

# BU Operational Guidelines

## Summary

The Operational Guidelines of the Berne Union illustrate underwriting standards and practices followed by Members pursuant to the Guiding Principles. In addition, these Guidelines are also in accordance with relevant international agreements of institutions, such as the OECD, EU and WTO.

The most important BU underwriting standards are:

## 1 Down Payment

For credit periods of two years or more, the parties to the transaction arrange an up-front down payment of at least 15% of the contract value. No down payment is required for shorter credit terms.

## 2 Starting Point

The starting point of the credit period is deemed to be

- For raw materials, primary products, consumer goods, consumer services, consumer durables, semi-finished goods and components:  
the date of acceptance of goods and services; in the case of multiple deliveries of goods or services, the weighted mean date of acceptance
- For quasi-capital goods, capital goods, project services and complete plants:  
the date of acceptance of goods and services; in the case of multiple deliveries of goods or services, the weighted mean date of acceptance; the latest possible date is the time of commissioning or completion

## 3 Repayment Instalments

For credit terms of up to two years, the buyer may pay the entire amount owed (principal and interest) at the end of the credit period.

For credit periods of more than two years, the parties to the transaction agree repayment instalments. The buyer pays back the principal in equal and regular, semi-annual or more frequent instalments. Interest is payable on the reducing balance of the outstanding principal (with the exception of lease transactions).

## 4 Credit Term

### **Up to 6 months for the following goods:**

(or longer for certain goods or values)

#### 4.1 Raw materials and semi-finished goods

These are materials still in their original or unfinished state that are intended for (further) processing or manufacture.

Examples: Cardboard and cardboard packaging, cigarette filter paper, welding filler metals, chipboard and fibreboard, PCD products, fibres, acetic acid, lactulose, sodium perborate, stabilisers for the PVC industry, colour masterbatches, synthetic resins, lacquers, adhesives, synthetic corundum

This category also includes light steel products that could be regarded as finished, but which are normally processed further, for example

- crude steel: ingots, slabs, blooms, bars, billets and rods
- refined steel: strip, steel sheet (for the automotive industry), wire, springs, tin plate

#### 4.2 Consumer goods and consumer services

These are goods of short economic life, primarily for personal use and consumption. The most important criterion defining this category is personal use or consumption, but it also includes similar goods purchased by merchants and industry.

Examples: Apparel, food and beverages, medicines, car tyres, seed bags

#### 4.3 Consumer durables and related services

This category consists of goods that have a relatively long useful life but are not intended for industrial use. Many of these products differ only in size and value from similar goods used in industry.

Examples: Hearing aids, computers and vehicles intended for resale to consumers, lorry tyres

#### 4.4 Parts, components and related services

These are finished goods that are to be incorporated into capital goods.

The difference from the raw materials and semi-finished goods in category (a) is that parts and components are not transformed further in industrial processes, but are merely installed in final goods or used in the production

process itself.

Examples: Bearings, pumps, electronic components, motors, tools, refractories, mill rolls, electrical products, extrusion tools, and paper-making equipment such as press fabrics and drying wires

#### **Up to 10 years for the following goods:**

(depending on the contract amount, the unit value, the type of goods and normal trade practice)

The following terms for minimum order values may serve as a guideline:

up to 3 years credit: USD 100,000

up to 4 years credit: USD 200,000

up to 5 year credits: USD 400,000

#### **4.5 Quasi-capital goods**

Machinery or equipment, usually of relatively low unit value, that is used in manufacturing or other industry processes or in commerce. This includes vehicles sold for industrial, agricultural or commercial use. It does not include vehicles to be sold on to consumers. Also in this category are other goods and services integral to computer networks; the credit term should correspond to the effective working life of the good or service.

Examples: Formwork, store fixtures, tractors, medical and dental equipment, computer equipment for businesses

#### **4.6 Capital goods and projects**

Machinery and equipment of high unit value that are used in manufacturing, other industry processes or commerce. Also in this category are goods and services integral to computer networks; the term should correspond to the effective working life of the good or service.

The category includes services with a high contract value that are rendered over a prolonged period and are usually linked to projects. Medium-term cover for the services need not be linked to, or made conditional on, providing cover for the associated project.

Examples: Extrusion lines, railway construction machinery

#### **4.7 Complete Plants**

Complete production units of high unit value, as well as high-value aircraft, ships and large locomotives

Examples: Power plant equipment, turbines, generators, paper machines, hotels, hospitals

## 5 Leasing

All underwriting rules also apply to lease transactions. However, it is permitted to have equal instalments of principal and interest combined.