

Post Shipment Financing

In order to assist credit insured exporters towards obtaining post shipment financing for export sales effected, ECGA of Oman has entered into a Memorandum of Understanding with the banks in Oman by which it has been mutually agreed to discount the credit insured export bills at a preferential interest rate.

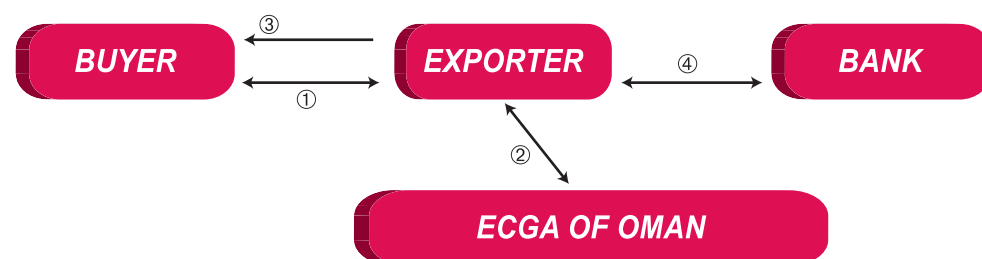
To avail this facility, the exporter is required to approach their bankers to obtain the required post shipment financing by submitting the following documents:-

- Copy of credit limit issued by ECGA of Oman on the particular buyer
- Copies of invoices
- Copy of documentary evidence for export transaction made such as Bill of Lading, Airway Bill, Delivery Order, etc.

Benefits:

- Improves liquidity as you get paid for your exports bills in advance before the bills are due for payment
- It eases your cash flow position by providing greater financial liquidity and flexibility in administering your receivables.
- It allows you to extend more liberal terms of payment to your existing buyers as well as new buyers thus competing with foreign suppliers
- Assign the benefits under your credit insurance policies as additional collateral to banks for additional financing or financing on better terms.

How does it operate?



- ① Exporter executes sale contract with buyer
- ② Exporter obtains insurance cover from ECGA of Oman
- ③ Exporter effects shipments to the buyer
- ④ Exporter submits the shipping documents to the bank for post-shipment financing



If you have any further queries, contact ECGA of Oman:-

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This Policy is for goods of special design or catering for a specific market, with cover commencing from the date the contract is signed.

WHAT DOES IT COST TO CREDIT INSURE?

Relatively little, though premiums vary, depending on the rating of the buyer's country and the payment terms;

WHAT HAPPENS WHEN LOSSES OCCUR?

The exporter is normally covered up to 80% of loss due to commercial risks and up to 85% for non-commercial risks. When the buyer fails to accept or take the goods, in accordance with the contract, the exporter bears as a 'first loss' of 20% and ECGA of Oman bears 80% of the balance. In order to minimize the losses, you must as an insured, do your best to provide relevant information on the buyer to ECGA of Oman.

In order for this insurance to be effective, you are required to follow certain routine procedures, and this booklet aims to give you the guidance to do so. It is not intended to take the place of your policy; that is a legal document which defines the obligations of you as an exporter and the Export Credit Guarantee Agency of Oman SAOC. By understanding it, you will be able to gain the full benefit.

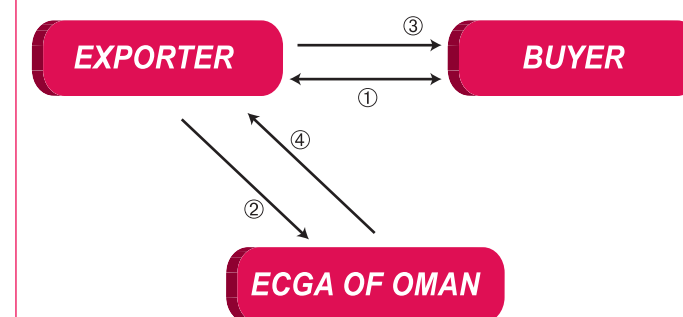
THE CREDIT LIMIT

Your Policy is designed to provide credit insurance for all your eligible export business but the extent of ECGA's liability for loss following non-payment will be determined by the credit limit established on each buyer. This is a record of the limit of cover offered to a customer for a specific buyer. Therefore you need to establish a credit limit sufficient to cover the maximum amount which you expect to have outstanding for payment at any one time with the buyer in respect of goods dispatched to him.

