Competing in the Global Race
A Guide to Trade Finance and Credit Insurance
Export advice is critical for companies looking to do business overseas. In a rapidly-changing global economy, it is important that UK businesses have the resources to compete around the world. Help securing export finance can enable them to achieve this.

Why is export important? Concerns remain over the shape and long-term strength of the economic recovery. With overall growth having been consistently faster than export growth, a stronger trade performance will be a key plank of a sustainable, balanced recovery. Also firms that export are generally more productive. As we enter an uncertain period, this publication serves as a guide for businesses looking to navigate towards export success.

While European economies, the UK’s largest trading partners, continue to find their feet, it is more important than ever that British exporters are made aware of the full range of help available to them. Chartered accountants working across UK plc, are ideally placed to drive forward export-led economic growth. A recent ICAEW survey found that accountants are the second biggest source of business advice for businesses looking to expand into overseas markets, after government departments.

Currently, around 20% of SMEs export. Exporting for the first time can seem like a daunting prospect, especially if you are a small to medium-sized business. This guide is a great tool to make that journey much clearer and working with UKFE, chartered accountants empower exporters to do business with confidence. This guide will go a long way in helping government achieve its goal of boosting UK exports.

I hope that you find it interesting and useful.

Michael Izza’s Foreword
Chief Executive, ICAEW

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I am delighted to support this guide which gives UK businesses a useful overview of export finance and credit insurance. It covers a subject which is so critical to the UK at this time.

To improve economic growth and recovery, the government is continuing to actively encourage and support small and medium-sized businesses to increase levels of exporting, particularly to high-growth markets. We want to encourage companies that do not currently export, to do so and help those that already do, to export to more countries.

Recent research shows that exporting companies are more productive than non-exporters, with 85% of UK Trade & Investment's trade clients saying that exporting led to a ‘level of growth not otherwise possible’. Such businesses achieve stronger growth and are more profitable.

To achieve our goal of rebalancing the economy through exports, we need the help of ICAEW and its members and I see this guide as an excellent tool to raise awareness of the support available for exporters which can help them achieve their export aspirations.

Of particular relevance to the export finance and credit insurance needs of UK companies, I would highlight the support available through UK Export Finance (UKEF), which works with private sector partners to help UK companies of all sizes access finance support. In the last few years UKEF has launched new products to facilitate greater access to finance for UK companies doing business overseas. The government broadened UKEF’s remit to make its offering more relevant to smaller companies and it now has a range of products and services focussed on supporting small and medium-sized companies. You can read inside about how UKEF is supporting UK companies.

Advice and assistance are also key sources of support for current and potential exporters. The government provides this not only through UKEF’s network of export finance advisers but also through UK Trade & Investment (UKTI), which has an excellent network of international trade advisers in the English regions as well as an international presence in over 100 countries to help businesses expand into new markets. The assistance available ranges from helping businesses develop marketing plans and trade online internationally, to introducing UK businesses to overseas buyers looking to purchase goods and services.

My thanks go to ICAEW for producing this comprehensive guide and I sincerely hope it will lead to more UK businesses deciding to export in 2015.

—

Lord Livingston Foreword  
Minister of State for Trade and Investment  

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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Introduction</td>
<td>2</td>
</tr>
<tr>
<td>02 What are trade finance and credit insurance?</td>
<td>5</td>
</tr>
<tr>
<td>03 Getting access to working capital</td>
<td>7</td>
</tr>
<tr>
<td>04 Export insurance</td>
<td>9</td>
</tr>
<tr>
<td>05 Making sure you get paid</td>
<td>10</td>
</tr>
<tr>
<td>06 How to raise contract bonds</td>
<td>11</td>
</tr>
<tr>
<td>07 How to secure buyer finance</td>
<td>13</td>
</tr>
<tr>
<td>08 The role of UK Export Finance</td>
<td>15</td>
</tr>
<tr>
<td>09 An overview of UK Export Finance products</td>
<td>17</td>
</tr>
<tr>
<td>10 Case studies</td>
<td>18</td>
</tr>
<tr>
<td>11 An overview of UK Trade &amp; Investment</td>
<td>20</td>
</tr>
<tr>
<td>12 Information on brokers and insurance companies</td>
<td>22</td>
</tr>
<tr>
<td>13 Information on banks</td>
<td>23</td>
</tr>
<tr>
<td>14 Council of British Chambers of Commerce in Europe</td>
<td>26</td>
</tr>
<tr>
<td>15 ICAEW services</td>
<td>27</td>
</tr>
</tbody>
</table>
Exports account for one third of UK GDP, which is higher than the G7 average. Growing exports is therefore fundamental to the future long-run growth of the UK economy. The government has put the rebalancing of the economy away from consumption and debt to investment and exports at the heart of its agenda. As set out in HM Treasury’s ‘Plan for Growth’:

We must build a new model of economic growth – where instead of borrowing from the rest of the world, we invest and we save and we export. Our economy must become more balanced.

Chart 1 shows that the UK has been running a consistent trade deficit since 1998. To make the economy more balanced, the government’s objective is to increase exports significantly and thus reduce the trade deficit.

Chart 1: UK trade deficit in £bn

In addition, the emphasis of rebalancing shouldn’t just concentrate on the volume but also on the type of exports. This point has been raised by Andrew Sentance, PwC’s Senior Economic Advisor, who has argued that there is a range of evidence that the successful industries within the services sector, rather than traditional manufacturers, are now tapping into overseas growth. Specifically, he said:

Rebalancing is … taking place within the services sector, rather than between manufacturing and services.
The opportunities for exports

Table 1 shows that the UK’s biggest export markets are still our traditional trading partners, such as the US and our closest European partners. These will remain key markets and are a natural location for businesses to start exporting activities. But the world will continue to become more integrated in the future as global economic activity shifts from the west to the east. This means global trade flows are projected to grow rapidly. PwC analysis shows the total value of the global goods trade will grow from around $10.3 trillion in 2013 to around $18 trillion in 2030 with trade between advanced and emerging markets (eg, China, India) accounting for almost half of this increase.

This means that emerging markets will be the key areas of market share growth for British products in the decades to come. UK businesses are well placed to take advantage of this trend as:

- they have a comparative advantage in the niche manufacturing sector in areas like aeronautical engineering, luxury car manufacturing and in the chemicals and pharmaceutical sectors, all of which are areas where emerging markets have less expertise; and
- the UK remains a services ‘superhub’ and is the second largest exporter of services in the world. This is because of its international excellence in areas like tertiary education and financial services, all of which are, and will continue to be, in demand from the growing middle-classes in emerging markets.

