Collateral Transfer Facilities

'Leasing' of Bank Guarantees and Credit Lines

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About Collateral Transfer ('Leasing' of Bank Guarantees)

'Leasing' of Bank Guarantees are undertaken through Collateral Transfer facilities.

Collateral Transfer is the provision of assets from one party (the Provider) to the other party (the Beneficiary), often in the form of a Bank Guarantee. Whereas the Provider agrees (through his issuing bank) to issue a demand guarantee (the Bank Guarantee) to the Beneficiary in return for a 'rental' or 'return' known as the 'Contract Fee'. The parties agree to enter into a Collateral Transfer Agreement (CTA) which governs the issuance of the Guarantee.

'Leasing a Bank Guarantee' is a common phrase associated with Collateral Transfer. Since it is not possible to physically 'lease' a bank guarantee, we use the term loosely as its structure resembles that of a commercial lease. However, these arrangements should be correctly referred to as 'Collateral Transfer Facilities' as e ectively no leasing takes place. A Bank Guarantee is issued specifically for the purpose to the Beneficiary and each contract is bespoke. A Bank Guarantee cannot be transferable, purchased or sold. A Collateral Transfer facility is the Provider using his own assets to raise a specific Bank Guarantee through his issuing bank for the sole use of the specified Beneficiary, for the specified term. It is e ectively a form of Securities Lending and often a derivative of re-hypothecation. There is no reference to 'leasing' when receiving a Bank Guarantee in this fashion.

The Guarantee is issued by the issuing bank of the Provider to the Beneficiary's account at the Beneficiary bank and is transmitted inter-bank via the appropriate SWIFT platform (MT760 in the case of Guarantees). *During the term of the Guarantee, the Beneficiary may utilise it for their own purposes which may include; security for loans, credit lines or for trading purposes.* At the end of the term, the Beneficiary agrees to extinguish any encumbrance against the Guarantee and allow it to lapse (or return it) prior to expiry and indemnify the Provider against any loss incurred by default of loans secured upon it.

A Provider will often be a collateral management firm, a hedge fund or private equity company. Effectively, the Guarantee is 'leased' to the Beneficiary as a form of investment since the Provider receives a return on his commitment, hence the misnomer of the term 'leasing'.

Over recent years, these facilities have become more popular since they enable the Beneficiary to have access to substantial credit facilities by using the Guarantee as loan security. Since the Guarantee is e ectively imported to the account of the Beneficiary, the underwriting criteria is considerably less than that of conventional lending.

Guarantees received in this way are in no way di erent from any other form of demand Guarantee. The fact that there is an underlying agreement (the Collateral Transfer Agreement) has no bearing on the wording or construction of the Guarantee. This allows the Beneficiary to use the Guarantee to raise credit, to guarantee credit lines and loans or to enter trade positions or buy/sell contracts.

More competitive pricing by Collateral Providers have also made it available to a growing number of smaller sized enterprises seeking urgent capital for a wide range of reasons.

Why use Collateral Transfer facilities?

Our clients choose to adopt Collateral Transfer facilities (to 'lease' Bank Guarantees) as they often need to raise urgent business capital and do not have adequate security to borrow it conventionally.

It is also equally common that they need to raise large sums of capital to enter trade positions or to temporarily underpin large commercial transactions such as buy/sell contracts or for use as surety.

Therefore, Collateral Transfer (or the 'leasing' of Bank Guarantees) can be used for;

Equally, there are a wide range of reasons why our clients chose to open Collateral Transfer facilities and receive Bank Guarantees;

Compared to normal asset lending and project finance, Collateral Transfer loans may be an easy solution for borrowing large amounts of money very quickly and without the need for intense underwriting and credit status searches.

They suit most financial requirements for terms under 5 years or where returns are high, allowing higher expenditure on annual rates.

Whilst these types of facilities are not suited to long-term borrowings (10 years and over) due to the annual costs, they can be seen as a very quick and simple solution to short-term capital requirements.

Often clients may utilise these facilities to kick-start projects and re-finance on longer term secured debt as the exit strategy for repayment at the end of the term.

Raising Credit Lines against Bank Guarantees

Bank Guarantees received in this manner may be used by the Beneficiaries to secure credit lines at their bank. Typically, a banker will have no objection to o ering credit against Bank Guarantees received in this manner up to 100% of face value, less of course advance interest charges. margins and bank fees. Credit terms can be for the duration of the Guarantee, i.e. 1 to 5 years.

The Guarantees that are issued under these types of facilities are worded specifically to secure credit lines. Guarantees are issued under ICC758 protocol and are readily accepted by all international and private banks.

