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# Trade finance schemes for SMEs

This brief guide sets out the details of new initiatives by the Export Credits Guarantee Department and the Department for Business, Innovation and Skills to support exporters, particularly small and medium-sized enterprises.



Our other services and market sectors include:



# Trade finance schemes for SMEs

This brief guide sets out the details of new initiatives by the Export Credits Guarantee Department (ECGD) and the Department for Business, Innovation and Skills (BIS) to support exporters, particularly small and medium-sized enterprises (SMEs). This checklist was prepared in June 2011.

## ECGD export working capital scheme

- The export working capital scheme is designed to help UK exporters gain access to working capital finance, both before and after shipment of goods, for specific export contracts.
- High growth exporters (particularly SMEs) can outstrip their available security to banks, hampering their ability to win or perform specific export contracts. The scheme will assist these companies by enabling banks to increase exporters' cash flows.
- Under the scheme, ECGD provides partial guarantees to participating banks for the credit risk from the approved export working capital facilities. The facility must have a maximum term of less than two years and the related export contract must have a value in excess of £1 million. ECGD can typically guarantee 50% (and up to 80% in certain cases) of the risk under the working capital facility.
- Banks participating in the scheme include:
  - Barclays;
  - HSBC;
  - NatWest;
  - RBS; and
  - Lloyds Banking Group.
- The scheme is initially being introduced on a pilot basis.

## ECGD bond support scheme

- The bond support scheme was launched in March 2011. It applies where a bank issues a bond (or procures its issue by an overseas bank) at the request of a UK exporter in favour of an overseas buyer for a UK export contract.
- It is designed to help UK exporters raise bonds by sharing the credit risk of the exporter failing to reimburse the bank under its counter-indemnity if the bond is called and the bank is obliged to pay the buyer (or reimburse the overseas bank issuer of the bond).
- Under the scheme, ECGD provides partial guarantees to banks for the exporter reimbursement risk under a master bond support agreement (in return for a fee and subject to certain eligibility requirements). ECGD can typically guarantee 50% of the value of the bond and up to 80% for advance payment and progress payment bonds.
- Banks participating in this scheme include:
  - Barclays;
  - HSBC;
  - NatWest;
  - RBS; and
  - Lloyds Banking Group.

## ECGD short-term credit insurance

ECGD's existing short-term credit insurance product was extended in March 2011 to cover a broader range of exports and to protect a wider number of exporters against the risk of non-payment by their buyers.

## ECGD foreign exchange credit support scheme

ECGD is in the process of developing a foreign exchange credit support scheme to help exporters' management of their exposure to foreign exchange rate movements, where exporters have taken out another ECGD product. BIS export enterprise finance guarantee scheme.

## BIS export enterprise finance guarantee scheme

- The export enterprise finance guarantee scheme (ExEFG) is designed to help SMEs qualify for short-term, export finance facilities that they would otherwise not be able to access. It is aimed at SME exporters with an annual turnover of up to £25 million.
- The ExEFG covers facilities that are not permitted under the government's enterprise finance guarantee scheme or do not qualify for the ECGD's export working capital scheme.
- Under the scheme, the government provides partial guarantees to accredited lenders, covering the credit risk arising from approved export finance facilities (including trade loans, letters of credit and export bonds).
- An approved facility can be for a term of up to two years and a value of between £25,001 and £1 million. The scheme guarantees 60% of the outstanding amount of the facility (subject to a cap on total claims arising from each lender's ExEFG portfolio). Exporters will pay the government an up-front annual premium of 3% (in addition to any lender charges).
- Eligible SMEs can access the scheme directly through participating lenders. The banks initially accredited to participate in the scheme include:
  - Barclays;
  - HSBC;
  - NatWest;
  - RBS;
  - Santander; and
  - Lloyds Banking Group.
- The scheme will operate on a pilot basis and is expected to be reviewed in October 2011.

## More information

If you have any queries about the content of this guide, please contact **Derek McCulloch** (0131 260 7532) or **Chris Smith** (0131 260 7540) in our Corporate Team.



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