SEK's interest rate alternatives for export credits

SEK offers the following interest rate alternatives:

1. **Market rate:**

Varies continuously with the changes in the capital markets.

2**. CIRR-rate:**

The CIRR rate is set once a month by the OECD member states. The prevailing CIRR rates for the currencies that SEK can offer are published by SEK.

Click here for the CIRR rates

When applying for a credit at CIRR rate, one has to choose between the following:
Offer CIRR is applied for when one wishes to have a specific interest rate at the time of applying. SEK's offer is valid for 120 days. A surcharge of 0.2 percentage unit is added to the CIRR rate published on SEK's home page.
Contract CIRR is applied for if one wishes to have the rate prevailing on the date of signing of the commercial contract (no surcharge of 0.2 percentage units). This offer is also valid for 120 days but does not constitute a commitment of a specific interest rate.
At the time of prolongation of an offer one can opt between Offer CIRR and Contract CIRR or vice verse. If the commercial contract has not been signed within said 120 days period, it is possible to have the offer further prolonged for consecutive 120 days period – regarding the Offer CIRR, at the rate prevailing at the time of extension of the offer.
At signing of the commercial contract the interest rate is fixed in case of supplier's credit. For a buyer's credit, the interest rate offerd, Contract- or Offer rate, will be committed for a further 6 months period, calculated from the date of signature of the commercial contract, for signing of the loan agreement. A new CIRR rate will be applied if the credit agreement is not signed within this period. The higher of the prevailing CIRR rate and the CIRR rate contained in SEK's offer will be applied.
Under the Swedish CIRR rate system, a compensation of 0,25% p.a. is paid to the arranging bank to cover expenses for arranging and handling of the credit. Commitment fee is not charged.

Click here for info on the Swedish CIRR rate system

How does one choose between the CIRR-/market rate respectively?

The choice between CIRR and fixed market rate is made by the borrower at the time of signing of the credit agreement i.e. when the credit agreement and the commercial contract have been signed (bank-to-bank- and bank-to-buyer credit).
If, at the time of acceptance, the market rate is lower than the offered CIRR rate, the market rate can be an alternative.
In order for the market rate to be interesting it must, however, be significantly lower that the CIRR rate i.e. allowing for compensation to the bank/borrower for the fact that the borrower has to pay commitment fee and the fact that the CIRR system carries a compensation to the arranging bank of 0,25% p.a.

When should one choose the Offer-/Contract rate respectively?

The Offer CIRR is the safe choice since the applicant receives an offer valid for 120 days at a specific interest rate i.e. if the market rates increase a subsidy is created which the exporter can benefit from in his negotiations with the buyer.
Contract CIRR is applied for when the applicant believes that the CIRR rates will be lower in the future or when the applicant believes that the commercial contract will be signed before the next, monthly OECD rate adjustment.

How does one choose between fixed and floating market rate?

A fixed rate is the natural choice when the borrower would like to know the total cost for his credit, over the credit's whole lifetime, or if the borrower is of the opinion that interest rates will rise in the future.
A floating rate is the alternative to choose when the borrower is of the opinion that interest rates will be lower in the future (a new interest rate is applied for each consecutive interest period).