

# Services at a Glance

## Insurance

**Export Credit Insurance** protects exporters for up to 90 per cent of the value of their exports if the foreign buyer doesn't pay.

**Foreign Investment Insurance** covers up to 90 per cent of losses due to three types of political risk: not being able to convert local earnings into hard currency or to get hard currency out of the country; expropriation; or war, revolution or insurrection.

**Performance Security Insurance (PSI)** covers the performance bond issued by the exporter's bank with a letter of guarantee which bonds an exporter's performance to the buyer. The bank is required to pay the buyer on its first demand for any reason. PSI offers 90 per cent coverage for the exporter in the event of a wrongful call on the bond, or a rightful call beyond the control of the exporter.

**Performance Security Guarantee (PSG)** is a 100 per cent guarantee to the bank against any call, either rightful or wrongful. In essence, the PSG becomes a working capital guarantee, allowing the exporter to fully utilize its line of credit.

## Finance

**Supplier Credit Financing** includes a note purchase agreement where EDC purchases from an exporter a series of promissory notes issued by the foreign buyer upon the sale of goods or services.

**Buyer Credit Financing** includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a predetermined transaction. Loans usually involve large trans-

actions with long repayment terms.

**Lines of Credit** are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then lends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are pre-arranged between EDC and the foreign borrower, which speeds up the turnaround time.

## Financing Support

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EDC's financing business was concluded on a commercial basis, up from 74 per cent the previous year.

"It is vitally important that EDC and other financial institutions help marshal the capital and manage the risks implicit in these trends. This is essential both to help exporters win immediate sales and to provide them with opportunities to secure lasting footholds in markets with high-growth potential," Labbé says.

To meet this need, EDC has established a subsidiary, Exinvest Inc., dedicated to developing innovative new financing mechanisms, and a special project finance team, which last year supported projects in Colombia, the Philippines and other countries. It has also created a new Risk Management Office and established procedures for evaluating loan portfolios on an industry, geographic and transaction basis, to reinforce its ability to manage changing risks in the global marketplace.

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