Table 1: UK’s Top 10 export markets and associated economic performance

<table>
<thead>
<tr>
<th>Country</th>
<th>% of total UK exports</th>
<th>Projected GDP growth rate 2014-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>13.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Germany</td>
<td>10.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.5</td>
<td>1.8</td>
</tr>
<tr>
<td>France</td>
<td>6.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>6.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Belgium &amp; Luxembourg</td>
<td>4.6</td>
<td>1.4</td>
</tr>
<tr>
<td>China</td>
<td>4.3</td>
<td>7.1</td>
</tr>
<tr>
<td>Italy</td>
<td>2.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Spain</td>
<td>2.9</td>
<td>1.5</td>
</tr>
<tr>
<td>UAE</td>
<td>2.0</td>
<td>4.5</td>
</tr>
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</table>

Source: ONS data, PwC and IMF projections

Table 1 shows that emerging markets are currently less important to UK exports. For example, the UK exports more to the Netherlands than to China, India and Russia combined. However, Table 1 suggests that emerging markets like China and the UAE are projected to grow significantly faster than the larger, more well-established markets mentioned above. This means that they are good destinations for businesses which want to drive export growth.

1 PwC, Global Economy Watch, “Where will the top goods trade routes be in 2030?” October 2014 available on pwc.com/GEW
Benefits to smaller firms from exporting

Exporting is good for the economy but also has positive spillover effects to the real economy and in particular to businesses. According to the former Acting UKTI Chief Executive Crispin Simon:

Expiring not only helps individual companies to grow but also plays an important role in improving our trade balance.

Linking up small and medium-sized enterprises to the global economy could potentially provide some of the boost to exports required to meet the 2020 target. It can improve business performance. This is supported by a UKTI survey which suggests that firms that have exported for more than two years are significantly more likely to be profitable. The same survey found that more than three quarters of export-oriented businesses are profitable.

Exporting also provides growth opportunities for businesses. The survey shows that:

- 85% of businesses said that exporting helped them grow to a level not otherwise possible;
- 79% said conducting business abroad had helped them achieve fuller use of their existing capacity; and
- >66% said that trading overseas led them to fresh business ideas and innovation, upgrading their products and services.

Challenges of exporting

But it’s easier said than done. Exporting comes with regulatory, commercial and financial challenges businesses would not have otherwise faced if they just focused on growing revenues in their domestic markets. The same survey showed that:

- 64% experienced significant barriers when entering new overseas markets;
- 43% had experienced difficulties with legal and regulatory issues when exporting; and
- 27% reported customs issues as a barrier to export.

Help from PwC

My Financepartner – a service to help businesses grow

If you’re an SME looking to grow your business with a move to export then PwC’s MyFinancepartner can help. We remove complexity with a combination of support, insight and advice. We use cloud technology and data analytics to give businesses the management information they need to plan and manage new growth effectively. Our team of professional accountants will talk through the numbers, helping you plan your strategy and connecting you to the right expertise within our wider firm. So you have the information you need, when you need it in order to grow successfully. Find out more at our website www.pwc.co.uk/myfinancepartner

As international trade involves buying and selling over extended periods of time across oceans, borders, legal systems and regions with very different business cultures and environments, a range of financial products and services – from bank guarantees to specialised loans providing exporters with working capital – have developed to allow businesses to trade with confidence. This is the area known as trade finance. Credit insurance is the overlapping field of covering exporters against the risk they will not be paid for a range of reasons such as political upheaval or simply default.

Some common elements of trade finance include:

- letters of credit
- forfaiting
- project finance.

**Letters of credit**

A letter of credit is an undertaking issued by a bank on behalf of the buyer to pay a stated amount to the exporter within a specified period, provided certain conditions are met. These generally include receipt by the bank of various documents such as a commercial invoice, transport documentation and an insurance certificate.

When the goods have been delivered to the specified location the relevant documents are sent to the buyer’s bank, which will then make the payment.

A confirmed letter of credit is one whose settlement is guaranteed by another bank of the exporter’s choosing – usually their house bank in the UK – subject to the exporter complying with all the terms of the original deal. The bank issuing this confirmation then collects the payment from the foreign bank issuing the initial letter of credit.

**Forfaiting**

Forfaiting is a form of credit whereby a bank or other third party effectively buys an export transaction, presented as bills of exchange. The Forfaiteur now has the contract with the buyer. The Forfaiteur pays the exporter for the goods – providing security to the buyer – and agrees a payment schedule with the buyer over a period typically of between two to five years. As liability has now passed to the exporter’s bank or other Forfaiteur, they usually insist the bills are avalised or guaranteed by the buyer’s bank, which must promise to honour the bill if the buyer defaults – often using a letter of credit as above.
Project finance

With some major self-contained overseas projects undertaken by UK firms, such as building a sports stadium or oil installation, exporters may seek to fund the project in a stand-alone manner using project finance. With this, a bank or other funder will issue a loan for the project based on an overall assessment of its viability including projected future income streams (for example oil revenues) and risks of default by the buyer or general project overspend or failure.

If the project does encounter difficulties, the deal will often be structured so the bank will then be able to take over the project, to try to recoup its funds, but the other parts of the exporter’s business should not be liable for the loss. Political or other risk insurance might be taken out to protect the parties involved in financing the project. Project finance is often used in developing countries where there is a good business framework and a history of successfully funded commercial projects.

Credit insurance

The majority of international trade is conducted on ‘open account’ whereby the exporter accepts payment after the goods or services have been received by the buyer. Exporters face greater risks than sellers within the UK, because they may have no previous experience of dealing with their buyers or because of political or economic uncertainties – or disasters – in the buyer’s country. It is therefore usual to cover against non-payment or other unforeseen events outside the exporter’s control.

Risks covered might include:

- Pre-delivery losses and work in progress in the event that the buyer becomes insolvent or terminates the contract before goods are despatched;
- Unfair calling of an on-demand contract;
- Cargo risk if not covered by the logistics supplier; and
- Problems with goods getting through customs, or other reasons for non-delivery.

As with all insurance, care must be taken in selecting the right product for each export deal – in other words, always read the small print!

