

DO YOU HAVE MONEY IN A BANK ACCOUNT ABROAD?

Holding money in bank accounts in other countries is often a necessary part of doing business internationally. However, that comes with the risk of not being able to convert your money into dollars and bring that money back home. At Export Development Canada (EDC), we can help you manage the risk of currency exchange and transfer restrictions with our Foreign Funds Insurance.

WHAT IS AT RISK?

Cash held in foreign bank accounts.

WHO IS AT RISK?

Businesses holding cash in foreign bank accounts such as:

- service providers that hold cash in bank accounts to fund their international operational needs;
- investors and the bank accounts of a company's foreign affiliate;
- Canadian companies that open bank accounts abroad to receive payments from their customers.

HOW ARE COMPANIES AT RISK?

Foreign governments can take administrative actions, make policy changes or change laws which stop businesses from:

- i) converting local currency into dollars and/or
- ii) transferring dollars out of that country.

WHERE DOES THIS RISK HAPPEN?

The risk of this happening is higher in emerging markets but it can happen anywhere. For economic or political reasons, governments exert varying degrees of influence over the flow of money leaving their country.

At times, these flows are regulated and managed by an exchange control authority, designated by the government. Exchange controls can cause delays or barriers in a company's ability to convert and/or transfer its money back home, which can be worsened when the exchange control authority is politicized or discriminating against specific industries or nationalities.

Exchange controls of different levels of intensity are currently in place in countries around the world such as Argentina, Egypt, Greece, Ukraine and Venezuela. Government policies change over time and so can the ease of bringing money back home.

WHAT COVERAGE IS AVAILABLE TO MANAGE THIS RISK?

1. EDC's Foreign Funds Insurance can protect up to 90% of your losses if you can't turn your cash into dollars or get it out of the country. The insurance coverage and premiums can be locked in for up to five years. So even if the country's economic or political situation deteriorates, your coverage remains the same.
2. We can structure the policy to cover the bank accounts in all the markets where you do business.
3. The cost starts as low as .1% per year applicable on the liability amount. For example, the cost of insuring \$100,000 Yuan equivalent held in a Chinese bank account is approximately \$75 per year.

Contact EDC's Political Risk Insurance Team to discuss your political risk management needs: PoliticalRiskInsurance@edc.ca