

Banks and factoring houses will purchase export receivables at a discount. The discount charged will reflect the institution's assessment of the risks and costs involved in the transaction. If the exporter is able to negotiate a letter of credit (L/C) or some form of promissory note from the buyer, there is less risk involved than with other forms of payment.

Canadian commercial banks are becoming more active in this kind of arrangement, especially if the contract with the Mexican purchaser is accompanied by a guarantee from a Mexican bank. In addition, both the Export Development Corporation (EDC) and the Canadian Commercial Corporation (CCC) offer financing against export receivables.

Exporters contemplating factoring should consult with their own bank. The bank will be able to advise on whether factoring is appropriate, as well, it may be able to direct the exporter to a suitable provider of the service, or provide the service itself. Alternatively, the exporter should make contact with export financing houses specializing in this function.

SOURCES OF FINANCING

Many sources of financing are available to the prospective exporter, but different sources may specialize in different types of financing. If acceptable collateral is available, short-term financing can usually be arranged through banks. Operational financing may need to come from private investors or lenders. Long-term financing may come from government institutions or international financial institutions.

COMMERCIAL FINANCING SOURCES

Canadian exporters can select from a wide array of commercial sources of export financing, each with its own priorities and perspectives and each offering different rates, terms and services. In looking for capital, the prospective exporter should investigate what is available from the following typical private-sector suppliers of export financing:

- confirming houses, which act as buyers' agents;
- export finance houses, which can buy exporters' receivables as well as provide exporters with financial management services such as invoicing, accounting, and collections;