Getting access to working capital

For exporters, access to working capital is vital for filling new orders, capitalising on new markets and maintaining adequate inventory levels. Businesses can make use of private, institutional and governmental sources of working capital.

Revolving credit

If your business is established and has good credit and references, you can apply for a line of credit/overdraft from a financial institution and only pay interest on the money actually withdrawn from the credit line. Business credit cards are another source of revolving credit.

Debt financing

Businesses that are well established and have good credit history can apply for short- and long-term business loans from banks and financial institutions to meet working capital needs.

UK Export Finance (UKEF) Export Working Capital Scheme

For businesses that have difficulty obtaining credit on their own, UKEF can help by providing partial guarantees to lenders to cover the credit risks associated with export working capital facilities. UKEF can typically guarantee 80% of the risk.

Accounts receivables financing

Another way to obtain much-needed working capital is to sell your accounts receivables to a financing company. This could be done in various ways, listed below.

Invoice discounting

Invoice discounting is mostly aimed at larger businesses with well-established systems and procedures in credit control and sales ledger management. In very simple terms, it allows you to receive up to 90% of the money you’re owed within 24 hours of submitting an invoice. An advantage is its anonymity: your customers need never know that their invoices are providing a source of financing.
Factoring

Factoring is primarily for smaller businesses which do not have a large finance department and which may have customers who don’t always pay on time. You issue your invoices as normal, but your bank manages the issuing of statements and collects the monies owed to you.

Asset finance

Asset finance is a form of funding that uses the asset as security and helps businesses release working capital that can be used for other business requirements. It is a flexible means of funding capital investment without taking money out of reserves.

Equity financing

You can sell equity in your company in exchange for an infusion of funds. Typically, you give the investor either a percentage of ownership in your business or a number of shares based on your company’s value.

Better access to cash already in the business

You can also improve your working capital position by making better use of existing cash. This can be done in a number of ways: from getting paid quicker by your suppliers to pooling cash across different parts of your business. Your bank will be able to help you identify what will work best for your individual business.
Export credit insurance protects against non-payments

The majority of international trade is conducted on open credit terms. It is important to protect your company against the risk of non-payment and loss arising from a political event such as war, or natural disaster. There are banking techniques that provide similar protection, but these may be expensive for an overseas buyer.

With credit insurance you protect against non-payment and the resulting bad-debt write-off. At its simplest, you offer open account terms to your customer and if they do not pay, then you claim on your insurance. Sometimes the insurer might ask you to obtain payment security as a condition of giving cover for a certain customer or country.

It is wise to get advice from a broker on insurance issues, to ensure that the insurance meets your needs.

Insurable export risks are:

- **credit risk**: the risk of non-payment;
- **pre-delivery/work-in-progress risk**: if your goods are made to order, you can buy cover from date of contract for the risk of insolvency or contract frustration before dispatch;
- **bond unfair calling risk**: it is possible to buy cover, as an extension of your export credit insurance, against the unfair call of an on-demand contract bond or bid bond;
- **cargo risk**: insurance for goods in transit may be provided through your logistics supplier or can be separately negotiated; and
- **liability risk**: consideration should be given to both public/products liability insurance as well as overseas local statutory insurances such as employers liability/workers compensation and motor.
Getting paid can present particular challenges for exporters. This is because the buyer and seller are in different countries, so securing payment or reclaiming the goods can be more difficult. To address this, a number of options are available, all of which reduce the risk of non-payment to varying degrees and in different ways.

Cash in advance

In this simple arrangement the importer (or buyer) pays the exporter in advance for goods or services. All the advantages accrue to the exporter, and all the disadvantages accrue to the importer, who has parted with his money and has no assurance of receiving the goods. More usually, some element of credit will be involved.

Letters of credit (LC)

With other payment methods the exporter and the importer depend on each other for the contract to be properly fulfilled. With a letter of credit (LC), however, the exporter and the importer both have the additional independent assurance of the bank that issues the LC (the issuing bank).

However, the exporter is still at some risk of non-payment if they are unable to meet the terms and conditions of the LC, or if the importer’s bank finds discrepancies not previously found by either the exporter or the paying bank.

Collection (term and sight)

This is when the exporter ships the goods before payment but retains control of them until payment (or a legal promise to pay) is received from the importer. The transaction is initiated by the exporter, who despatches the goods to the importer's country. At the same time, they entrust the related documents (which may include negotiable bills of lading) to their bank, for collection of sale proceeds and the delivery of documents to the importer according to the terms of the sales contract. It is important to note that collections do not give the exporter the security of advance payment, and require both exporter and importer to exercise great care in agreeing the detail of the sales contract.

There are three types of collections, each of which provides a different level of protection for the exporter and importer. These are: clean collection, documentary collection: documents against acceptance (D/A), and documentary collection: documents against payment (D/P).

Open account trading

This applies when the exporter despatches goods to the importer and at the same time sends an invoice for those goods, for payment at an agreed date or after an agreed period. It is commonly used for trade between established pairs of exporters and importers, both of whom tend to operate in stable markets. The arrangement is based primarily on trust and the advantages accrue to the importer, while the exporter takes on all the risk. If the customers do not pay, or if they do pay but their country blocks remittance of funds to the exporter, the exporter has neither the goods nor the money, and may not be able to get their goods back.
When exporting, it is common for your customer to require a bond or guarantee. These are an internationally-recognised way of ensuring buyers and sellers keep their promises to each other.

How do they work?

A bond or guarantee is issued by the guarantor – usually a bank – on behalf of the exporter. If the exporter fails to deliver the goods or services as described in the contract, the importer can ‘call’ the bond and receive financial compensation from the bank. Under a counter-indemnity, the bank can then reclaim the full amount from the exporter, including costs and interest.

Bonds and guarantees fall into two classes. Most overseas buyers require on-demand bonds, which can be called at the buyer’s sole discretion without contest. Conditional bonds give greater protection to exporters, but are unacceptable to many overseas buyers. Within these two classifications, there are bonds to support each stage of the trade cycle.

Bid or tender bonds

These are required by your potential buyer to show that you, the supplier, are serious in your intent; will not withdraw your tender before adjudication; will sign contracts if awarded; and provide any subsequent bonding. Bid bonds typically cover 2% to 5% of the value of the tender and remain valid for three months after the bid closure date.

