

# International Terms and Conditions of Credit and Payment

Schweizerische Exportrisikoversicherung  
Assurance suisse contre les risques à l'exportation  
Assicurazione svizzera contro i rischi delle esportazioni  
Swiss Export Risk Insurance



Information, V3.0, as of 22 November 2011

## General

Export credits that are to be insured by SERV must comply with the consensus regulations for officially supported export credits of the Organisation for Economic Co-operation and Development (OECD)<sup>1</sup> as set out in the OECD Export Credit Arrangement, as well as with the Export Credit Guidelines of the Berne Union<sup>2</sup>.

## OECD

The OECD Export Credit Arrangement aims to prevent distortions in competition arising from the application of different insurance practices in connection with insuring export credits at an international level.

The OECD Export Credit Arrangement is a “gentlemen’s agreement” between the member countries and includes the rules and conditions for all export credits with a credit period of two years and longer. Since Switzerland as a member of the OECD has committed itself to compliance with these consensus regulations, the export credits with a credit period of two years and longer insured by SERV must comply with the credit and payment conditions set out in the OECD Export Credit Arrangement.

## Berne Union

The Berne Union, an organisation of currently 51 public/state and private-sector providers of export credit and investment insurance from 40 countries, is primarily dedicated to promoting the international exchange of goods through insuring export credits and foreign investment. The members of the Berne Union have laid down guidelines for export credits with a term of under two years (ST Operational Guidelines) and for export credits with a repayment term of two years and more (MLT Operational Guidelines). SERV endeavours to base the export credits it insures on the terms and conditions of credit and payment set out in these guidelines.

The following list of terms and conditions of credit and payment distinguishes between export credits with a credit period of under two years (ST) and export credits with a credit period of two years and more (MLT).

Export credits with a credit period of two years and longer are subject to both the regulations set out in the OECD Export Credit Arrangement<sup>3</sup> and the Export Credit Guidelines of the Berne Union (MLT Operational Guidelines). If the terms and conditions of credit and payment of the OECD Export Credit Arrangement are more flexible than the Export Credit Guidelines of the Berne Union, the terms and conditions set out in the OECD Export Credit Arrangement apply.

The OECD Export Credit Arrangement distinguishes between generally valid terms and conditions of credit and payment, so-called standard terms and conditions, and special terms and conditions of credit and payment for certain goods, services, and forms of financing.

<sup>1</sup> <http://www.oecd.org>

<sup>2</sup> <http://www.berneunion.org.uk>

<sup>3</sup> Exceptions are exports of military and agricultural goods

## Terms and conditions of credit and payment for credits with a credit period of less than two years – ST

### Terms and conditions for down payments and interim payments as well as for repayment instalments

None

### Definition of starting point and maximum credit period

Product	Definition	Starting point	Maximum repayment period
Raw materials and semi-manufactures	Materials in natural or original condition prior to treatment, or in unfinished condition prior to further processing	Not later than the actual date of acceptance or the weighted mean date of acceptance of the goods	As a rule, six months or due consideration of the relevant economic life
Consumer goods (incl. related services) for direct consumption	Consumer goods with a short economic life intended for end users, and services for consumers	Not later than the actual date of acceptance or the weighted mean date of acceptance of the goods; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client	As a rule, six months or due consideration of the relevant economic life
Consumer goods (incl. related services) for use (so-called durable goods)	Durable goods with a longer economic life intended for end-users, and services for consumers	Not later than the actual date of acceptance or the weighted mean date of acceptance of the goods; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client	As a rule, six months or due consideration of the relevant economic life
Parts and components (incl. related services)	Finished goods for incorporation into quasi-capital goods or capital goods	Not later than the actual date of acceptance or the weighted mean date of acceptance of the goods; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client	As a rule, six months or due consideration of the relevant economic life

## **Terms and conditions of credit and payment for credits with a credit period of two years and longer – MLT**

### **Down and/or interim payment**

At least 15% of the export delivery value (i.e. order value without local costs<sup>4</sup>)

### **Financing of local costs**

If local costs are financed via the export credit, SERV may insure the local costs to up to 30% of the export delivery value (i.e. the order value without local costs). This corresponds to approximately 23% of the total order value.

### **Maximum repayment period in accordance with the OECD Export Credit Arrangement**

- For importing countries in Consensus Category I<sup>5</sup>: 5 years or, with prior notification to the OECD, 8.5 years
- Importing country in Consensus Category II<sup>6</sup>: 10 years

### **Repayment periods in accordance with the Berne Union Guidelines (reference values)**

Two to ten years, depending on the order value, product and other relevant factors (for example, maximum economic life of the given product)

Reference values:

- Credit period of up to three years: at least USD 100,000 export order value (without interest)
- Credit period of up to four years: at least USD 200,000 export order value (without interest)
- Credit period of up to five years: at least USD 400,000 export order value (without interest)

### **Credit repayment conditions:**

- Semi-annual repayment of principal in equal instalments; first repayment six months after starting point
- Semi-annual interest payments; first payment six months after starting point

<sup>4</sup> Local costs are costs of the buyer that are either a part of the export contract or necessary such that the export contract can be executed and/or fulfilled (foundations, etc.).

