International Terms and Conditions of Credit and Payment

Information, V7.0, as of 23rd November 2022

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

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)[1] as set out in the OECD Export Credit Arrangement, as well as with the Export Credit Guidelines of the Berne Union[2].

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[3] 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.

[1] http://www.oecd.org
[2] http://www.berneunion.org.uk
[3] 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 of credit and maximum credit period

Product	Definition	Starting point of credit	Maximum credit 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;	As a rule, six months or due consideration of the relevant economic life

	For services, the date of submission of the invoice to the buyer or acceptance of the services by the client

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[4])

The OECD has decided to temporarily relax the down-payment conditions for public-sector buyers from consensus category II countries:

Public-sector/public buyers from a consensus category II country with a guarantee from the ministry of finance or central bank:
– at least 5% down-payment of the export contract value
– maximum support: 95% of the export contract value

This arrangement applies until 4 November 2023.

Financing of local costs

Local costs incurred in the country of import that form part of the export contract are deemed to be foreign subcontracted content. In the case of medium-/long-term export financing, local costs can be covered up to a maximum of 50 per cent of the export contract value (i.e. the total order value less local costs). The limit is 40 per cent in countries in consensus category I (high-income OECD countries).

Maximum credit period in accordance with the OECD Export Credit Arrangement

_ For importing countries in Consensus Category I[5]: 8.5 years
_ Importing country in Consensus Category II[6]: 10 years

Credit 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)

[4] 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.).
[5] High-income OECD countries according to the definition of the World Bank based on gross national product (determined annually)
[6] All countries that do not fall into Consensus Category I

Credit repayment conditions:

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

Definition of starting point of credit

Product	Definition	Starting point of credit
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 of credit 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 of credit 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 of credit 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 of credit 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 of credit 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 of credit 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 of credit 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 of credit is then the point in time when the given part of the project commences or the mean starting point of credit 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 credit 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 of credit 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 of credit 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 credit period: 14 years in Consensus Category I countries (requirement: ECA-covered share is lower than 35%)
– Maximum credit period: 10 years in Consensus Category I countries (requirement: ECA-covered share is lower than 50%)
– Maximum credit period 14 years in Consensus Category II countries

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

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

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 credit period: 18 years from the starting point of credit, 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 credit period: 18 years from the starting point of credit, 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

Rail infrastructure and trains

The special conditions set out in the sector agreement for rail infrastructure and trains apply for credits in the context of export operations with an order value of SDR 10 mio. or more.

Business operations in Consensus Category I countries:
– Maximum credit period: 12 years (requirement: ECA-covered share is lower than 50%)
– In justified exceptional cases, an ECA may offer a higher degree of coverage

Business operations in Consensus Category II countries:
– Maximum credit period: 14 years