transportation, public utilities and engineering industries.

5.Credit Insured Export Financing

Canadian chartered banks join with the Export Development Corporation (EDC) in financing Canadian exports.

Individual export transactions can be credit insured by having the exporter, who holds an EDC insurance policy, assign the coverage to the bank which provides the financing.

Certain Canadian banks operate specialized trade finance subsidiaries who utilize EDC credit insurance policy, which provides 90 percent insurance coverage for both short and medium-term credits. The bank export finance subsidiary assumes the 10 percent uninsured risk portion and provides the financing. The Canadian exporter could potentially benefit from a reduced premium (depending on risk considerations, since the credit insured financing is only obtained on a "per transaction" basis. It can provide prompt payment without recourse to the exporter and improves cash flow.

The Canadian chartered banks cooperate with EDC in financing exports of capital goods and services by way of medium and long-term loans to foreign buyers. In such instances, EDC's function is to provide financing so the overall cost of lending is competitive with terms available from foreign export credit agencies.

EDC normally does not supply down payment and local cost financing. Thus, Canadian chartered banks provide this financing as a separate loan, at competitive commercial terms and rates. Consequently, the foreign buyer of Canadian goods can obtain a financial package that covers the full amount of the transaction.

EDC also provides financing where the total term, the country risk, or other conditions applying to the country or type of financing involved, may not be available within the commercial financial markets. Once it has been determined that a transaction qualifies for EDC support, the exporter's bank, sometimes in consortia with other Canadian banks, will join with EDC to provide financing.

EDC can guarantee portions of the Canadian chartered banks' export loan where the political risks involved exceed the chartered banks' own lending criteria, or where Canadian government regulatory directives inhibit banks from further lending to borrowers in specific countries. The most important conditions governing the sale of Canadian goods and services abroad are commercial aspects such as price, technology, the quality of the goods and services, ability to meet delivery dates and the overall reputation of Canadian goods and services. While the related financing of any major export is also important, it is these other factors that are basic to the consummation of any major export transaction. During the initial stages of negotiation, the exporter should obtain, from his bank and EDC, a preliminary "indication of interest" letter outlining briefly the general terms and conditions under which it would be prepared to assist in the financing of the sale. In the case of larger transactions, it is not uncommon for either the borrower, his government, or his banker to be aware of the type of financing and conditions that will be involved in the final package.

B. The Export Development Corporation (EDC)

The Export Development Corporation is a Crown corporation whose purpose is to facilitate and develop Canada's export trade. EDC pursues its purpose by providing insurance, guarantee, and financing facilities which, combined with advice and the organization of financial service packages, foster the ability of firms selling Canadian goods and services to compete effectively abroad.

1. Export Credit and Investment Insurance

Canadian firms of any size can insure their export sales against non-payment by foreign buyers. EDC normally assumes 90 per cent of the commercial and political risks involving insolvency or default by the buyer as well as blockage of funds, war or rebellion, cancellation of import licenses and the like in a foreign country, and cancellation of export permits in Canada.

Almost any kind of transaction involving the export of goods, services or technology may be insured if Canadian content and EDC criteria are met. Insurance is available to cover sales of general commodities and services normally made on short term credit of up to 180 days, and capital goods and services made on medium-term credit, usually of up to five years.

In order to facilitate the exporter's banking arrangements, EDC will agree to pay any proceeds payable under an exporter's policy to a bank or other financial organization.

If a bank or other financial institution will agree to purchase an insured foreign receivable from an exporter with recourse limited to post-maturity interest, and to amounts which EDC has not covered under the policy because of loss related to events within the exporter's control, EDC is prepared to agree to the assignment of the exporter's rights and obligations under the policy to that financial institution.

The credit insurance services available are as follows:

i) Short Term Whole Turnover Insurance

Global Comprehensive Insurance

Global Comprehensive Insurance provides cover against both commercial and political risks inherent in an export transaction offering short-term credit. An exporter is required to insure all export sales unless excluded by EDC.

Global Political Insurance

Global Political Insurance provides cover against specified political risks inherent in an export transaction. An exporter is required to insure all export sales unless excluded by EDC.

Selective Political Insurance

Selective Political Insurance provides cover against specified political risks inherent in an export transaction. An exporter may select certain countries for which he wants cover, but all export sales to buyers in the selected countries must be insured.

USA Commercial Risk (Small Business) Insurance

USA Commercial risk (Small Business) Insurance provides cover against specified commercial risks to small (annual sales up to Cdn $5 million) exporters selling to the USA. An exporter is required to insure all USA sales unless excluded by EDC.