Frame credit

Parties and how it works

UBS grants a foreign bank a standardized loan with predetermined terms and conditions.

UBS has framework credit agreements with a large number of banks in the key export markets, which define the general conditions for the financing of individual export transactions – this simplifies the contractual negotiations between the supplier and buyer.

Frame credits are therefore also suitable for small to medium-sized export transactions with terms of 24 to 60 months and semi-annual repayments.

Parties
As a rule, five parties are involved in a frame credit:

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

Importer/buyer
It is 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.

Lending bank
UBS grants the buyer's bank a loan.

Buyer's bank
There is a local loan agreement between the foreign buyer's bank and the buyer.

How it works
Let's take a look at how a SERV-covered export transaction with a frame credit works. A business transaction is initiated between the exporter and its foreign client – for example, the purchase of several looms.

1. Request for financing
There is a framework credit agreement between UBS – the supplier's bank – and the buyer's bank. Each of the two business partners can therefore request financing from their own bank. The banks contact each other.

2. Supply contract
Suppler and buyer conclude the supply contract, which refers to the financing arrangement under the framework credit agreement between UBS and the buyer's bank.

3. SERV cover
UBS as lending bank applies for and is issued SERV cover for political, transfer and credit risks.

4. Loan commitment and local loan agreement
UBS gives the buyer's bank a loan commitment and concludes an individual loan agreement with it. The buyer also concludes a loan agreement with its bank.

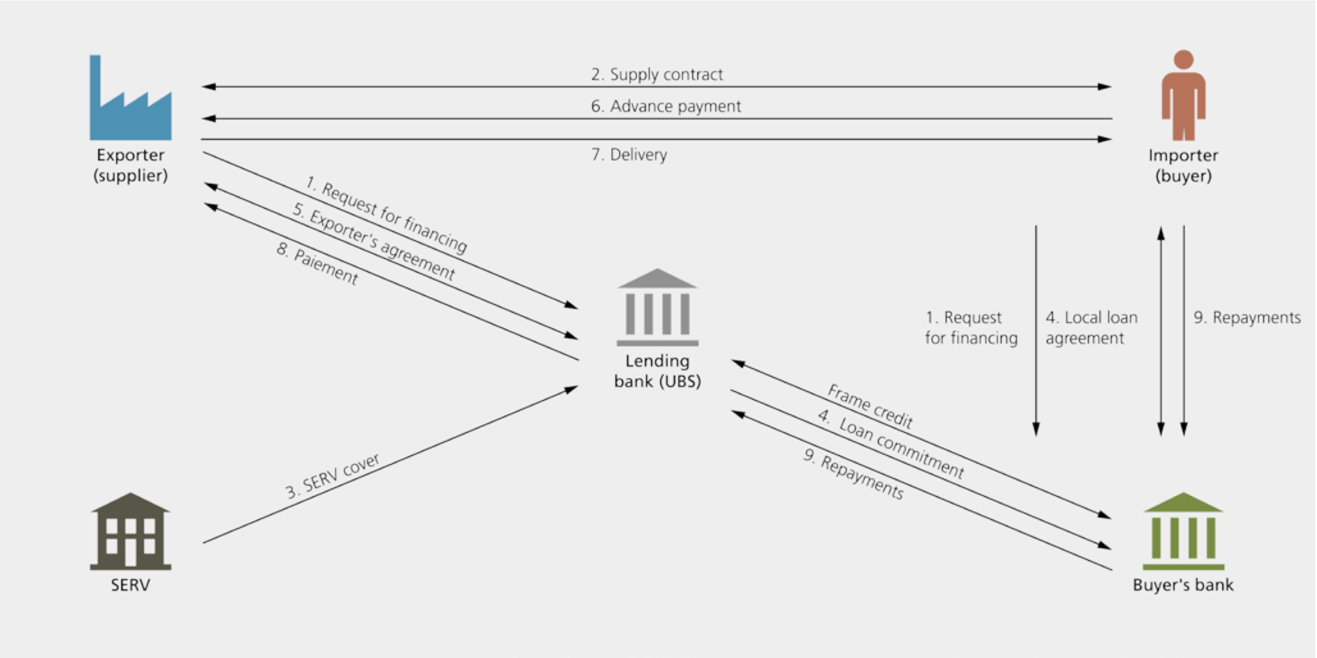
5. Exporter's agreement
The supplier and UBS conclude an export finance agreement and define the sharing of the residual risk not covered by SERV.

6. Advance payment
As a rule, the buyer makes an advance payment before the first delivery.

7. Delivery
The exporter delivers the looms in accordance with the contract.

8. Disbursement
After the advance payment and delivery, UBS transfers the amount of the loan to the supplier.

9. Repayment
The buyer's bank repays the loan to UBS, and the buyer repays the loan to its bank.



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