NEW ACCOUNTS

It is possible that the buyer is not only new to you but also to ECGA of Oman. Therefore it is important to support your credit limit application with whatever information you have which you believe would assist in establishing the buyer's credit worthiness, for example – trade reference, bankers report, trading accounts, a summary of your views of the activity of the company and its senior personnel, and details of your orders in hand or in prospect. It is also important for ECGA of Oman to be given the full registered name and address (including street address where it is known).

How does it operate?



- ① Exporter executes sales contract with buyer
- ② Exporter obtains insurance cover from ECGA of Oman
- ③ Exporter ships goods to the buyer
- ④ In case of non-payment by the buyer, the exporter lodges a claim to ECGA of Oman and indemnifies the exporter as per the Policy

Guidelines To Exporters

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ESTABLISHED ACCOUNTS

ECGA of Oman recognizes the value of satisfactory trading experience and will from time to time request you to summarize your experience with particular buyers while reviewing its commitments. Information of this nature is also valuable to us when it is asked by an exporter or policyholder to consider approving a higher amount or change in terms of payment. In such cases ECGA of Oman would request you to provide relevant information such as Amount, Shipment Date, Terms of Payment, Due Date of Payment as well as the Date Goods were paid.

Requests for revised credit limits should also be supported by whatever background and financial information you hold.

When you receive the credit limit decision from ECGA of Oman, you should note whether any special conditions have been imposed. Unless otherwise stated, the credit limit is "revolving", that is as amounts owed are paid it becomes valid for further business. It remains in force until superseded by a credit limit of a later date or until it is completely withdrawn by ECGA of Oman. If you do not expect to do further business with a buyer you should ask to cancel the credit limit.

DECLARATION OF EXPORT BUSINESS AND PAYMENT OF PREMIUM

You are required to make a monthly declaration of your export business from which premium due is calculated and an invoice is sent to you for payment. The Business Declaration Form is available from ECGA of Oman for this propose. The rate of premium is determined by the modes of payment and country gradings. Please ensure that all your premium payments are accompanied by one copy of each invoice.

When completing declaration forms the following points should be noted:-

- 1- Your declaration should be submitted to ECGA of Oman by the tenth of the month following that to which it relates and the resultant premium should be paid immediately on receipt of the premium invoice. Your failure to do so will result in a serious breach of the terms of your Policy.
- 2- All amounts declared must be shown in Rial Omani including foreign currency contracts. The conversion to Rial Omani should be the buying rate at date of dispatch of goods (or contract is cover is given from date of contract.
- 3- Should there be no export business to declare, you should send a declaration for that month marked "Nil" in the space provided on the form.

- 4- Should you at any time exceed the credit limit on a buyer it will be necessary for you to declare and pay premium on all business including the excess.
- 5- Where payment is to be made under cash against documents or against a usance bill as well as under an irrevocable letter of credit, the business is declarable under your Policy.

OVERDUE AND CLAIMS PROCEDURES

EXTENSION OF DUE DATE OF PAYMENT

A request by any buyer for an extension of payment may have good cause or may be the first indication of a company in serious financial difficulties. For this reason any such request should be submitted to ECGA of Oman for approval immediately and supported by whatever background information you can provide. A change in terms from Cash Against Documents to Documents Against Acceptance should also be submitted for approval for the same reasons.

PROBABLE LOSS

If consider that an account is likely to deteriorate and may result in loss you should notify ECGA of Oman immediately. Upon receipt, ECGA of Oman will be able to suggest a course of action to obtain payment. In our experience prompt action taken against the buyer can frequently prevent or, at least minimize loss.

SUBMISSION OF CLAIM

Where prevention action has failed and a loss has arisen, a claim may be submitted provided the loss is covered under your Policy. Claim forms can be obtained from the Export Credit Guarantee Agency of Oman. To obviate delay, please ensure that the forms are fully completed and that all the required documents requested are attached.

