

Forfaiting, a short-term insured purchase of receivables

In addition to the traditional export credit agency-financed facilities, as an alternative solution, Eximbank also offers forfaiting to its customers. Forfaiting means the purchase, without recourse, of bank-guaranteed receivables from export sales, transforming a deferred-payment transaction into a prompt-payment one, and thus relieving the exporter from the

- commercial,
- country (political and transfer),
- exchange rate, and
- collection

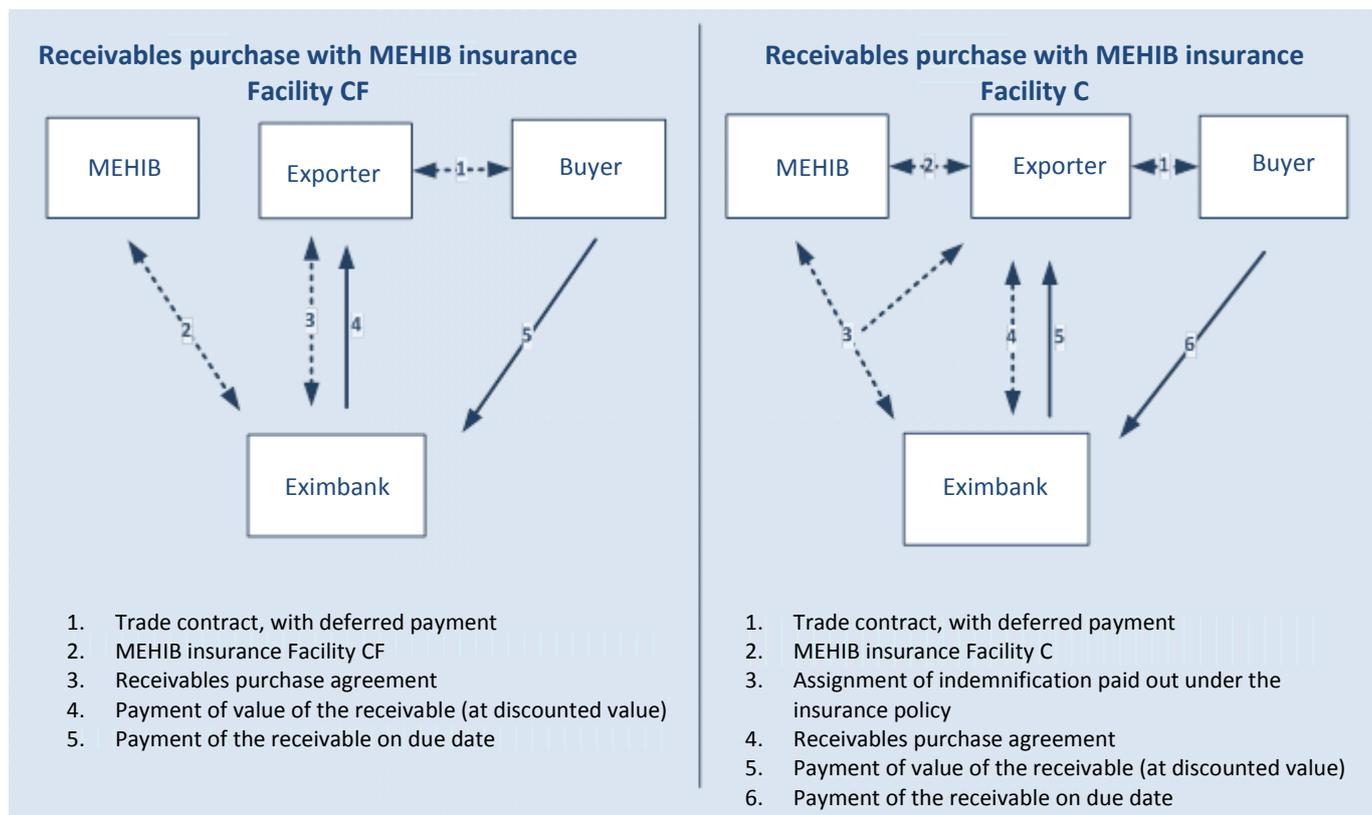
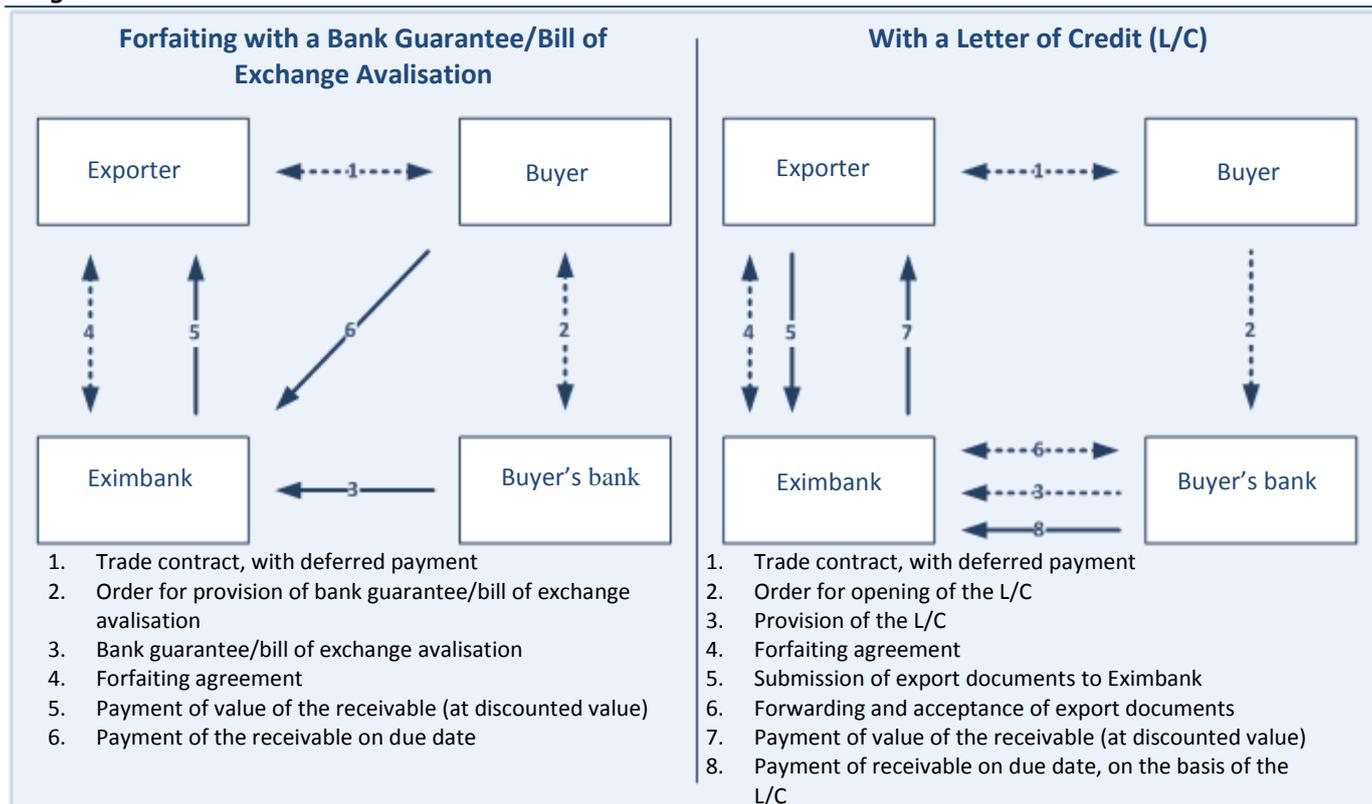
risks arising from the receivable.