Performance bonds

These guarantee that if you fail to carry out the terms of the contract, the importer will be paid a sum in compensation – typically around 10% of the contract price. The bonds are purely financial guarantees and carry no warranty that the bank will complete the contract if its customer fails to do so.

Advance payment and progress payment guarantees

These give protection to the buyer by guaranteeing that any advance payment and progress payment guarantees that have made will be refunded if the exporter fails to complete a contract.
Retention bonds

These enable retention monies, which would otherwise be held by the buyer beyond completion of the contract, to be released early.

Warranty bonds

These provide a financial guarantee to cover the satisfactory performance of equipment supplied during a specified maintenance or warranty period.

Overdraft guarantees

These guarantee the borrowing requirements of UK exporters or contractors who need finance in the importer’s country. The guarantee covers the local bank against the exporter defaulting. Without such security, the local bank would be unwilling to lend monies where the UK exporter is unknown to them.

Standby letters of credit

An exporter and his customer may arrange that goods will be paid for in an agreed manner after they have been despatched. But if such payment is not forthcoming, the exporter will need another way of getting paid. A standby letter of credit (also referred to as 'standby credit') can provide this security backup.

For all types of bonds or guarantees, make sure you obtain an estimate of the likely costs early, so that you can take it into account in your bid price.
How can it help me?

Buyer finance can help exporters compete effectively for contracts by enabling overseas buyers to purchase the exporter’s goods or services.

What is it?

Buyer finance is a loan made available to an overseas buyer so that they can purchase a UK exporter’s goods or services. The buyer’s ability to get a loan – from a financial institution in the UK, their own country or a third country – might be critical to the deal going ahead. Buyer finance loans are often a medium- to long-term financing solution for buyers to buy capital goods or for large projects.

How does it work?

Finance for your overseas buyer can take the form of a direct loan from a bank or other financial institution to the buyer. The loan may cover all or part of the export contract value. At the buyer’s direction, the lender may provide funds to the exporter as payments under the export contract. The overseas buyer makes loan repayments to the lender in accordance with the loan agreement.

Sometimes a bank may be unwilling to lend to the overseas buyer – especially in risky or developing markets – unless the bank can either remove or mitigate the default risk (see UKEF overleaf). Once the loan (and associated guarantee) is in place, the lender may advance the loan funds to the exporter as payments under the export contract become due. The overseas buyer then repays the lender in accordance with the loan agreement. This means that the overseas buyer can pay for the goods or services over a longer period of time (typically two years or more).
UK Export Finance support

For loan contracts offering more than two years’ credit to the buyer, UKEF can provide support with a buyer credit facility or a line of credit facility. Under these facilities, UKEF provides a guarantee to the bank making a loan to the overseas buyer so that, if the buyer defaults on a loan repayment, the bank can make a claim under UKEF’s guarantee. The benefit for the bank is that they transfer the risk of the buyer not repaying the loan to UKEF. The benefit for the exporter is that they can offer competitive credit terms to their buyer.

Where the repayment term is greater than two years, the credit terms which UKEF can support are set out in the OECD Arrangement on Officially Supported Export Credits. This regulates the credit terms in four main areas.

• Minimum payment of 15% on or before the starting point of credit.

• The starting point of credit is the date which defines when the buyer has to start repaying an export credit loan being guaranteed by UKEF.

• The maximum credit period is generally decided according to the buyer’s country and the type of business being supported.

• Normally the loan must be repaid in equal instalments payable at least half yearly. The first instalment must be paid within six months from the starting point of credit. Interest on the export credit loan also has to be paid at least semi-annually and is usually paid on the reducing balance of the principal outstanding.

For transactions done under UKEF’s buyer credit facility or a line of credit facility, both the bank and UKEF must assess the transaction and deem it acceptable. UKEF can also now provide a loan directly to the buyer either independently or (as is usually the case) in partnership with one or more banks. This is under UKEF’s Direct Lending Facility and the access criteria and terms of this facility are set out on UKEF’s website.

See page 17 for a summary of all UKEF products.
UK Export Finance (UKEF) is a government department and the UK’s export credit agency.

Its role is to support UK exporters and it does this by providing risk protection insurance, facilitating finance for exporters and supporting loans to overseas buyers.

UKEF provides risk protection to exporters in the form of insurance against non-payments by overseas buyers, and against contract bonds being called by buyers, unfairly or for political reasons. It facilitates finance for exporters with guarantees to their banks, to help them provide working capital, loans and contract bonds. UKEF can guarantee loans to overseas buyers, which are repayable over two years and longer, to finance the purchase of capital/semi-capital goods and services from UK exporters. UKEF can also make loans directly to overseas buyers.

The role of UKEF

UKEF helps UK businesses by supporting their exports and helping them to expand internationally, working alongside them, and helping them to access the export finance they need to grow.

Typically, UKEF helps businesses when the private sector finance and insurance market is unable to provide full support. Exporters will often go to their bank or to specialist financial organisations to help them get finance, and to credit insurers for insurance against the risks of not being paid. But when the risk is too high or when capacity is constrained for these private sources, UKEF may be able to help. Smaller companies may, for example, have trouble securing financial support in a situation where an important contract proves too small for private underwriters.

The role of UKEF is not, however, to replace the role of the commercial markets. UKEF complements and partners with the banking and credit insurance commercial providers, and bridges the gap between what insurers and banks can support and what businesses need to confidently trade with new and expanding overseas markets. Without UKEF support, many export deals simply would not go ahead.
Supporting UK exporters

Over the last five years UKEF has provided guarantees and insurance with an exposure value of £14bn in support of over 220 exporting companies. UKEF has a total capacity of £50bn to support UK exports, and its products and services are available for over 200 overseas markets.

UKEF has become increasingly active as the UK economy pulls away from the 2008 financial crisis. It is an important contributor towards achieving economic growth in the UK and sustainable economic recovery. UKEF increased the number of facilities it has backed by a third over the last year – up to 619 facilities, involving 130 UK exporters, which were selling to a broad range of overseas markets. Individual support per case ranged from £10,000 to £500m, helping companies ranging from micro-exporters to multinationals.

The organisation has adapted to changes in the market by launching new products to facilitate greater access to finance for UK companies doing business overseas. These include products that support small and medium-sized companies, such as bond support and export working capital schemes.

