

Swedbank



Nettverksgruppen Internasjonal Handelsforenkling

Letter of Credit (remburs)

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What is Trade Finance?




Reduces business risk and improves liquidity in foreign affairs

Trade Finance offer products that reduce the business risk and improves liquidity for both large and small companies in their cross border business.



More efficient use of capital

With Trade Finance solutions companies can use their working capital more efficiently and reduce their financing needs.



Solves import and export transactions incl. guarantees

Trade Finance offers solutions not only for import and export companies ,but also for companies which contract requires guarantees e.g. advance payment and performance guarantees.

Trade finance solutions

Swedbank's offer:

Customer needs

- Risk cover
- Financing
- Liquidity
- Payment

Products

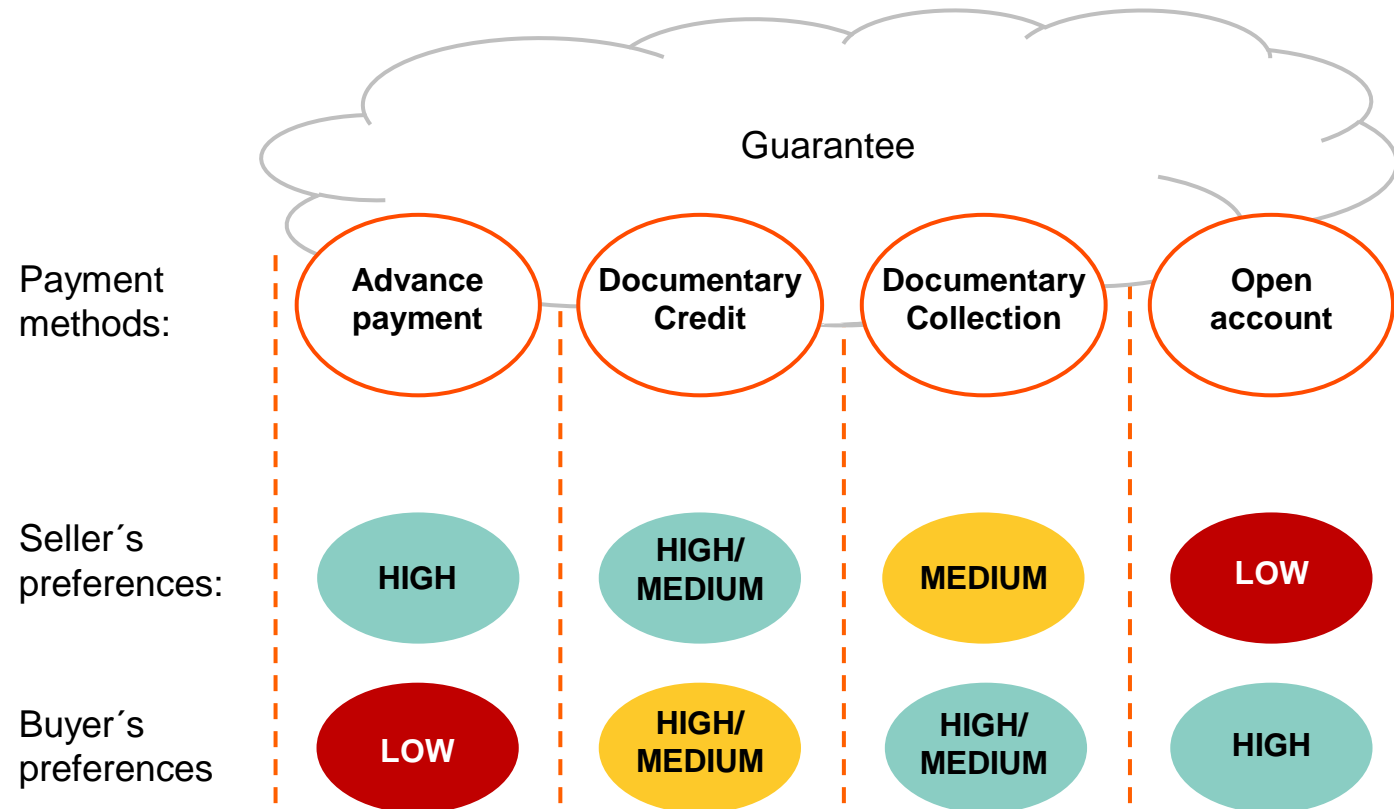
- Letters of credit
- Documentary collections
- Guarantees

