

FAQ on the General Terms and Conditions for Working Capital Insurance (GTC WC)

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With every request for disbursement, the exporter must indicate to which line item in the cost calculation required under clause 12.6 GTC WC the amounts in question are to be allocated. Does the exporter have to use the SERV cost calculation template?

SERV can provide a cost calculation template on request. The SERV cost calculation template is based on a simple calculation for a production firm. However, the exporter may of course use their own template or one provided by the bank.

How does SERV define production costs?

Article 21a para. 1 of the Swiss Export Risk Insurance Act (SERVG) relates to loans granted to finance the production costs for the provision of the services owed under the export transaction. The term production costs is defined in clause 1.3 of our General Terms and Conditions for Pre-Shipment Risk Insurance (GTC P).

Clause 1.3.1 GTC P: "Production costs shall be direct costs and overheads that, in a commercial production process, are required for provision of the agreed goods and services and can be attributed directly to the insured export transaction."

Evidence example (with ERP system): If an ERP system shows 40 per cent internal personnel costs and 60 per cent material costs (sub-contracted parts), then we would expect to see five more invoices for the material costs.

Do the costs in the Excel cost calculation template have to be broken down into individual line items? If so, how many line items?

There is no standard answer to this question, it varies according to the specific case. If invoices from third-party suppliers are submitted, these should be listed individually as in the cost calculation template ("Material costs" worksheet).

The individual uses in the cost calculation template record how much of a line item (e.g. total material costs) is being requested for disbursement, so an overall total would not be sufficient in itself.

The exporter may also allocate larger orders to the export contract/project on a pro rata basis, provided that the bank assesses this pro rata allocation as plausible.

Is the bank able to stipulate whether the “Receipts for 30 per cent” variant is to be applied or whether the “Five receipts in conjunction with a computer-aided system (ERP system such as SAP)” variant should be used?

Normal practice is to require the submission of receipts for at least 30 per cent of the amounts disbursed.

If an exporter uses a computer-aided system (ERP system such as SAP), this should lighten the administrative work of the bank when carrying out its checks. However, the bank must then request that the corresponding invoices – usually at least five – are submitted.

What are SERV’s expectations with regard to plausibility checks on the allocation of invoices or receipts? To what extent is the financial institution expected to carry out plausibility checks, and what action should be taken if the allocation is not plausible?

The evidence should be checked carefully. The allocation of the invoices received/submitted to the export contract must be plausible.

The assumption is that a simple analysis of the documentation is sufficient (incl. checking the data relating to the invoicing party and invoice date) and that no comprehensive follow-up investigations into the supply contract and associated invoices (e.g. internet searches) are necessary.

There must be no visible indications that the funds are being misused (invoices for luxury cars, luxury hotels, wellness weekends, etc.).

Costs for hospitality, meals and similar services may be included in production costs, but should be within reason.

SERV is aware that the documents will be checked by a bank employee who has specialist financial and banking knowledge but will not generally possess any specific technical expertise.

Any manipulation of the documents (formal inconsistencies) should be recognised, however; again, no technical analysis is required and such inconsistencies must be recognisable via a simple review of the document.

If the allocation is not plausible, the financial institution should ask the exporter for clarification and document this with the exporter.

To what extent are deviations from the budgeted figures in the cost calculation acceptable? Does this apply to individual line items or the overall cost framework?

If the overall cost framework corresponds to the maximum loan and the insured amount, this may not be exceeded as any overshoot would not be insured.

The amounts for the individual line items (e.g. total material costs) should correspond to the relevant budgeted figure in the cost calculation, but deviations of around 15 to 20 per cent are acceptable.

In the event of larger deviations, however, the cause should be clarified with the exporter and checked for plausibility. The bank should document any such consultation with the exporter.

SERV expects the financial institution to recognise formal inconsistencies and obvious falsifications in the documents. How does SERV define formal inconsistencies in the export contract?

The bank must always request a copy of the export contract. It is not absolutely essential for the invoices to include direct references to the export contract, provided there are no visible indications that an invoice cannot be allocated to the export transaction.

Any manipulation of the documents should be recognised. Again, no technical analysis is required – the formal inconsistencies and any falsifications must be recognisable via a simple review of the document.

Is the financial institution also required to check whether the export contract can be assigned?

The claims under the export contract must be assignable, rather than the export contract itself. This serves as security for the financial institution.

When concluding the assignment agreement with the exporter, we assume that the bank will clarify whether the agreement is legally valid. The bank is not expected to seek further legal clarification, such as obtaining a legal opinion.