A great example is the support UKEF gave to Techflow Marine which manufactures hose reels for drill ships and tankers. UKEF’s bond support scheme helped Techflow raise the performance bond it needed to perform a $5.8m contract to provide the Chinese National Offshore Oil Corporation with a custom-made oil tanker offloading system. This contract helped Techflow double its turnover.

Case studies involving UK companies JCB and BDP are also included in this publication and represent very good examples of how UKEF support has enabled businesses to fulfil their export contracts and become more profitable.

UKEF can consider support for all exporters, large and small, and for all types of UK exports, whether they are goods or services. In recent years UKEF has supported businesses in sectors such as aerospace, automotive, construction, healthcare, industrial processing, oil and gas, petrochemical, water treatment, and satellite technology.

When exporters require finance or credit insurance in situations where commercial banks and insurers cannot provide support, an easy way to check whether UKEF can help is to call its helpline or to contact UKEF’s regional advisers. Its network of Export Finance Advisers (EFAs) across the UK has recently been increased. They are your local point of contact, to support both existing exporters and businesses with export potential by pointing them to banks, credit insurers, brokers, trade support bodies and sources of government support.

Contact UKEF

If you wish to speak to an adviser directly, please find a full contact list at www.gov.uk/uk-export-finance. Alternatively, please ring the helpline number on +44 (0)20 7271 8010 or email customer.service@ukef.gsi.gov.uk
### 09 An overview of UK Export Finance products

<table>
<thead>
<tr>
<th>Export finance question</th>
<th>How UK Export Finance can help</th>
<th>How it works</th>
</tr>
</thead>
<tbody>
<tr>
<td>What if I need working capital?</td>
<td>Export Working Capital Scheme</td>
<td>Your bank can provide the working capital you might need to deliver an export contract. UKEF provides a guarantee to your bank so they can do this.</td>
</tr>
<tr>
<td>What if I am asked to provide an advance payment guarantee or tender, performance and warranty bonds?</td>
<td>Bond Support Scheme</td>
<td>If you need a bond, your bank can help you by issuing one to your overseas customer. UKEF provides a guarantee to your bank so they can do this. This may also improve your working capital by releasing cash that is sometimes required by the bank to secure the bond.</td>
</tr>
<tr>
<td>What if I am concerned that a bond may be called through events outside my control?</td>
<td>Bond Insurance Policy</td>
<td>UKEF can provide an insurance policy to protect you against a demand for payment under a bond which is either unfair or caused by political events.</td>
</tr>
<tr>
<td>How do I protect myself against not being paid by my buyer?</td>
<td>Export Insurance Policy</td>
<td>UKEF provides an insurance policy that covers you against not being paid under your export contract. The policy covers costs incurred if the export contract is terminated because your buyer defaults, before the goods are delivered, or if they fail to pay due to specified political, economic or administrative events.</td>
</tr>
<tr>
<td>What else can I do to reduce my payment risk?</td>
<td>Letter of Credit Guarantee Scheme</td>
<td>Letters of Credit are one of the safest ways to make sure you get paid. UKEF provides a guarantee to your bank so they can confirm a Letter of Credit.</td>
</tr>
<tr>
<td>I am providing goods or services on payment terms of two years or more. How can I be sure I'll receive stage payments from the buyer?</td>
<td>Buyer and Supplier Credit Facilities</td>
<td>Banks can provide loans to exporters or overseas buyers to help fund payment terms of two years or more. UKEF provides a guarantee to your bank so it can do this. These loans involve stage payments – this means you’ll receive payments in line with your contract and your buyer will be given credit to pay over an extended period.</td>
</tr>
<tr>
<td></td>
<td>Direct Lending Facility</td>
<td>UKEF also provides loans directly to overseas buyers so they can purchase goods and services from the UK.</td>
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</table>
**BDP**

**Laying the foundations for global growth**

UK Export Finance worked with BDP’s bank to help them access the finance they required

Building Design Partnership Limited (BDP) is an international practice of architects, designers and engineers employing almost 800 staff across built environment sectors from retail to transport and heritage.

Some 30% of BDP’s income last year came from outside the UK – 10% came from Europe, but a number of opportunities have come from the Middle East.

**International expansion**

The building blocks for its export model were put in place several years ago. BDP was seeking to expand internationally in order to grow and reduce its reliance on the UK market. Exporting brought challenges, however, including requirements for advance payments bonds, performance bonds and bond insurance, all on top of their normal professional indemnity insurance cover.

‘We found, especially in the Middle East, there was a requirement for performance guarantees that required cash and bank funding,’ says group finance director Heather Wells. ‘At that time the UK banks were finding it difficult to support export finance.’

**Kuwait contract**

In 2013, BDP bid for a contract for an urban planning and economic study of commercial floor space in the Kuwait Metropolitan Area. The project would provide urban planning policies and regulations to direct future commercial investment to approved locations.

BDP was asked to provide a performance bond so it approached HSBC but the bank could not provide the necessary cover to meet its required needs.

However, the HSBC international team was familiar with UKEF and how it could help. HSBC therefore suggested involving UKEF.

UKEF talked through the process with HSBC, and BDP made an application for UKEF to provide a guarantee under its Bond Support Scheme. After conducting the normal checks, UKEF agreed to guarantee 50% of a bond issued by HSBC on behalf of BDP. This meant that the bond could be issued and the contract could be fulfilled, also freeing up valuable cash flow for the exporter.

**Moving ahead**

Heather says BDP was able to move ahead with the contract, eventually returning with a more substantial project ‘on the basis that UKEF knew more about us, more about our work, and had successfully been willing to support a services contract’.

In 2014, BDF wanted to bid for a design and construction supervision consultancy project in Qatar. Again, a performance bond was demanded. UKEF and HSBC promptly got to work to bring BDP’s support package together.

Heather says: ‘If UKEF hadn’t existed, we would not have gone for a number of opportunities in the Middle East.’

UKEF was able to ‘assist our development plans and to encourage growth faster than otherwise would have been possible,’ she says.

Heather adds: ‘Without UKEF our cash restrictions would have limited us to one opportunity at a time. With the benefit of external support we have been able to take numerous opportunities forward and therefore grow faster.

‘I would encourage everyone who is looking to grow their export business, or begin to export, to contact UKEF and see what support is available from them’.
JCB

Building business overseas

UK Export Finance provided the insurance and the confidence that JCB needed to build the business with their overseas distributor.