Advisory

- Payment terms
- Financing solutions
- Country information
- Handling of risk



Payment methods – buyer & seller preferences



Clean payments like advance payment and open account, are normally only preferred by one party. An advance payment for instance is highly preferred by the seller but not at all by the buyer. Conversely, open account is preferred by the buyer but not by the seller. The inherent flexibility of Trade Finance products gives you a payment solution that can meet the requirements of both parties.

Risks

Political risk

- War, natural disasters
- Trade restrictions, strikes
- Political actions
- Shortage of foreign currency

Commercial risk

- Buyer / seller insolvency
- Risk of buyer not paying
- Delivery risk for buyer

Currency/foreign exchange risk

- Not covered

Letter of Credit

Letter of Credit – A conditional payment guarantee

A means for a seller to receive payment for goods or services, where the buyer's bank guarantees payment to the seller, subject to presentation of documents stipulated in the Letter of Credit, independent of the buyer's ability to pay.

Payment occurs after shipment if the seller has fulfilled the terms and conditions of the Letter of Credit.

Letter of Credit (LC), Documentary Credit (DC)

Rules: International Chamber of Commerce (ICC) UCP 600



Letter of Credit handling is governed by International Chamber of Commerce (ICC) rules

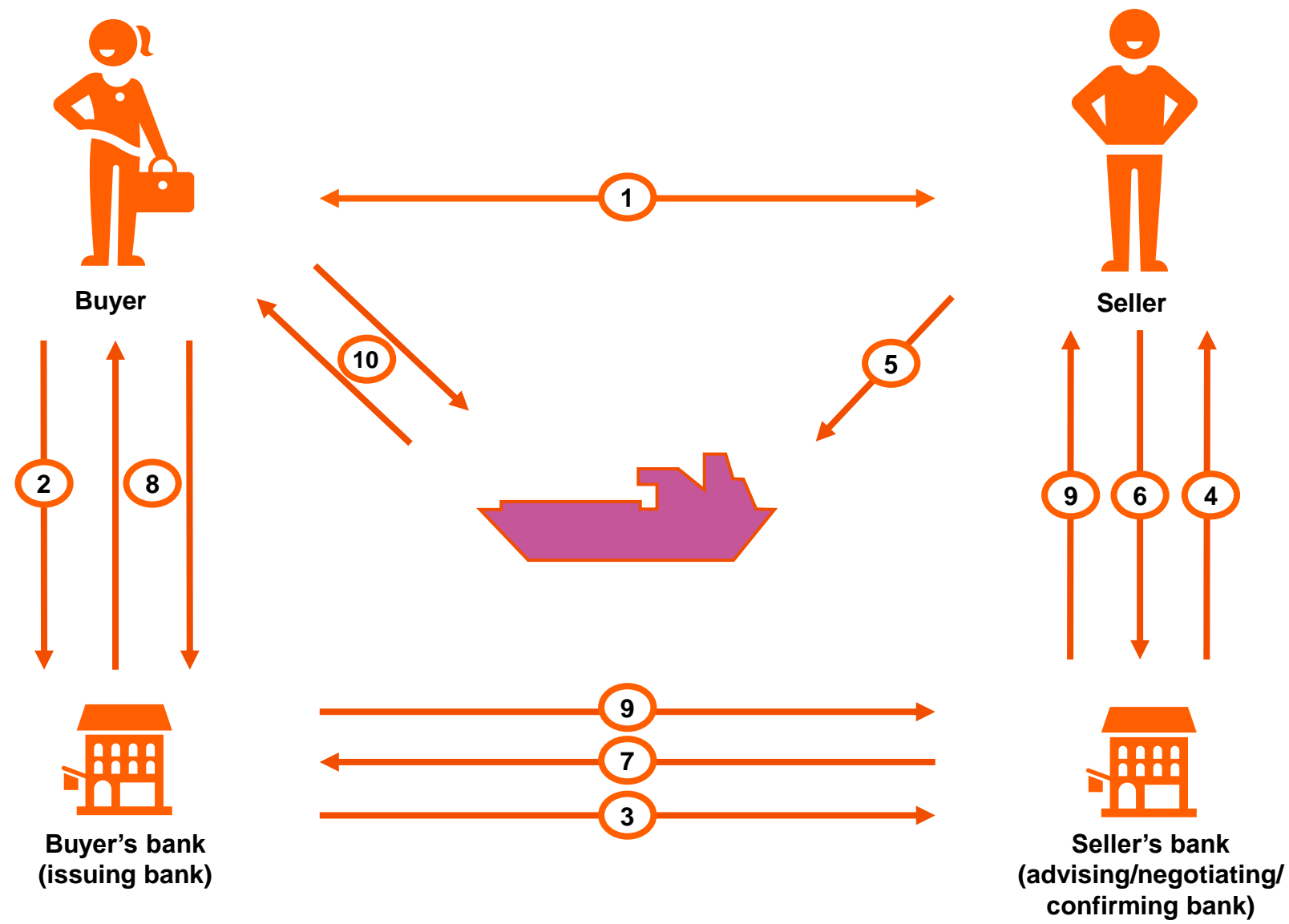
- UCP 600 *Rules*

- International Standard Banking Practice (ISBP), *complement to UCP 600*

- Commitment to pay by issuing bank

- Separate from underlying contract
- Trade with documents

Letter of Credit



When will the exporter receive payment?

- Depends on:
 - is the Letter of Credit confirmed/unconfirmed?
 - is the Letter of Credit payable here/there? Negotiable?
- Most favourable for the exporter: confirmed, payable with advising bank (Swedbank)
- Most favourable for the importer: unconfirmed, payable with issuing bank

Time expression

- Expiry date
- Shipment date
- Presentation period
- Credit period
- Handling time for banks

