

ECGD, the Government's export credit agency, have launched a letter of credit guarantee scheme to assist UK exporters by boosting the availability of short-term export finance.

In the current economic climate, UK exporters are looking for secure forms of payment from their overseas buyers, particularly those in emerging economies. One of the most secure payment mechanisms for foreign trade transactions is a confirmed letter of credit. Under this a bank in the UK guarantees payment to its exporting customer, provided documents stipulated in the letter of credit issued by the buyer's overseas bank are presented to it. In this way, the UK exporter is able to eliminate the risk of non-payment by its buyer.

By sharing with banks the credit risks associated with confirmed letters of credit, ECGD aims to increase the amount of short-term export finance which the banking sector can make available to UK exporters. This is particularly important at a time when the overall risk appetite of the trade market has been reduced due to the recent difficulties in the financial sector.

To start with, five banks - Barclays, RBS, HSBC, Lloyds TSB and Standard Chartered - are supporting the scheme and will be making arrangements in the coming weeks to allow exporters to participate. It will cover 282 overseas banks in 36 export markets. More banks and export markets are expected to be added to the scheme. Other banks, which have expressed in signing up to the scheme include:

Bank of Beirut (UK)  
Citi  
ABC International  
Svenska Handelsbanken  
Soc Gen  
JP Morgan  
Bank of Ceylon (UK)  
Bank of Ireland  
Bank of London and Middle East  
Bank of Australia and New Zealand  
Europe Arab Bank  
Raiffeisen Zentralbank Osterreich  
Northern Bank  
Bank of America

ECGD will share up to 90% of the risk on individual letters of credit.

To start with the scheme will cover:

Algeria  
Azerbaijan  
Bahrain



Bangladesh  
Brazil  
China  
Croatia  
Egypt  
Ghana  
India  
Indonesia  
Jordan  
Kazakhstan  
Kenya  
Korea  
Kuwait  
Libya  
Mauritius  
Mexico  
Morocco  
Nigeria  
Oman  
Pakistan  
Panama  
Peru  
Philippines  
Qatar  
Russia  
Saudi Arabia  
Sri Lanka  
Taiwan  
Thailand  
Tunisia  
Turkey  
UAE  
Vietnam

The scheme will run until 31 March 2011. It will not cover exports to the EU or to Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland or the United States. To do so would require EU State Aids approval from the European Commission. Letters of credit are not commonly used in these markets.

For more details of the new scheme contact Steve Roberts-Mee, ECGD's Head of Communications, on 020 7512 7319 or 07990 887852 or call Business Links Credit Crunch Hotline on 0845 002 0900