JCB employs around 12,000 people worldwide and is the world’s third largest by volume manufacturer of construction equipment. It currently exports to 150 countries in 2,000 dealer depot locations and around 75% of its business is overseas.

Forging a relationship

When JCB started trading with a distributor in a new market in North Africa, the company agreed to supply the dealer with construction machinery for private and government clients. JCB could offer its dealer sympathetic trade credit terms, but was unable to insure this contract under its private sector whole turnover policy.

JCB wanted a good relationship with its distributor, but without trade credit insurance it would have had to ask its dealer for cash or letters of credit, which would have affected its cash flow and relationship.

We approached UK Export Finance about five or six years ago when the world markets were quite depressed and a number of countries had suffered significant financial shocks. We were finding it difficult to get commercial insurance cover to allow us to continue operating in the way that we are comfortable with, says Robert Winter, Director of Financial Solutions at JCB.

Cover in an uncertain region

With the help of its insurance broker Aon, JCB approached UK Export Finance for help using its Export Insurance Policy (EXIP). The policy can cover up to 95% of the value of an export contract, and is useful for deals in unstable or emerging markets for which private sector insurers may not have the risk appetite.

After reviewing JCB’s application and considering risk on the dealer, UK Export Finance offered cover, allowing the company to build up a trading history with its distributor.

Expanding with confidence

UKEF has enabled JCB to sell machines to markets that otherwise would be closed to the company. Robert adds: ‘There are plenty of places in the world where commercial insurance cover is unavailable. UKEF gives us that extra edge and allows us to sell into these challenging markets that makes sure we remain one of the leading companies in the world in our sector.’
An overview of UK Trade & Investment

UK Trade & Investment (UKTI) is the government department that helps UK-based companies succeed in the global economy. We also help overseas companies bring their high quality investment to the UK’s dynamic economy, acknowledged as Europe’s best place from which to succeed in global business.

UKTI offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. We provide companies with the tools they need to be competitive on the world stage.

Whether a firm is starting out or is experienced in exporting, UKTI can help make doing business internationally as easy as possible. UKTI can provide the following.

- Access to an experienced International Trade Adviser.
- Support to participate in trade fairs overseas.
- Opportunities to participate in sector-based trade missions and seminars.
- Exploratory visits to new markets.
- Access to major buyers, governments and supply chains in overseas markets.
- Advice on forming international joint ventures and partnerships.
- Support for experienced exporters to build on their previous successes and develop new export markets.
- Alerts to the latest and best business opportunities.
- An export health check to assess your company’s trade development needs and help develop a plan of action.
- Export skills training.
- Access to providers who can help with export documentation and regulatory issues.
- Specialist help with tackling cultural and language issues when communicating with overseas customers and partners.
- Advice on how to conduct market research and the possibility of a grant towards approved market research projects.
- Ongoing support to help your business continue to develop overseas trade and look at dealing with more sophisticated activities or markets.
Specific products include

Passport to export
Provides new and inexperienced exporters with the training, planning advice and support they need to succeed in overseas markets.

Export communications review
Assesses the way companies communicate with overseas customers and makes practical recommendations for improvement.

Medium-size business programme
Provides a special package of support designed specifically for medium-sized businesses which are looking to export or expand their overseas activities.

e-exporting programme
Helps UK companies of all sizes to increase their exports through online channels.

Market visits and trade missions
Helps UK companies visit the market they’re interested in and talk face to face with prospective business partners.

Tradeshow access programme
Provides grant support for eligible small and medium-sized businesses to attend overseas exhibitions.

Events and seminars
Held across the UK and overseas, these briefings provide business/networking opportunities and market information and enable UK firms to showcase their capabilities.

www.ukti.gov.uk
Provides up-to-date country, sector, event and contact information for companies, giving them the opportunity to receive alerts and daily content updates.

Overseas business risk
Provides, via UKTI and the Foreign & Commonwealth Office, key information to help companies manage the risks of doing business overseas.

Gateway to global growth
Offers a strategic review, planning advice and support to experienced exporters, to help them build on their success and develop new overseas markets.

Overseas market introduction service
Provides access to tailored market and industry information, identifying potential contacts or planned events.

Export marketing research scheme
Offers support, advice and some grant funding to eligible companies wishing to research a potential export market.

Business opportunities
Informs businesses of relevant opportunities and developments through personalised email alerts.
Trade credit insurance brokers

Trade credit insurance brokers specialise in advising businesses on international risk mitigation, a part of which may involve the purchase of insurance. Through their knowledge of the market they can obtain the most appropriate cover at the optimal price, receiving brokerage or charging a fee for their services. Insurance brokers are an intermediary acting on behalf of a client. In the UK, insurance brokers are regulated by the Financial Conduct Authority (FCA).

