

IRREVOCABLE REIMBURSEMENT UNDERTAKING (IRU)

FOR SMOOTH AND SECURE INTERNATIONAL COMMERCIAL TRANSACTIONS

The **Irrevocable Reimbursement Undertaking (IRU)** offered by ETC is a **Payment Guarantee** designed to ensure that the beneficiary, usually an exporter, will receive payment from the issuing bank if all conditions specified in the **documentary credit (letter of credit)** are met.

The type of risk participation under an IRU, proposed by ETC Export Trading Cooperation, is participation through an authenticated signature via interbank Swift messaging. Indeed, ETC is rated A3- (risk category 2 "low" according to the EU classification) by the European Securities and Markets Authority (ESMA) through an External Credit Assessment Institution (ECAI), in accordance with Regulation (EC) No. 1060/2009. This "Investment Grade" rating allows for risk weighting for regulatory purposes.

OUR FINDING

The shortage of **correspondent banks** and other financial institutions willing to take on African risk is now evident. This situation sometimes forces **African issuing banks** and their importer clients to give up. The volume of transactions delayed or canceled due to this situation constitutes a real obstacle to the development of African markets.

It is in this context that **ETC - Export Trading & Cooperation** offers African banks and their importer clients the IRU, an **irrevocable payment guarantee**. This means that as long as the conditions specified in the documentary credit are met, the seller is assured of receiving payment, thus reducing the risk of non-payment.

INSTITUTION DE GARANTIE ET DE
TRADE FINANCE
Technical and financial services for
investment and international trade projects

ETC
EXPORT, TRADING
& COOPERATION



www.etcgroup.it

OBJECT	RISK	INSTRUMENT	SWIFT INTERBANK MESSAGE	OBLIGOR	GUARANTEE / CONFIRMING	BENEFICIARY
Default risk sharing on a transaction	Insolvency risk of the obligor(s)	Irrevocable Reimbursement Undertaking (IRU)	FIN MT7XX	Issuing financial institution	LEADING BANK Confirming bank PARTICIPANT Export trading & cooperation (ETC)	Financial Institution (FI) Confirming (Leading Bank)



WHAT IS IT ?

The **Irrevocable Reimbursement Undertaking (IRU)** is a guarantee primarily used in international trade. It is a commitment made by a Financial Institution (issuer) to **irrevocably reimburse** the amounts owed to another bank (often the beneficiary's or supplier's bank) in the context of a given transaction.

WHO CAN BENEFIT ?

- The **Confirming Banks**

WHEN TO REQUEST IT ?

- You are an **issuing bank based in Africa** and regularly require **confirmation of Letters of Credit**.
- You want to reassure the confirming bank about the **risk of non-payment** by the importer.
- Are you looking for an instrument that can **guarantee payment, mitigate counterparty risks, and is simple to implement?** Discover the IRU!

THE ADVANTAGES

- An **irrevocable payment guarantee** for the confirming bank
- **Favorable commercial terms** with the confirming bank
- A **better reputation** on the global stage

SOME BENEFICIARY BANKS

- OHADA Zone and Their Corresponding Countries

PRICING

FORMULA : TAEG = (FDD/DDP) + (FDE/DDP) + CDE

LÉGENDE :

- TAEG = Taux Annuel Effectif Global / Annual Global Rate
- FDD = Frais de dossier (Taux indicatif 0,5% flat) / Application FEE (Indicative rate 0.5% flat)
- FDE = Frais d'émission de la garantie (Taux indicatif 0,25% flat) / Issuing Fees (Indicative rate 0.25% flat)
- DDP = Durée du prêt (année) / Tenor (year)
- CDE = Commission d'engagement (Taux annuel selon Notation financière*) / Commitment fee (annual rate according to financial rating)

*voir tableau

SILENT RISK SUB-PARTICIPATION	TRANSACTION TO BE GUARANTEED	MAXIMUM RATE GUARANTEED	TENOR	RISKS COVERED	GENERATING FACTS	COMMITMENT
Yes	min. 1 Million € max . 51 Millions €	Up to 80% of the transaction	on a case by case basis depending on transaction	Client insolvency risk	Lapse of term declared by the lender	Periodic reporting