UBS

Supplier's credit

Parties and how it works

With a supplier's credit, the exporter offers the buyer its goods including financing. It sells its claim under the supplier's credit to its bank to raise liquidity.

The financing terms of the supplier's credit are already included in the supply agreement, which simplifies the formalities. The supplier's credit is therefore suitable particularly for smaller export transactions.

Parties

Five parties are generally involved in a supplier's credit:

Exporter/supplier
The Swiss supplier wants to export products or services originating from Switzerland.

Importer/buyer
It's registered abroad and wants to import the supplier's goods or services.

SERV
The Swiss export risk insurance (SERV) covers political, transfer, credit, manufacturing and other risks.

Financing bank
UBS as financing bank buys the exporter's claim.

Buyer's bank
The foreign buyer's bank issues a bank guarantee to UBS to cover the risk of non-payment by the importer.

How it works
Let's take a look at how a SERV-covered supplier's credit works.

1. Supply contract including financing
The supplier and the buyer conclude a supply contract – for example, for a machine tool. The supplier grants the buyer a loan. According to the contract, the supplier's credit is to be secured by a payment guarantee from the buyer's bank.

2. Bank guarantee
The buyer instructs its bank to issue a guarantee in the supplier's favor. This covers the risk of non-payment by the buyer.

3. SERV cover
The supplier applies for and is issued cover from SERV for political, transfer and credit risks.

4. Exporter's agreement
It then concludes an export finance agreement with UBS. This governs the assignment of the claim, collateral from the export transaction and the sharing of risks.

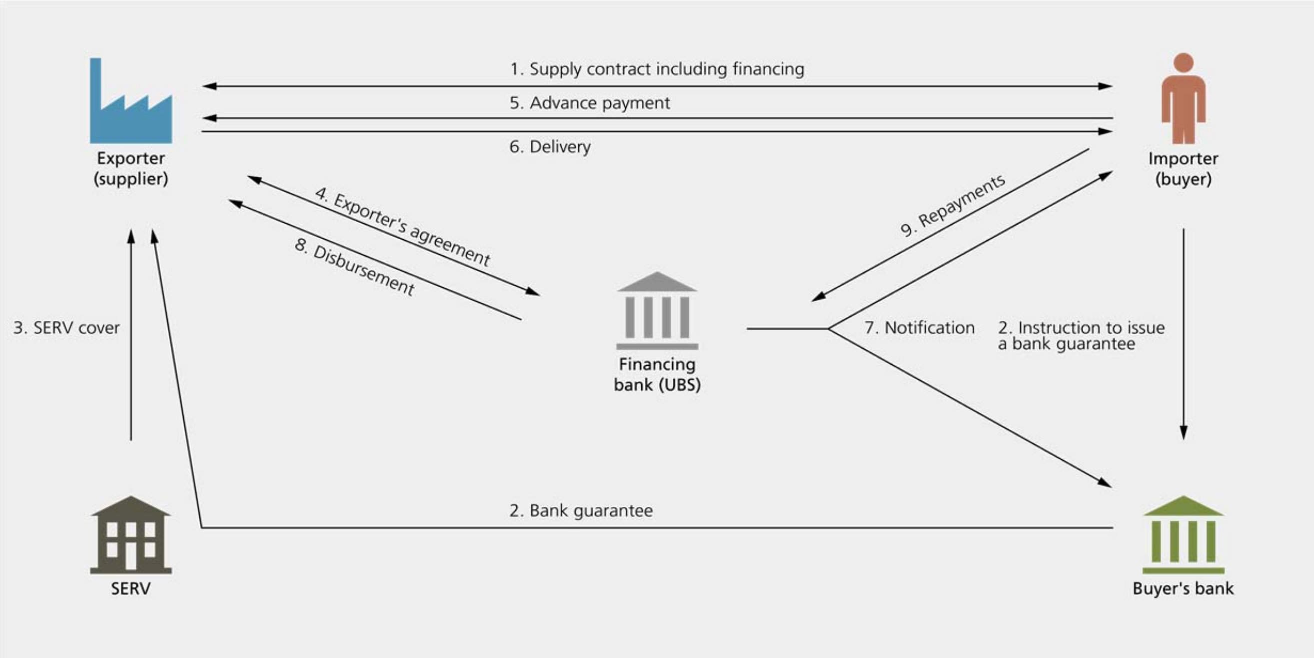
5. Advance payment
The buyer makes an advance payment before the first delivery.

6. Delivery
As agreed in the contract, the exporter delivers the machine tool.

7. Notification
Firstly, UBS informs the importer that the claims under the supply agreement have been purchased. Secondly, it advises the importer's bank that the guarantee proceeds have been assigned to UBS.

8. Disbursement
After advance payment and delivery, UBS transfers the amount of the supplier's credit to the exporter.

9. Repayment
The importer repays the supplier's credit directly to UBS.



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