The British Insurance Brokers’ Association (BIBA) recognises the following list of brokers as expert in trade credit insurance. The BIBA can also supply names of other small brokers who may be more appropriate for more specific needs.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Contact Information</th>
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<tr>
<td>Aon Limited</td>
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<tr>
<td>Aon Risk Services (NI) Ltd</td>
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<tr>
<td>Antur Insurance</td>
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<tr>
<td>Arthur J Gallagher (UK) Ltd</td>
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<tr>
<td>Bluefin</td>
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<tr>
<td>Berry Palmer &amp; Lyle Ltd</td>
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<tr>
<td>Bridge Insurance Brokers Ltd</td>
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<tr>
<td>Cooper Darwin Credit Insurance Consultants</td>
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<tr>
<td>Credit &amp; Business Finance Group LLP</td>
<td></td>
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<tr>
<td>Credit Risk Solutions Ltd</td>
<td></td>
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<tr>
<td>Financial and Credit Insurance Services</td>
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<tr>
<td>Gallagher Heath</td>
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<tr>
<td>JLT Speciality Limited</td>
<td></td>
</tr>
<tr>
<td>Aon Risk Services (NI) Ltd</td>
<td>LFE Insurance Services Ltd</td>
</tr>
<tr>
<td>Antur Insurance</td>
<td>LDPA Credit Insurance</td>
</tr>
<tr>
<td>Arthur J Gallagher (UK) Ltd</td>
<td>Marsh Limited</td>
</tr>
<tr>
<td>Bluefin</td>
<td>Newstead International</td>
</tr>
<tr>
<td>Berry Palmer &amp; Lyle Ltd</td>
<td>Perkins Slade Ltd</td>
</tr>
<tr>
<td>Bridge Insurance Brokers Ltd</td>
<td>R K Harrison</td>
</tr>
<tr>
<td>Cooper Darwin Credit Insurance Consultants</td>
<td>Thomas Carroll (Brokers) Ltd</td>
</tr>
<tr>
<td>Credit &amp; Business Finance Group LLP</td>
<td>T L Dallas Group</td>
</tr>
<tr>
<td>Credit Risk Solutions Ltd</td>
<td>T L Risk Solutions Ltd</td>
</tr>
<tr>
<td>Financial and Credit Insurance Services</td>
<td>The John Reynolds Group Limited</td>
</tr>
<tr>
<td>Gallagher Heath</td>
<td>Underwood Insurance Services</td>
</tr>
<tr>
<td>JLT Speciality Limited</td>
<td>Willis Limited</td>
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You can also buy trade credit insurance directly through the larger trade credit insurers. These are listed below.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Contact Information</th>
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<tbody>
<tr>
<td>Atradius Credit Insurance NV</td>
<td>HCC International</td>
</tr>
<tr>
<td>3 Harbour Drive</td>
<td>Walsingham House</td>
</tr>
<tr>
<td>London EC3N 4AH</td>
<td>35 Seething Lane</td>
</tr>
<tr>
<td>AIG Europe Ltd</td>
<td>Markel</td>
</tr>
<tr>
<td>The AIG Building</td>
<td>The Markel Building</td>
</tr>
<tr>
<td>58 Fenchurch Street</td>
<td>49 Leadenhall Street</td>
</tr>
<tr>
<td>London EC3M 4AB</td>
<td>London EC3A 2EA</td>
</tr>
<tr>
<td>Coface UK</td>
<td>QBE Insurance (Europe) Ltd</td>
</tr>
<tr>
<td>80 St Albans Road</td>
<td>Plantation Place</td>
</tr>
<tr>
<td>Watford</td>
<td>30 Fenchurch Street</td>
</tr>
<tr>
<td>Hertfordshire WD17 1RP</td>
<td>London EC3M 3BD</td>
</tr>
<tr>
<td>Euler Hermes UK</td>
<td>Zurich Credit</td>
</tr>
<tr>
<td>1 Canada Square</td>
<td>3 Minster Court</td>
</tr>
<tr>
<td>London E14 5DX</td>
<td>Mincing Lance</td>
</tr>
<tr>
<td></td>
<td>London EC3R 7DD</td>
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</table>
Barclays

Trading overseas is a key way for small and medium-sized businesses to accelerate their growth. And we’d like to help you make the most of it.

We have over 100 specialist international and trade business bankers – one of the largest teams in the UK – ready and waiting to help you. All of our managers study for the CITA qualification (Certified International Trade Advisor), so they are fully equipped to provide the right support and expertise, whether you are looking to export for the first time or further increase your international footprint.

Barclays has a range of services to help your business make the most of its global opportunities. From euro and international currency accounts, efficient payment methods and managing credit risk to foreign exchange and day-to-day banking support. Plus our unique proposition, ‘Business Abroad’, provides the tools and know-how that businesses need to start trading internationally with confidence. It offers free access to expert guidance, advice and tools, as well as discounts on international products and services. We also work closely with the UKTI, to run free International Trading Clinics across the UK, aimed at all businesses which would like advice and guidance on trading overseas.

You can find out more about how we can help your business to trade internationally at www.barclays.co.uk/businessabroad

If you are looking to for some advice, inspiration, or to hear the experiences of businesses which have successfully taken their business overseas, then visit Barclays Connector (www.connector.barclays.co.uk). Our online business community has a whole host of articles, top tips, and video case studies for you to review. And if you still have unanswered questions, simply ask the 50,000+ strong Connector community of business owners for their suggestions.

If you would like to discuss your plans for trading overseas, simply contact us at www.barclays.co.uk/internationalbusiness

RBS and NatWest

International trade offers exciting opportunities for UK businesses, but it can also bring challenges. This is where your bank can play a crucial role. As a UK-focused bank with an extensive international footprint and comprehensive product suite, we offer a complete and seamless service for all your payment, trade finance and cash needs.

Export services

Our export services are designed to support you at every stage of the process. We can help you to identify the best global markets for your business and choose the right overseas partners. We can address your cash flow needs by helping to fund transactions, make trade safer by reducing payment and currency risk, and improve your business efficiency by ensuring that payments across borders are managed securely and cost effectively.
Our presence in over 30 countries gives you access to a truly international network. Not only will you find us on the ground in all major markets, but we can offer help well beyond, through a pioneering network of global, regional and local banks. These partner banking arrangements can provide support in a further 25 countries.

At home and abroad you will benefit from a bank with market-leading positions. We are one of the leading providers of SME and corporate banking in the UK. And globally, we are among the leading transaction banking providers, processing more than £400bn through 7m international payments for UK businesses last year. Through our collaboration with UK Export Finance we supported more exporting businesses than any other bank, having introduced over 40% of the UKEF-supported deals in 2014.

Export services contact details

To find out more about how we can help you export successfully, please contact our SolutionsLine team on: 0800 210 0235
(Text Relay 18001 0800 210 0235)

Lines are open 08:00 – 17:30, Monday to Friday (excluding public holidays). Calls may be recorded.

Web resources available

Our online insights can provide you with the economic, industry and trading information you need to identify the best markets for your individual business. We also have a number of useful guides and online tools to help you get started, details of which can be found on our websites: www.natwest.com/international or www.rbs.co.uk/international

Santander

Trade finance

Santander Corporate & Commercial understands that trading with business partners based overseas can be challenging. Whether you are weighing the commercial and economic risk climate of individual countries, your financing needs before export or import, or how you can ensure you are paid once your goods are delivered, it is important to have ready access to the right level of support.

Business success depends on being able to mitigate the risks involved in trading internationally and in finding the right trade finance solutions. Santander Corporate & Commercial provides a wide range of trade finance solutions and can guide you through what can seem a complex area. So whether you are an established international business or taking your first steps abroad, our dedicated team of trade finance specialists are on hand to support you. We provide the solutions to help you manage risks, credit terms and payment flows and to identify opportunities to accelerate cash flow.