Practical advice about Letters of Credit

- The Letter of Credit should be available with Swedbank
- Agree on all bank charges at the time of signing of contract (who pays what)
- Include Letter of Credit draft in the offer/contract/agreement
- Transshipment and partial shipments allowed
- If possible shipment from 'any European port'
- Control of the goods under the Letter of Credit (do not send 1/3 Bill of Lading to the buyer)
- Do not accept documents signed by the buyer

Letter of Credit - General instruction

- As per agreement please issue xx days before shipment an irrevocable confirmed/unconfirmed Documentary Credit in our favour to be advised by SWIFT through Swedbank AB,
SE-105 34 Stockholm, SWIFT: SWEDSESS
- Available with Swedbank by payment
... at sight
... days after sight
... days after date of shipment
- The L/C must authorize Swedbank to reimburse themselves upon presentation of required documents.
- Amount: amount/currency
...about (+/- 10 pct.)
...maximum
...exactly
...+/- ... pct.
- Expiry and latest date of shipment
Place and date of expiry:
Latest date of shipment:
Presentation of documents:
- Beneficiary
Name:
Address:
- Transportation
Shipment from:
Shipment to:
Partial shipment: ...allowed ... not allowed
Transshipment: ...allowed ... not allowed
- Description of goods
.....
.....
Terms of delivery: as per incoterms 2020
- Documents required:
3/3 B/L, Commercial Invoice, Packing list,
Certificate of Origin etc
- Commissions and charges:
All charges outside Sweden are for account of applicant. In case L/C is not acceptable to beneficiary amendment charges are for account of applicant.
- **"In order to avoid any amendments please send your L/C draft before actual issuance."**

A large, solid orange teardrop-shaped graphic is centered on a light purple background. The shape is wider at the top and tapers to a point at the bottom. Inside this shape, the words "Thank you!" are written in a bold, white, sans-serif font. The word "Thank" is on the top line, and "you!" is on the bottom line, both centered horizontally.

**Thank
you!**