

## **TRANSACTION DYNAMICS FOR TRADE FINANCE PRODUCTS**

Trade Finance desk will be made up of Import Finance and Correspondent Banking Teams. The Unit is responsible for growing the bank's Trade portfolio by facilitating customers' trade transactions.

### **4.1 IMPORT FINANCE**

The team sees to the financing of eligible import trade transactions through utilization of offshore confirmation/credit lines for Letters of Credit issuance / settlement and Bills for collection.

#### **4.1.1 CONFIRMATION LINE LETTERS OF CREDIT**

- I. This is an offshore confirmation/credit line facility availed to customers where a customer requires a confirmed Letter of Credit but has no delivered foreign exchange as FCY cash-collateral for the LC.
- II. The bank requests an offshore bank to add confirmation to the Letter of Credit and refinance same at compliance presentation by the beneficiary, using available credit line.
- III. To access this facility, the customer is required to provide cover in naira in lieu of a credit approval availed to the customer to cover for the value of the transaction.
- IV. Trade finance unit to ensure all terms and condition is in place before LC issuance under clean-line facility. Also duly approved by the approving authorities, accepted, and signed by the customer.
- V. If backed with full naira deposit, ensure that Customer and Business Unit executes offer letter and related approved facility fee.
- VI. Where the naira deposit is partial, ensure receipt and sign-off of Booking Memo from Credit Admin containing terms of funding.
- VII. Check, assign and communicate correspondent bank credit line to the group on the transaction.
- VIII. Trade finance to ensure that LC is issued within service level agreement period and share SWIFT/telex copy evidencing LC issued with RM/Customer.

- IX. Follow up with correspondent bank to ensure that the LC issued was received and is advised to the beneficiary on time.
- X. Where agreement is to source FX within the pre-negotiation period, ensure that the transaction is scheduled and presented for FX purchase from specified Window.

#### **4.1.2 LC NEGOTIATION AND REFINANCING**

- i. Trade finance to ensure that the confirmation line schedule is updated to reflect refinancing details.
- ii. Trade finance to ensure that FX purchased is settled on time by the correspondent bank.
- iii. Collate for next FX purchase bid/allocation if required (depending on available deposit, total IFF tenure or total clean-up cycle).
- iv. Ensure that group/department notifies the business unit of loan details, retail bid session and Retail bid results.

#### **4.2 CORRESPONDENT BANKING RELATIONS**

This involves establishing and maintaining relationship with our correspondent banks. The correspondent bank assist to facilitate our trade transactions by advising letter of Credit, adding confirmation to Letters of Credit, making payment upon receipt of compliant documents and refinancing of payments on LC

##### **4.2.1 ESTABLISHMENT OF CORRESPONDENT RELATIONSHIPS**

Any prospective correspondent banking relationship must be preceded by a KYC/due diligence exercise thoroughly handle and executed by the compliance Team of the Bank.

##### **4.2.2 CORRESPONDENT RELATIONSHIPS MANAGEMENT**

Functions entail the following:

- i. Giving heads-up via telephone call (optional) or email for big-ticket transactions
- ii. Responding to facility-related enquiries from correspondent banks, e.g., loan due date, repayment, extension, etc.
- iii. Follow-up with correspondent banks on LC advise status
- iv. Negotiating facility pricing in line with business needs or market trends

#### **4.2.3 CONFIRMATION LINE MANAGEMENT**

- i. Ensure that LC Unit updates individual banks' utilization schedules and FX allocation.
- ii. Update global confirmation line utilization schedule.
- iii. Update FX allocation on global confirmation line schedule.

#### **4.2.4 CONFIRMATION LINE LIMIT ENHANCEMENT**

- i. Where the Bank has a potential transaction, an addition of which will exceed current credit limit with a correspondent bank, Trade Finance Unit will engage the correspondent bank to extend the Bank's limit to accommodate the transaction value.
- ii. Trade Finance Unit ensures that the new limit is advised to Trade Services to update the confirmation line register.
- iii. The Team will also be responsible for rendering returns to the CBN on confirmation line.

#### **4.3 SALES SUPPORT (BUSINESS CALLS)**

Trade Finance Unit shall take physical or virtual joint calls as requested by Business Units and subject to availability.

##### **WHERE REQUESTED JOINT CALL IS A PHYSICAL ENGAGEMENT:**

- i. Business units should provide minimum of 48 hours' notice for joint-call requests
- ii. Joint-call requests should be sent via meeting request on mail.
- iii. Where notice is shorter than required 48 hours, escalation should be done to the Head, International Trade Services.
- iv. For mobility to call venue:
  - a) Requesting unit to arrange pick-up of trade officer.
  - b) Trade Finance personnel to request approval for use of pool service from Corporate Services with concurrence by Head, International Trade Services.
- vi. Trade Finance to note required action for the Team and expedite action as may be required.