

of the exporter's bank as to whether to discount the time drafts drawn on the buyer or the promissory notes signed by the latter or make the exporter an advance against the export bills pledged as collateral. The financing provided is unlikely to exceed 90 per cent of the credit, which is the maximum covered under ECIC insurance policies.

61. The chartered banks may refinance their medium-term export bills with the Export Finance Corporation of Canada, Ltd., but the volume of refinancing sought has tended to fluctuate according to the conditions prevailing on the Canadian money market. More specifically, when the money market is tight, the relatively high cost at which the EFC would obtain the refinancing funds would make the refinancing too expensive for the banks. Conversely, when money market conditions are favourable, the banks turn to the EFC and may even refinance bills of less than one year. Medium-term export bills may be expressed in either Canadian or United States dollars and the interest rate will depend on the conditions prevailing in the money market in the country whose currency is employed. In mid-1966 the interest rate for bills expressed in either currency is 6 per cent.

Buyers' credits

62. Commitments of long-term export financing are given by the ECIC only on the basis of an application submitted by the Canadian exporter on behalf of the buyer and accompanied by complete details of the project, including engineering studies and supporting economic and financial data. Procedures for commitments within the framework of the above-mentioned international arrangements differ from the usual long-term export financing procedures, in that funds are earmarked before the developing country concerned submits specific projects for the ECIC's consideration. Once the projects have been selected by the recipient country and approved by the ECIC, the foreign buyer undertakes commercial negotiations with the Canadian suppliers who apply for the individual credits on the buyer's behalf. No insurance is required for credits granted by the ECIC.

63. On the basis of the detailed information concerning the transaction submitted by the exporter, the ECIC prepares a dossier for consideration by the Export Finance Committee, which is composed of a representative of the ECIC acting as chairman, a representative of the Bank of Canada (the central bank) and a representative of each of the following ministerial departments: Finance, Trade and Commerce, Industry, External Affairs. A unanimous decision by the Committee is usually required for approval. Once an application has been approved, an Order-in-Council is required to authorize the financing of the transaction. A contract between the exporter and the buyer must be signed prior to the conclusion of the financing agreement, which is negotiated directly by the ECIC with the foreign buyer. The ECIC disburses the funds to the Canadian exporter on behalf of the foreign buyer, who signs promissory notes expressed in Canadian or United States dollars to the order of the ECIC. Disbursements are usually made on the basis of shipping documents and acceptance of the goods by the buyer. The ECIC will, however, agree to disburse on a progressive payment basis if this is laid down in the commercial contract.

64. Only transactions involving investment goods constituting part of a plant, or fixed assets and related services, are eligible for long-term export financing. Such financing may also be made available to a Canadian firm that is awarded a contract to supply goods and/or services for part of a project financed primarily by a supplier or contractor in another country. To qualify for long-term export financing a transaction must involve an order of at least Can \$1 million, although transactions involving smaller sums may qualify in certain circumstances, for example, when long-term financing is needed to enable a Canadian supplier to participate on equal terms in foreign development projects.

65. In order to be eligible for long-term financing, the export transaction must involve goods and services which are at least of 80 per cent Canadian origin; the remaining 20 per cent must consist of goods and services which are not available in Canada. The ECIC must be satisfied that the foreign buyer will be able to meet his repayment obligations and that the importing country will be able to meet its foreign exchange commitments. When the buyer is not the government of the importing country, a satisfactory guarantee of repayment is usually required (for example, guarantee of the government, central bank, a development bank or a reliable private bank). Where appropriate, a foreign exchange guarantee is also required.