



## **ACCOUNTING AND FINANCE**

# Procedure for Trade Finance Instruments

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# Procedure for Trade Finance Instruments

## Introduction:

Trade finance represents the financial instruments and products that are used by companies to facilitate international trade and commerce. ... Trade finance can help reduce the risk associated with global trade by reconciling the divergent needs of an exporter and importer.

The International Trade and Finance training Course develops the appropriate technical knowledge and skills required to enable you to apply that knowledge to situations within the workplace. The qualification provides a core understanding of the products, documents, trade terms, roles and responsibilities that underpin international trade and finance

The Course also develops an understanding of contemporary international trade and finance topics such as sustainability, digital disruption and innovation, ensuring that Participants have relevant and up-to-date knowledge for the industry.

By completing this course you will improve your knowledge of the products, documents, trade terms, roles and responsibilities that underpin international trade and finance. The Course also helps you develop a basic understanding of fraud prevention and risk in trade finance.

## Who Should Attend?

- Those seeking a professional international trade and finance course and aspiring to work within an area dealing with trade finance
- This International Trade Finance training course is suitable for all delegates that are interested in contemporary trade finance and is aimed at improving the communication between credit managers and trade finance managers.

## Course Objectives:

**Delegates of this course will gain a practical understanding and working knowledge of:**

- A payment, negotiation, acceptance, confirmation and deferred payment credits
- The UCP-ICC 600 rules
- International documentation
- Standbys and international guarantees

- Back to back, front to back and event-triggered finance
- The mechanics of discounting, forfaiting and factoring
- Pre-shipment and pre-export risk assessment
- International contract financing
- Marketing trade finance – internal and external

## **Course Outline:**

### **Day 1: What is Trade Finance?**

- Benefits of trade finance to businesses and banks
- Introduction to the trade cycle
- Collections and international documentation
- Payment, acceptance and negotiation modes of funding
- A closer look at negotiation under new ICC 600 rules
- Deferred payment letters of credit
- Confirmations silent/straight and soft
- Red clause L/Cs their mechanics and risks
- The utilisation of non-operative clauses as a risk mitigation technique
- Deferred payment L/Cs in oil trading
- High risk countries and the red clause transferable bulk L/C

### **Day 2: International Demand and Contract Guarantees / Bonds**

- Scope and Application – an introduction (suretyship v. demand guarantee)
- Indemnities versus guarantees
- Different types - Bid, Performance, Advance payment, Warranty and Retention bonds
- Rules governing guarantees and bonds
- Legal jurisdiction and expiry date issues
- Value of using URDG 758 – ICC Rules for demand guarantees
- Impact of non-bank competitors – COFACE, Euler Hermes

### **Day 3: The Essential Differences between Guarantees and Standby L/C**

- Guarantees in trade finance
- Case studies and examples of performance bonds, bid bonds, retention money guarantees and advanced payment guarantees
- The mechanics of standby contemporary issues
- Case study: Defining the products by example
- THE HYBRID: A practical case study reviewing the risks inherent in the conditional guarantee and standby being utilized as payment mechanisms

## **Forfaiting and Factoring**

- Single receivable forfaiting market
- Mechanics of forfaiting
- The political risk reality of forfaiting
- Forfaiting deferred payment L/Cs
- Contemporary models
- Forfaiting and factoring compared
- Forfaiting interest calculations
- Jumbo L/C risk sharing, sales and distribution
- Structured single export

## **Day 4: Import / Export Documentary Collections**

- Principal parties – roles and responsibilities
- Benefits to importers and exporters of Documentary Collections
- Relationship between principal and bank(s)
- Role of banks (incl. correspondent banks/agency arrangements)
- Legal and practical issues re the duties of the banks involved in handling collections
- Conditions for release of documents
- Procedures for Protest of Bill of Exchange (B/E) and underlying risks
- Complexities of the ICC Uniform Rules for Collection (URC 522)

## **Day 5: Structured Pre-export Finance**

- The fundamental principles of "tolling" finance deals
- Case studies in securitization and pre-export finance structures
- Timing and an introduction to option financing