

The *Action Plan* identified a need for increasing exporters' access to operating capital stemming from the variability with which foreign accounts receivable are treated by banks/financial institutions, when margining them against operating lines of credit.

EDC, in consultation with Foreign Affairs and International Trade and the Department of Finance undertook to examine the feasibility of developing a guarantee for financial institutions to encourage them to provide operating lines of credit to SME exporters against their foreign accounts receivable. In addition, the banks themselves began a process of re-examining their treatment of foreign receivables (please refer to Bank Initiatives, below).

### The Process

On June 14, 1994 EDC, together with DFAIT, convened a series of individual consultations with all the banks/financial institutions who had committed themselves to the task of further support to SME exporters at the May 6th meeting. The concept of using a guarantee program to encourage the banks/financial institutions to extend operating lines against foreign accounts receivable was one of the issues explored. Based on the positive reaction from the banks to the guarantee program concept, EDC began an intensive effort to develop a guarantee product, to be delivered seamlessly through the individual bank branch systems, to a wide base of SME exporters.

### The Result

EDC conceptualized an innovative accounts receivable guarantee facility to support small Canadian companies (those with total sales of less than \$5.0 million). Under this proposed program, EDC would guarantee the payment of a portion of an exporter's foreign receivables to the exporter's bank. The effect would be that foreign receivables in acceptable markets would be eligible for inclusion in the total 'pool' of accounts receivable which could be eligible for an operating line of credit.