Quick guide for banks to the Foreign Exchange Credit Support Scheme

This quick guide for exporters explains the UK Export Finance Foreign Exchange Credit Support Scheme (the ‘Scheme’), how it works, its benefits, its key features and how to access the scheme.

What is the Foreign Exchange Credit Support Scheme?

The Scheme is being introduced to assist UK exporters gain access to forward foreign exchange hedging facilities in respect of specific export contracts that are being guaranteed under UK Export Finance’s Export Working Capital Scheme under which we provide partial guarantees to banks to cover the credit risks associated with approved working capital facilities. Where a bank provides an export working capital facility in respect of a UK export contract, we can typically guarantee 50% of the risk of that facility. Where the bank also has been requested to provide a forward foreign exchange hedging facility related to the same export contract, we will increase our guarantee of the working capital facility by an amount equal to 50% of the amount of the foreign exchange hedging facility (up to a maximum of 75% of the export working capital facility) in order to provide additional capacity to the bank to support the associated hedging on condition that the bank uses the freed up credit capacity for this purpose.

The Scheme is initially being introduced on a pilot basis. This will enable us to assess the level of demand and to determine whether any changes need to be made to the Scheme in the light of experience. We will also consider if the Scheme should be extended as an ancillary product to other UK Export Finance offerings.

The Scheme can only support forward foreign exchange hedging contracts that relate directly to an export contract being supported under the Export Working Capital Scheme. It is envisaged that the Scheme will be particularly useful in circumstances where a UK exporter wins an overseas contract that is higher in value than is typical for it or succeeds in winning more overseas contracts than it has done before.

What are the benefits of the Scheme for participating banks?

The bank is able to assist its client’s export activities by providing the necessary forward foreign exchange hedging facility even if it does not have sufficient risk appetite for the full facility amount.

Risks covered

Our guarantee covers the failure of the UK exporter to repay amounts due under the working capital facility upon its expiry, cancellation or termination but does not cover any risks under the foreign exchange hedging facility.
Eligibility

The following criteria must be met:

- the guaranteed bank should normally be incorporated in an EU or OECD country and be regulated by a regulator acceptable to us;
- the exporter must be carrying on business in the UK; and
- the foreign exchange hedging facility must relate to an export contract being supported under the UK Export Finance Export Working Capital Scheme.

Maximum / minimum facility amount

There is no maximum (or minimum) value for the forward foreign exchange hedging facility, although the total value of the export contract should normally be greater than £25,000.

Maximum / minimum term

The foreign exchange and working capital facilities must each have a maximum term of less than two years. There is no minimum term.

Cost

The guaranteed bank pays us a guarantee fee which is typically a proportion of the interest margin received by the bank from the UK exporter for providing the working capital facility.

How to apply

To apply to join the Scheme, you should complete the application form for the Export Working Capital Scheme, which you can find on our website. When considering applications from banks, we will look at each case on its merits.

Disclaimer

The information available in this brochure is not intended to be a comprehensive description of our Foreign Exchange Credit Support Scheme and many details which are relevant to particular circumstances may have been omitted.

The brochure was last updated in July 2011.