The export receivables must be embodied or guaranteed by an unconditional, irrevocable banker instrument (e.g. deferred-payment letter of credit, bank guarantee). If the bank concerned is acceptable, there is no need for any additional securities. The transaction can be concluded quickly and requires only simple documentation, so there are no substantial administrative and legal costs.

The trends of recent years show that it is increasingly difficult for Hungarian exporters to enter into arrangements with their customers under which the latter provide a bank guarantee or deferred-payment letter of credit as security for the deferred payment. It is with these situations in mind that Eximbank and MEHIB jointly offer a facility in which the insurer provides insurance (Facility C for the exporter, and Facility CF for the bank), and the bank purchases the receivables with this insurance serving as security for the transaction.

Amount of the receivable	Minimum EUR 40,000 or the equivalent in USD
Currency	EUR or USD
Term	Typically 90-360 days, maximum 23 months (minimum term remaining at the time of forfaiting: 30 days) In addition to the term of the receivable, we take additional interest days into account when forfaiting, depending on the country risk.
Discount interest (forfaiting/discounting fee)	The EURIBOR or USD LIBOR corresponding to the term of the financing facility, as the reference interest rate + cost of funds, and the risk premium or MEHIB insurance premium charged on the basis of the country risk and the risk of the bank issuing the instrument.
Commitment fee	If a forfaiting limit is made available, the commitment fee is maximum 0.5% of the unutilised part of the limit, payable in arrears every 3 months following the opening of the limit, and upon expiry of the availability period.
Instrument or security	<ul style="list-style-type: none"> ▪ deferred-payment letter of credit ▪ bank guarantee ▪ bill of exchange avalised by the bank ▪ MEHIB insurance Facility C/CF

Diagram:



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