Chrisoulla Evangelou  
Regional Director, Corporate  
Global Trade and Receivables Finance  
HSBC Bank plc  
T +44 (0)7721 867 065  
E [chrisoulla.evangelou@hsbc.com](mailto:chrisoulla.evangelou@hsbc.com)

[www.business.hsbc.uk/en-gb/imports-and-exports](http://www.business.hsbc.uk/en-gb/imports-and-exports)



## Lloyds Bank Commercial Banking – trade finance and international services

Lloyds Bank Commercial Banking provides a comprehensive range of financial services to businesses of all sizes, from SMEs to multinational corporations. Our team of trade and supply chain finance experts can help your business expand into new export markets, while managing cash flow and mitigating risk factors.

We can help your business to exploit the benefits of global trade in over 100 countries. Our expertise can help you connect to new markets and provide you with financing options to produce and ship goods, secure new contracts, bridge any gaps in your trade cycle and turn sales into cash more effectively. By using Lloyds Bank's specialist digital solutions you will have real-time control and visibility over your international trade transactions, enabling you to initiate and monitor payments when it suits you.

The wide range of services and innovative solutions we can deliver include:

- Supplier finance
- Pre-shipment finance
- Post-shipment finance
- Import and export trade finance
- Foreign exchange (FX) services
- Bonds and guarantees
- Letters of credit
- Documentary collections
- Risk management
- UK Export Finance government support schemes.

### Key contact

Andrew Charnley  
Head of Mid Market Trade, Lloyds Banking Group  
T +44 (0)7909 872 922  
E [andrew.charnley@lloydsbanking.com](mailto:andrew.charnley@lloydsbanking.com)

For further information visit:

[www.lloydsbank.com/business/commercial-banking/international/trade-finance.asp](http://www.lloydsbank.com/business/commercial-banking/international/trade-finance.asp)



**LLOYDS BANK**

## 14 | Council of British Chambers of Commerce in Europe

COBCOE represents a core membership of 41 British Chambers of commerce and over 8,000 businesses across Europe.

Through the founding of the global British business network, British Business worldwide, and our affiliate membership and partnership scheme, we link our members and their business members to a further 50 partner Chambers of Commerce and other like-minded business organisations across the world, including in the UK, a global network of British business organisations available to members.

We work closely with our chambers and partners to advance international trade and business with the UK and across borders. We are considered to be an effective voice for business with access to key political and business decision makers in London, Brussels and other parts of Europe.

Through the COBCOE network we are well-placed to provide you with good contacts, access to expertise, invaluable information and trade development assistance and effective support services.

We have been helping exporters and investors to navigate the many and varied market opportunities across Europe with the hands-on assistance of our member Chambers of Commerce, our partners and affiliates. Enquiries have been varied and wide reaching, often spanning multi-market and multi-sector requirements.

The online research enquiry service from COBCOE is a free registration service available to companies that are either considering a market for the first time or ready to come back for more in-depth research and due diligence.

COBCOE, in association with its members and other stakeholders, is able to provide a bespoke market research and support service for companies across Europe including the UK. If you are looking for more extensive assistance with market penetration please get in touch; we have a good network of expertise and can help.

Our First Call programme is a unique initiative that provides, via the COBCOE chamber network in Continental Europe, up to one hour's initial advice from local professionals and experts free of charge, to help exporters and investors understand the detailed issues they need to deal with when doing business in a target market in Europe.

To learn more about the full complement of services please visit us at [www.cobcoe.eu/make-europe-work/](http://www.cobcoe.eu/make-europe-work/) or contact COBCOE's Chief Executive, Anne-Marie Martin at [anne-marie.martin@cobcoe.eu](mailto:anne-marie.martin@cobcoe.eu), +44 (0)20 8316 5951.

## 15 | ICAEW services

### Business Advice Service

Being aware of and understanding the necessary aspects of international trade are critical to a successful business looking to export.

ICAEW's Business Advice Service offers a free, straightforward discussion with an ICAEW Chartered Accountant. There's no obligation after your first free session, just practical thinking to help your business succeed. To find your local ICAEW firm, visit [businessadviceservice.com](http://businessadviceservice.com)

For further information:

[businessadviceservice.com](http://businessadviceservice.com)

E [bas@icaew.com](mailto:bas@icaew.com)

T +44 (0)20 7920 3561

### ICAEW Library & Information Service

Our Library & Information Service provides access to a range of information in over 180 countries, including guides to doing business and information on the tax climate in each jurisdiction. The country guides can be found at [icaew.com/countryresources](http://icaew.com/countryresources)

There is also a range of useful information on importing and exporting at [icaew.com/import-export](http://icaew.com/import-export)

E [library@icaew.com](mailto:library@icaew.com)

T +44 (0)20 7920 8620

F +44 (0)20 7920 8621

[icaew.com/library](http://icaew.com/library)



ICAEW is a world leading professional membership organisation that promotes, develops and supports over 145,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

Because of us, people can do business with confidence.

ICAEW is a founder member of Chartered Accountants Worldwide and the Global Accounting Alliance.

[www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)  
[www.globalaccountingalliance.com](http://www.globalaccountingalliance.com)

ICAEW  
Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

T +44(0)20 7920 8667  
E [clive.lewis@icaew.com](mailto:clive.lewis@icaew.com)  
[icaew.com](http://icaew.com)