It is important to note that although the Bank Guarantee is obtained through the Collateral Transfer facility (or as others choose to say 'leased'), this has no bearing on the quality of the Guarantee and can still be used to raise credit and loans. As the verbiage of the Guarantee is ICC758 (latest version) standard approved wording, there is no mention of 'lease' within the instrument itself.

It is also important to know however, that by using the Guarantee to secure credit and loans, interest charges will apply in addition to the Contract Fee (the 'rental' fee of the Bank Guarantee). From our experience, international bank lending rates for loans secured against such high quality security tend to be in the r egion of 04,00% per 12 month term. Although of course this may di er in certain jurisdictions.

Hcc investment solutions ln of course assist its clients in raising credit against guarantees of this type in the event that our clients own bank declines to o er lending facilities. We hold strong relationships with understanding banks and private equity groups holding an appetite to expand lending opportunities in this area. It should be noted however that additional fees will apply if you utilise our services to obtain credit lines. A detailed quotation will be given within the Terms, should you choose to apply.

Hcc investment solutions can also open banking and lending facilities for its selected clients by direct introduction to the willing bank. Please enquire for a detailed quotation.

It is of course common sense that you first need to be approved for receiving the Bank Guarantee prior to applying for credit against it.

For more information about raising credit lines against bank guarantees, please visit www.hccinvestment.com

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Using Hcc investment solutions to obtain this facility for you

By commissioning Hcc investment solutions to obtain a Collateral Transfer facility, we undertake to fast-track every application and obtain the optimum terms from a willing Provider within 7 working days of application. As we
hold strong relationships with Providers and numerous international banks, we ensure the best possible chances of acceptance and the most competitive terms.

Hcc investment solutions do not levy any upfront or advance charges and are happy to provide full detailed and definitive
Terms free of charge. These will be o ered as a formal Term Sheet secured with a willing Provider. However it should be noted that if you choose to accept the Terms secured we do ask that a small Booking Fee is payable and will be detailed within the Terms. It is a fixed fee, regardless of the amount of the facility.
Details of our Booking Fees can be found online at
w w w.hccinvestment.com/ booking fee

A completion fee of 01,15% will be payable at completion of the transaction and is often added to the Contract Fee payable to the Provider. Hcc investment solutions do not levy any other fees or charges.

** It should be known that Hccinvestmentsolutions may make commission payments to introducing brokers from completion fees received.*

Available Facilities and Pricing

Collateral Transfer facilities are available from €10 million to €100 million per contract. Amounts over €100 million can be achieved by entering multiple contracts.

Collateral is of course limited and a Provider will only o er to his maximum limit which is dependant upon the status of the applicant and current market conditions.

Providers will of course issue the Bank Guarantees from international banks, making them widely acceptable. All Guarantees are issued inter-bank via SWIFT. Applicants can provide their own verbiage, although all Guarantees issued under these facilities contain standard credit facility guarantee wording (ICC758) which can be provided upon request.

Typically, the term can be from 1 year, renewable to up to 5 years, depending on the willingness of the Provider and the strength of the applicant. Longer terms are sometimes negotiable to 10 years although this may only be available to very strong applicants and longer term projects.

Contract Fees (the annual 'rental' charges) levied by Provider's are commonly between 05,50% and 08,50% per annum, depending on the term, amount and current market demand. These are for amounts of €10m to €100m. Multiple contracts will of course attract lower rates.

If the applicant (beneficiary) is not a listed company or

“Use the QR code below to see illustrations of previous transactions; the costs, timescales and examples...”

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has a trading history less than 4 years, the Provider may request a Security Deposit contribution is paid against the Contract Fee upon acceptance of their Collateral O er contract. This deposit contribution is typically around 01,50% of the bank guarantee face value) and is refundable.

The deposits are paid to the Provider directly or to an acceptable escrow arrangement that the Provider will open specifically for the contract. At completion, the deposit is deducted from the Contract Fee.

In some cases, the Provider’s may add a facility fee of around 0,15% to 0,25% and this is often included in the Contract Fee.

Some providers may also levy legal fees or assignment fees which are payable at completion. However, in Hccinvestmentsolutions are often successful in negotiating these fees to be included in the Contract Fee. There are no other charges or hidden costs.

All costs, procedures and terms are detailed in full in the Term Sheet we provide before the applicant is required to make any financial commitment. There is no obligation to accept Terms once they are o ered.

Indicative terms, guidance and illustrations are available upon request without obligation.

Procedures and Requirements

Firstly, in order to progress a facility, we will need to receive a completed Client Information Profile (or CIP form). This can be done by completing a CIP form or online at www.hccinvestment.com

Once we receive your information it will be immediately acknowledged. As we are required by law to undertake due diligence and identification verification, our compliance department will carry forward your application to o er our financiers the initial acceptance of the application.