RECOVERIES

After payment of a claim, you are required to continue with your efforts to obtain payment from the buyer. This may be no more than an extension of the action initiated when the loss was first reported. You must keep ECGA of Oman informed of your action and we may advise you to take whatever action it deems necessary.

Your are required to remit to ECGA of Oman all amounts received; the recovery is then allocated in the proportion in which the original loss was borne.

Domestic Credit Insurance Service

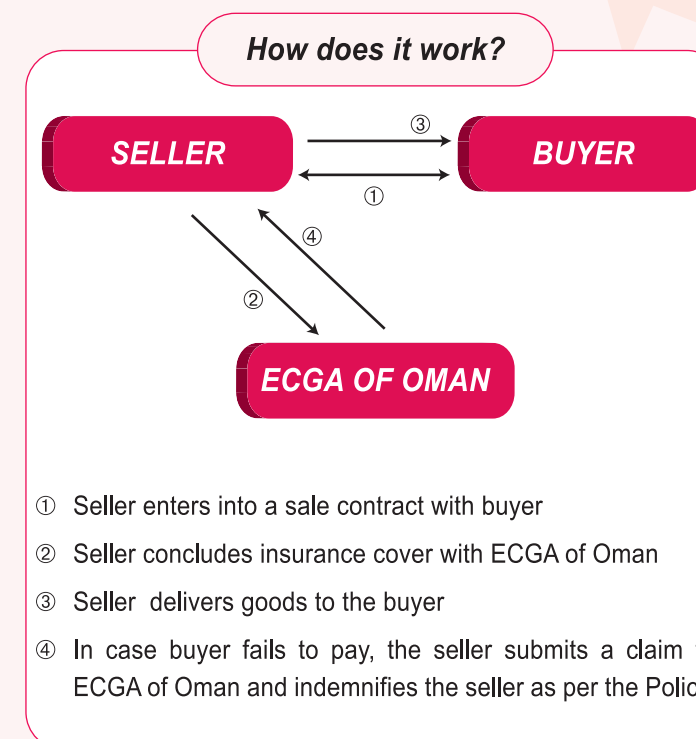
The Domestic Credit Insurance Scheme provides cover for companies who sells Omani goods to domestic buyers against non-payment of sale proceeds due to the following risks

- (a) Insolvency of the buyer
- (b) Failure to pay the seller by the buyer, the value of goods sold and accepted by the buyer.

The availability of domestic credit insurance scheme is restricted to exporters who have availed the Export Credit Policy of ECGA of Oman.

Benefits to Policyholder:

- Sell safely to domestic buyers on competitive credit terms
- Better credit control of credit limits extended to local buyers
- Assist policyholders in their liquidity and debt management as well as mobilize resources in their efforts
- Discount domestic sales bills at preferential interest rates
- Assign the benefits under your Domestic Credit Policy to Banks so as to obtain additional financing on better terms



Pre-shipment Financing

The Pre-shipment Credit Guarantee Scheme has been designed for exporters to obtain timely and adequate credit facilities from commercial banks pre-shipment stage for purchasing of raw materials, manufacturing, processing and packing of goods to be exported, against contract for sales i.e. Irrevocable Letter of Credit or confirmed purchase order on more liberal terms. Hence the scheme allows the credit insured exporters to obtain pre-shipment financing from their commercial banks in order to execute export orders abroad and avail more export business opportunities.

The Pre-shipment Credit Guarantees are issued in favour of commercial banks directly on behalf of credit insured exporters. Therefore, you, as an exporter, can approach your commercial bank to obtain necessary pre-shipment credit facilities against an export order received from a foreign buyer. The decision to offer such facility is at Banks own discretion. Such request can be considered favourably by the Banks if your business is credit insured by ECGA of Oman and that the credit policies are assigned to them. Your bank will in turn apply for guarantee from ECGA in respect of such advances.

Benefits:

- It allows credit insured exporters to avail pre-shipment financing from the banks for their working capital financing in order to execute export orders abroad and avail more export business opportunities.
- It fills security gap needed by the banks to provide required financing to execute export orders.