<sup>5</sup> High-income OECD countries according to the definition of the World Bank based on gross national product (determined annually)

<sup>6</sup> All countries that do not fall into Consensus Category I

## Definition of starting point

Product	Definition	Starting point
Parts and components (incl. related services)	Finished goods for incorporation into quasi-capital goods or capital goods. These goods are not further modified, but built into finished goods or used in the production process themselves.	Not later than the actual date of acceptance or the weighted mean date of acceptance of the goods; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client
Quasi-capital goods (incl. related services)	Machinery or equipment, generally of relatively low unit value, intended for use in an industrial process or for productive or commercial use	Not later than the actual date of acceptance or the weighted mean date of acceptance by the buyer, or the commissioning, if the exporter is responsible for this; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client. If the exporter is responsible for the commissioning, then the commissioning
Capital goods and project services for significant parts of a plant, also see "Complete plants or factories"	Machinery and equipment of high unit value intended for use in an industrial process or for productive or commercial use.	Starting point as per the list below: a, b, or d; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client
Complete plants or factories	Complete production plants of high value involving the comprehensive use of capital goods	Starting point as per the list below: b – e; For services, the date of submission of the invoice to the buyer or acceptance of the services by the client

Starting point for capital goods and project services as well as for complete plants or factories:

- a) In the case of a contract for the sale of capital goods consisting of individual items usable in themselves (e.g., locomotives), the starting point is either the actual date or the weighted mean date on which the buyer takes physical possession of these goods in the buyer's country.
- b) In the case of a contract for the sale of equipment for complete plants or factories under which the supplier has no responsibility for commissioning, the starting point is the date on which the buyer takes physical possession of the entire equipment (excluding spare parts) supplied under the contract.
- c) In the case of construction contracts under which the contractor has no responsibility for commissioning, the starting point is the date on which construction is complete.

- d) In the case of contracts under which the supplier or contractor has a contractual responsibility for commissioning, the starting point is the date on which the supplier or contractor completes installation, construction, and preliminary testing to ensure that the plant is ready for operation. This applies whether or not it is handed over to the buyer at that time in accordance with the terms of the contract and irrespective of any continuing commitment which the supplier or contractor may have (e.g., for guaranteeing its effective functioning or training local personnel).
- e) Should the contract stipulate the separate execution of individual parts of a project, the starting point is then the point in time when the given part of the project commences or the mean starting point of the project parts. Should the supplier or contractor not be responsible for the entire project, but only for a major part thereof, the starting point of the project part concerned can be used as that for the project as a whole if this is appropriate.
- f) For services, the starting point is the date of submission of the invoices to the buyer or the acceptance of the service concerned by the buyer. In the case of service contracts where the supplier is responsible for commissioning, the starting point is deemed to be the date of commissioning.

### **Terms and conditions of credit and payment for credits with a credit period of two years and longer (special conditions) – MLT**

If the export financing meets certain requirements with regard to the goods exported, the services rendered, or the financing form used, special terms and conditions of credit and payment may be applied. The most important types are listed below:

#### **Leasing financing**

- Repayment in the form of equal instalments consisting of the repayment of principal and the payment of interest

#### **Project financing**

- Maximum repayment period: ten years in high-income OECD countries (requirement: ECA-covered share is higher than 35% and a maximum of 50%)<sup>7</sup>
- Maximum repayment period: 14 years in high-income OECD countries (requirement: ECA-covered share is less than 35%)
- Maximum repayment period: 14 years in countries that are not high-income OECD countries

#### **Conventionally fired power plants (e.g., coal, gas, steam and combined cycle power plants)**

- Max. repayment period: twelve years from the starting point, irrespective of the country category (see above)

<sup>7</sup> Up to December 2012: maximum repayment period of 14 years (temporary economic stimulus measure due to financial and economic crisis)

### **Renewable energies and water projects (including hydroelectric power plants)**

Special conditions set out in the sectoral agreement for renewable energies and water projects, including:

- Maximum repayment period: 18 years from the starting point, irrespective of the country category (see above)
- Option to repay in the form of equal instalments consisting of the repayment of principal and the payment of interest
- Possibility of repayment profiles offering enhanced flexibility

### **Nuclear power plants**

Special conditions set out in the sector agreement for nuclear power plants, including:

- Maximum repayment period: 18 years from the starting point, irrespective of the country category (see above)
- Option to repay in the form of equal instalments consisting of the repayment of principal and the payment of interest
- Possibility of repayment profiles offering enhanced flexibility

### **Civil aircraft**

Special conditions set out in the sector agreement for civil aircraft

### **Ships**

Special conditions set out in the sector agreement for ships