Our services are tailored to addressing your needs and include: helping you mitigate country and political risk, buyer/supplier risk and contractual risk; offering the right finance mix, which might include import loans, pre-export finance, receivables finance and bill discounting; as well as assisting with liquidity with accelerated cash flow, deferred payment terms or bridging funding gaps.
Key features

- We have a dedicated team of specialists who are committed to delivering a simple, personal and fair approach to trade finance.
- We will work with you to understand your trading risk profile and how risks can be mitigated.
- We will deliver the most appropriate product mix which may include access to a wide range of trade finance solutions.
- We can improve your working capital position and help accelerate cash flow.

Contact details

To find out more visit [www.santandercb.co.uk](http://www.santandercb.co.uk) or contact your local International Director:

Richard Arnfield, London and South East: +44 (0)7703 723 017
richard.arnfield@santander.co.uk

Barrie Kilfeather, Midlands & Wales: +44 (0)116 200 4804
barrie.kilfeather@santander.co.uk

Julian Stevens, Thames Valley & South West: +44 (0)7834 620 512
julian.stevens@santander.co.uk

Simon MacLeod, North: +44 (0)7860 757 312
simon.macleod@santander.co.uk

Simon Dunn, Northern Ireland, North East & Scotland: +44 (0)7718 121 478
simon.dunn@santander.co.uk

HSBC Bank plc

HSBC was born from one small idea – a local bank providing an international service. In March 1865 HSBC opened its doors for business in Hong Kong and today it connects customers all across the globe. HSBC’s international network comprises over 6,200 offices in over 74 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. So wherever in the world you see the trading future of your business, there’s an excellent chance that HSBC is already established there.

Exporters want to accelerate receivables for working capital, reduce risks and have greater visibility and control over their trading processes. HSBC Group has been enabling companies to do just that for 150 years.

Through a global network of 5,800 trade experts in over 60 countries, HSBC Global Trade and Receivables Finance supports ambitious businesses of all sizes trading globally. From small enterprises to global multinationals, HSBC Global Trade and Supply Chain partners with exporters to design trade solutions and financing structures that not only meet their needs today, but also help them set strategies for their growth tomorrow. With trade solutions ranging from traditional paper-based documentary credits to sophisticated upstream supply chain financing, HSBC can help companies trade with confidence.

Contact details

Chrisoulla Evangelou
Regional Director, Corporate
Global Trade and Receivables Finance
HSBC Bank plc
T +44 (0)7721 867 065
E chrisoulla.evangelou@hsbc.com
Lloyds Bank Commercial Banking – trade finance and international services

Lloyds Bank Commercial Banking provides a comprehensive range of financial services to businesses of all sizes, from SMEs to multinational corporations. Our team of trade and supply chain finance experts can help your business expand into new export markets, while managing cash flow and mitigating risk factors.

We can help your business to exploit the benefits of global trade in over 100 countries. Our expertise can help you connect to new markets and provide you with financing options to produce and ship goods, secure new contracts, bridge any gaps in your trade cycle and turn sales into cash more effectively. By using Lloyds Bank’s specialist digital solutions you will have real-time control and visibility over your international trade transactions, enabling you to initiate and monitor payments when it suits you.

The wide range of services and innovative solutions we can deliver include:

- Supplier finance
- Pre-shipment finance
- Post-shipment finance
- Import and export trade finance
- Foreign exchange (FX) services
- Bonds and guarantees
- Letters of credit
- Documentary collections
- Risk management
- UK Export Finance government support schemes.

Key contact

Andrew Charnley
Head of Mid Market Trade, Lloyds Banking Group
T +44 (0)7909 872 922
E andrew.charnley@lloydsbanking.com

For further information visit:


Council of British Chambers of Commerce in Europe

COBCOE represents a core membership of 41 British Chambers of Commerce and over 8,000 businesses across Europe.

Through the founding of the global British business network, British Business Worldwide, and our affiliate membership and partnership scheme, we link our members and their business members to a further 50 partner Chambers of Commerce and other like-minded business organisations across the world, including in the UK, a global network of British business organisations available to members.

We work closely with our chambers and partners to advance international trade and business with the UK and across borders. We are considered to be an effective voice for business with access to key political and business decision makers in London, Brussels and other parts of Europe.
Through the COBCOE network we are well-placed to provide you with good contacts, access to expertise, invaluable information and trade development assistance and effective support services.

We have been helping exporters and investors to navigate the many and varied market opportunities across Europe with the hands-on assistance of our member Chambers of Commerce, our partners and affiliates. Enquiries have been varied and wide reaching, often spanning multi-market and multi-sector requirements.

The online research enquiry service from COBCOE is a free registration service available to companies that are either considering a market for the first time or ready to come back for more in-depth research and due diligence. COBCOE, in association with its members and other stakeholders, is able to provide a bespoke market research and support service for companies across Europe including the UK. If you are looking for more extensive assistance with market penetration please get in touch; we have a good network of expertise and can help.

Our First Call programme is a unique initiative that provides, via the COBCOE chamber network in Continental Europe, up to one hour’s initial advice from local professionals and experts free of charge, to help exporters and investors understand the detailed issues they need to deal with when doing business in a target market in Europe.

To learn more about the full complement of services please visit us at www.cobcoe.eu/make-europe-work/ or contact COBCOE’s Chief Executive, Anne-Marie Martin at anne-marie.martin@cobcoe.eu, +44 (0)20 8316 5951.

15 ICAEW services

Business Advice Service

Being aware of and understanding the necessary aspects of international trade are critical to a successful business looking to export.

ICAEW’s Business Advice Service offers a free, straightforward discussion with an ICAEW Chartered Accountant. There’s no obligation after your first free session, just practical thinking to help your business succeed. To find your local ICAEW firm, visit businessadviceservice.com

For further information:

businessadviceservice.com
E bas@icaew.com
T +44 (0)20 7920 3561

ICAEW Library & Information Service

Our Library & Information Service provides access to a range of information on over 180 countries, including guides to doing business and information on the tax climate in each jurisdiction. The country guides can be found at icaew.com/countryresources

There is also a range of useful information on importing and exporting at icaew.com/import-export

E library@icaew.com
T +44 (0)20 7920 8620
F +44 (0)20 7920 8621
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ICAEW
Chartered Accountants’ Hall Moorgate Place London EC2R 6EA UK

T  +44 (0)20 7920 8667
E  clive.lewis@icaew.com
icaew.com

linkedin.com – find icaew
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facebook.com/icaew