

# Coverage for Contract Bonds

At Export Development Canada (EDC), the door to exporting options is always open with new markets to explore and new opportunities to seize. One of the ways we can help you succeed in the global marketplace is with our bonding products.

## POSTING BONDS IS A FACT OF BUSINESS

More and more buyers are asking for bonds to ensure that you can meet your obligations. This security is usually provided in the form of bank instruments (letters of guarantee or standby letters of credit) or surety bonds (issued through surety companies). Buyers can demand bonds at almost any stage of the contract – and issuing bonds can be expensive and risky, since your financial institution will freeze your operating line or ask for collateral equivalent to the amount of the bond. Your buyer may also call the bond even though you've done nothing wrong.

## GET BONDS ISSUED WITHOUT TYING UP YOUR CASH

To obtain bank instruments, you typically need collateral. EDC's Account Performance Security Guarantee (APSG) not only offers your financial institution a 100% guarantee against a call on the bank instrument issued on your behalf, but also serves as collateral security for the financial institution.

With an APSG in place, your working capital remains available to you and you can focus on the deal.

## PROTECT YOURSELF AGAINST A "WRONGFUL CALL"

Even if you have not defaulted on your contractual obligations, your buyer can call your bond at any time and your financial institution must pay the amount stipulated. EDC's Performance Security Insurance (PSI) can cover up to 95% of your losses on a wrongful call or a call resulting from events outside your control. This is critical protection when you've committed your working capital or operating line of credit against the bank instruments, which can sometimes be for as much as 25% of the project's total value.

## EDC MAKES IT EASIER TO GET SURETY BONDS ISSUED

EDC shares the risks with your surety company, by offering reinsurance capacity, for up to 85% of the value of the bonds. Our support is available for contracts in all industry sectors and in nontraditional surety markets. Growing your business may require additional bonding capacity – again, we can help. And, if you don't have access to a surety provider, EDC's surety fronting agreements may be of assistance to you.

## KEY BENEFITS

Free up your working capital with bonding support.

### 1. Get bonds without tying up working capital

If getting a bond is tying up your working capital, we can provide your financial institution with a guarantee which covers them up to 100% if your customer makes a wrongful call.

### 2. Protect against a wrongful call

Worried your customer might make a wrongful call on your bond? Our insurance covers up to 95% of your losses.

### 3. EDC shares the risk

We can share risk with your surety company by offering reinsurance capacity of up to 85%.

## › FIND OUT MORE

To learn more about EDC's bonding solutions, visit [www.edc.ca/bondingform](http://www.edc.ca/bondingform).

Ce document est également disponible en français.