After initial approval, our financiers will seek a suitable provider willing to o er the facility to the applicant (subject to contract) and obtain their best indicative terms. Indicative terms are an outline of what may be achieved and provide the applicant with the basic illustration and an o ering in principal including pricing and the maximum amount of the Bank Guarantee available to the applicant.

If these indicative terms are acceptable, we then begin to acquire the formal and detailed terms which are then presented in Term Sheet contract to the applicant. The Term Sheet is a formal o ering which details all elements of the Bank Guarantee including the amount, term, the Provider, the issuing bank, the recipient bank, pricing, costs, terms and procedures and of course a draft wording of the Guarantee itself. The Term Sheet is a binding o er to provide the facility.

If the Terms provided are acceptable, the applicant formally accepts the Terms by signing and returning the Term Sheet within the period of validity (usually 14 days). The applicant is under no obligation to accept the formal Term Sheet. Upon accepting the Terms, the Booking Fee should be paid to Hccinvestment.com .Once executed the Term Sheet is a binding agreement between the parties.

Once the Term Sheet is received, Hccinvestmentsolutions start the process of allocation of the collateral with the Provider and the Provider then issues his formal Collateral O er to the applicant who now becomes the Beneficiary, binding each of the parties to the issue and receipt of the Bank Guarantee. Typically, the Provider will request the applicant to meet with them at their o¤ces to present the formal Collateral O er. If a meeting is not possible for the applicant, our financiers can attend and represent the applicant to receive the O er documents. Of course, our financiers are on hand to accompany our clients at each and every stage.

The Collateral O er is a formal contract binding the parties (the Provider and the Beneficiary) to issue and receive the Guarantee and enter into the Collateral Transfer Agreement. This is generally expected to be executed by both parties within a period of 7 to 10 days of its presentation.

If necessary and if requested by the Provider, the Beneficiary will be required at this stage to make the refundable Security Deposit payable directly to the Provider or to a suitable escrow arrangement established for the transaction, as will be noted within the Collateral O er document.

Once any required deposit has been lodged, the Provider will instruct the Issuing Bank to make contact with the Beneficiaries Bank and will issue the executed Collateral Transfer Agreement (CTA). The CTA governs the transaction throughout the term of the Guarantee. Typically, at this stage the Issuing Bank will issue a SWIFT advice to the recipient bank (the bank receiving the
Bank Guarantee) confirming and verifying the pending transaction.

The Beneficiary will be expected to instruct his receiving bank to respond to the SWIFT advice o ering their agreement to receive the Guarantee and to provide any other account verifications required, prior to the issue of the Bank Guarantee (MT760) to the Beneficiaries account.

At this juncture, the Beneficiary will need to show proof that they have the ability to settle any outstanding Contract Fees and our Completion Fee due. If Hccinvestmentsolutions are assisting the Beneficiary with credit facilities, the Lender can step-in to show the Provider such proof and can settle the balance of the Contract Fees and Completion Fees direct from the loan. However, if the Beneficiary is not using Hccinvestmentsolutions to raise credit facilities, they will need to demonstrate their ability to pay.

At the end of the contracted term, the Beneficiary will be expected to clear any encumbrances over the Guarantee 5 days prior to its expiry.

It is recommended that a period of between 8 to 12 weeks is allowed for completion of the above transactional procedures. It is possible to achieve faster completion times with the full co-operation of all parties, however an absolute minimum of 4 weeks should be allowed.

We welcome any enquiries or questions.
We feel it is necessary for our clients to fully understand all elements of a facility before applying.

Start the process...

Before starting the process to receive a Bank Guarantee, we encourage all our potential clients to ensure that they understand the process and requirements that we have explained in detail within this information file.

Once you are ready, we would ask you to complete and return a Client Information Profile (CIP form) which should have been sent to you with this information file. The CIP form can also be completed online at www.hccinvestment.com or by scanning the QR code below on your smartphone.

When we have received your CIP form, one of our Client Relationship Managers will contact you and direct you through the entire process.

We look forward to meeting with you very soon.

Yours kindly,

Franklin Clement
CRM Team

This document has been provided to you for information purposes only. This does not constitute an o er of a facility and all facilities are subject to contract. Information contained herein is correct at the time of writing and may be subject to change without notification. Any quotations and illustrations given herein are provided based on previous experience and past transactions. We do not guarantee that quotations and illustrations expressed herein will be available upon application. All enquiries are welcome without obligation.

Full terms and conditions can be found on our website at

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