



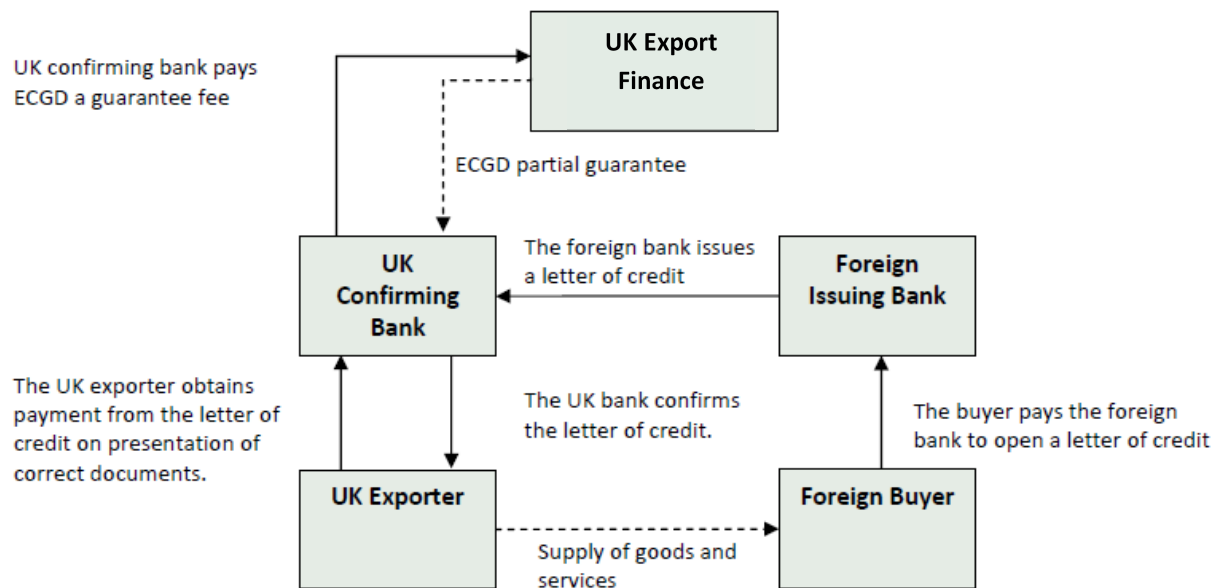
Quick guide for exporters to the Letter of credit guarantee scheme

This quick guide for exporters explains UK Export Finance's Letter of credit guarantee scheme, how it works, its benefits, its key features and how to access the scheme.

What is the letter of credit guarantee scheme?

Under the scheme we provide partial guarantees to UK banks under a master guarantee agreement in support of UK exports. Where a UK bank adds its confirmation to a letter of credit issued by an overseas bank for a UK export, we can typically guarantee between 50 per cent and 90 per cent of the value of the letter of credit.

How does it work?



What are the benefits of the scheme?

The benefits are:

- the UK bank is able to confirm a letter of credit even if it doesn't have risk appetite on the foreign issuing banks for the full amount;
- the UK bank receives a guarantee from us to cover the percentage of the amount due to it if the foreign issuing banks fails to reimburse payments;
- the exporter is protected against a default of the foreign buyer and the foreign bank.

Risks covered

The UK confirming bank is protected against the failure of the issuing bank to reimburse it under the letter of credit either because of the insolvency of the issuing bank or its inability to remit foreign currency abroad because of restrictions in its home country.

Eligibility

The following criteria must be met:

- the UK confirming bank must be carrying on business in the UK and be regulated by the Financial Services Authority (FSA);
- the exporter must be carrying on business in the UK;
- the exports must be produced in and shipped from the UK, or imported into the UK before being re-exported;
- the foreign issuing bank must be based in a non-marketable risk country (not European Union or other 'rich' Organisation for Economic Cooperation and Development markets);
- the period for presentation of documents under the letter of credit must not be longer than one year;
- any deferred payment period under the letter of credit must be less than one year.

For longer presentation or deferred payment periods we may be able to consider support outside the terms of the scheme on a case-by-case basis. Ask your bank to enquire with us.

Maximum amount

There is no minimum or maximum value of a letter of credit, although we have limits for countries and foreign issuing banks depending on our risk appetite. We can guarantee up to a maximum of 90 per cent of the full value of a letter of credit.

Cost

The UK confirming bank pays us a guarantee fee, which is typically a proportion of the fee it receives for confirming the letter of credit.

How to apply

Exporters should not contact us directly. The scheme can only be accessed through banks that have signed up to participate in the scheme. You can find a full list of [UK participating banks](#) on our website.

Disclaimer

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

When considering applications from UK confirming banks, UK Export Finance will look at each case on its merits.

The brochure was last updated in December 2011.