

# 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 bank will freeze your operating line or ask for collateral equivalent to the amount of the bond. Your buyer may 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 Performance Security Guarantee (PSG) not only offers your bank a 100% guarantee against a call on the bank instrument issued on your behalf, but also serves as collateral security for the bank. With a PSG 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 bank 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 sometime 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 non-traditional 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 surety fronting agreements may be of assistance to you.

## **Find out more**

To learn how EDC's risk management products can help you open the door to export opportunity, contact us today.

**Tel.:** 1 888 332 3777

**Fax:** 613 598 6697

**Email:** [export@edc.ca](mailto:export@edc.ca)

**Internet:** [www.edc.ca](http://www.edc.ca)

**R e a l i z e   a   W o r l d   o f   O p p o r t u n i t y**