



# Trade Credit Bridge

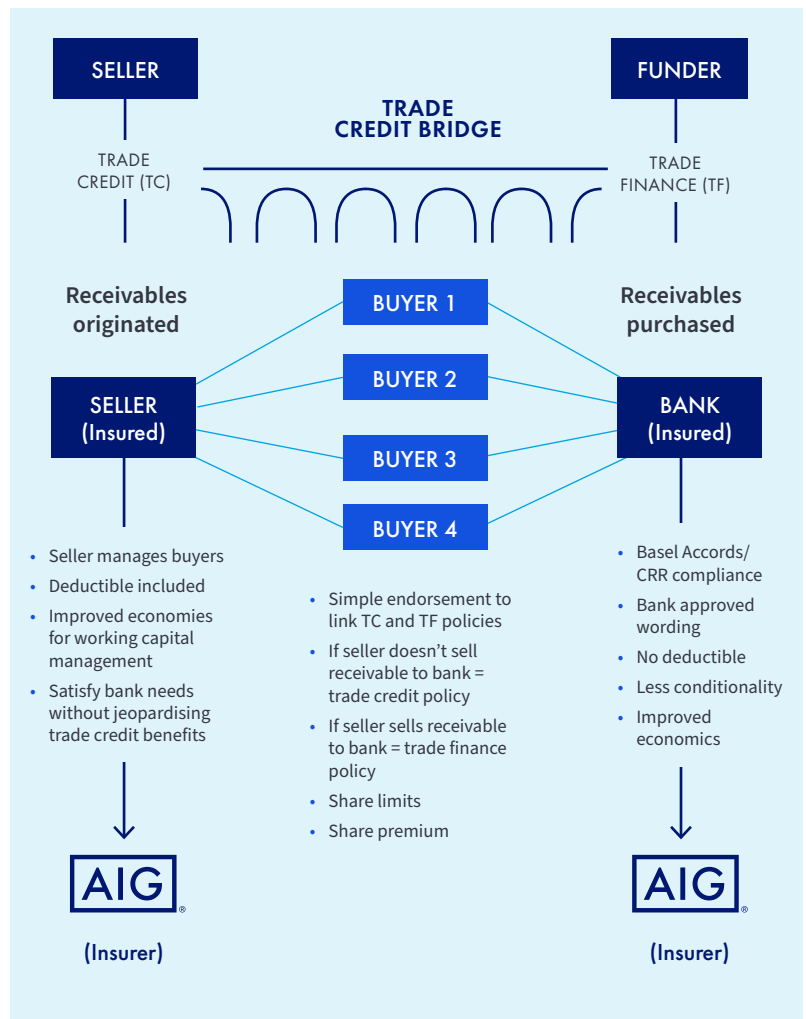
AIG's Trade Credit (TC) Bridge provides a solution for Corporates and Banks who often have different requirements from a Trade Credit Insurance policy. TC Bridge allows the Corporate to maintain control of their policy and limits but still use their policy for financing and the Bank can access a Basel Compliant Trade Finance policy with less conditionality – a win win for all.

## Structure

- Both corporate and funder benefit from a cost-effective solution
- Seller control and limit management
- Opportunities to enable working capital financing
- Basel Accords compliant wording for funder

## Benefits

- Strong Basel regulatory alignment means the Bank receives its own limited conditionality policy that does not rely on the Seller
- Seller maintains its own trade credit (TC) policy to cover its portfolio of buyers including those not financed
- Seller TC policy attributes like deductibles and credit and collection procedures, outside the control of the Bank, do not apply to the Bank's policy
- TC Bridge endorsement attached to TC policy only (signed only by Seller) ties the Bank and Seller policies together to share the bridged buyer limits for premium and capacity efficiency whilst not impacting the Bank's Basel compliance
- Removes need for loss payee and additional insured wordings that have drawbacks for all
- The location of the TC policy does not need to be the same location as the Bank policy since they are separate policies



## Requirements

- AIG must provide the TC policy to the Seller for the same invoices to be the subject of the financing (but the TC policy can also cover more buyers and invoices than the Bank policy)
- Obligor buyer limits must be written limits (it does not work on unknown DCL limits)
- AIG must have capacity on the Seller for any TC Bridge recourse required for the structure
- AIG must be comfortable with the policy limit of liability (PLOL) size aggregating the Seller policy PLOL with the Bank policy PLOL as in worst case, if there were enough invoices, both PLOLs could be claimed on

### Key information required for each TC Bridge buyer

Shared buyer(s)	Maximum bank payment terms	Country limit	TC controlled part of limit	Bank controlled part of limit	Total insured limit (TF+TC)	Insured % bank needs	Insured % seller needs
Full buyer legal name & DUNS#	Funding may be different from TC	Need for limits impact	TC retains control of anything bank doesn't need to control	Bank may need this control for capital relief	Total limit could go back to TC if no TF claim	Bank may get up to 100% with right structure	Doesn't need to be same as TF
e.g. ABC Co Plc	90 days	England	\$30m	\$70m	\$100m	90%	80%

Bank TF PLOL needed for itself e.g. \$20m  
 Corporate TC PLOL needed for itself: e.g. \$10m

## Seller Requirements

- Seller is a client of the Bank
- Seller has a rating of S&P BB or better (or equivalent)
- Seller has at least five to twenty named buyer obligor limits that will be the subject of the financing (and thus the TC Bridge)
- Financing must be clearly trade-related so the best product for the structure is receivables purchase from the Seller
- Motivation of financing should be working capital cycle alignment, not for example, unusual extension of payment terms

## Key Considerations for TC Bridge Implementation

- Seller aggregates should be considered up front to ensure there is capacity for recourse risk
- Seller needs to ensure that the structure works for off-balance sheet treatment if this is desired
- Bank often needs higher PLOL than Seller which should be considered upfront as there may be a cost for this capacity
- Some individual buyer limits may have some financed invoices (Bank policy) and some that are not financed (TC policy). In such a case, it is critical to clearly identify the amount of the buyer limit that can be controlled by the Bank for Basel compliance and that which the Seller controls (this split between Bank and Seller can be flexible and adjusted from time to time)

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