

Trade Finance

Supporting Importers
& Exporters



Introduction

Whether you are an importer or exporter, overseas trade risk represents a significant factor in the development of your business. At Bank of Ireland, we are committed to protecting your business against the unique and complex risks associated with international trade, particularly in emerging markets. We offer a comprehensive range of Trade Finance products and services to corporate and SME clients with the backup of a comprehensive treasury risk management service.

Some of the key issues for businesses to consider when dealing with international trade are contained in this brochure.

Our Commitment to your business

We extend our influence and reach beyond our home shores – we visit the markets our client's trade with and we have built up and continue to develop a close network of correspondent banks globally.

- ✓ We cover a wide range of country and bank risks. Our ability to support you wherever you are trading is extensive.
- ✓ We are up to date – our Trade Finance team regularly engages with industry professionals and other international banks involved in Trade Finance. Our focus is to provide our clients with the solutions they require at competitive prices.
- ✓ We offer a local personal service – Our in house team of documentary specialists will be dedicated to working with you, understanding your individual requirements and guiding you through each transaction.

Whatever your international trade requirements might be, we can help you successfully manage the unique risks associated with international trade and ensure your overseas trade business is both efficient and secure.

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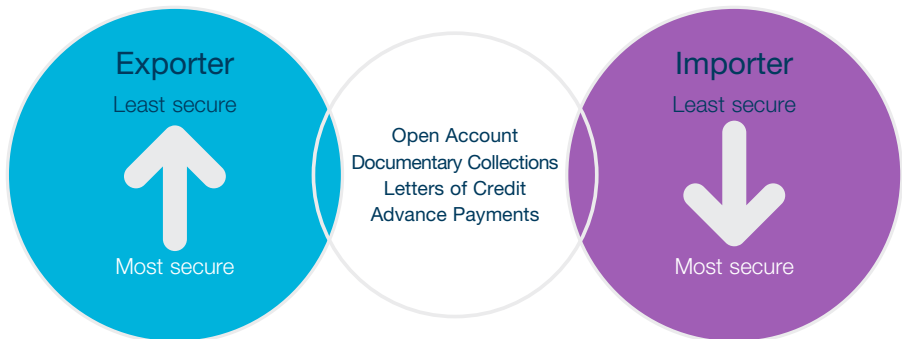
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Managing Trade Risk

International trade can be a challenging and richly rewarding business for both importers and exporters - but it's not without its risks.

As well as contractual and commercial conditions that you are faced with, factors such as political, economic and transfer risk all have a bearing on whether your trade transaction is secure and profitable. When evaluating your potential import or export contract, it's important to assess where your risks lie and apply the most suitable terms of trade. Initially it may be prudent to seek advice from your bank in terms of structuring the most secure banking arrangements and then, as your relationship with your client develops, you might wish to review and perhaps relax the terms on which your future business is being concluded.



Whatever your international trade requirements might be, Bank of Ireland can assist you by structuring and providing facilities to ensure your overseas trade business is both secure and efficient. We have a highly experienced team of trade finance specialists dedicated to offering you the best possible advice and guidance through the turbulent and sometimes uncharted waters of international trade finance.



Managing Imports

Bank of Ireland offers a range of import facilities tailored to fit your company's individual trade needs. Our facilities are structured to meet your company's particular finance demands whether at the manufacturing, shipping or purchasing stage of your trade cycle.

These are the common import products offered by Bank of Ireland:

- (a) Import Letters of Credit
- (b) Documentary Collections
 - Documents against Acceptance (D/A) (payable on deferred payment terms)
 - Documents against Payment (D/P) (payable at sight)

Import Letters of Credit

If you are an importer and are not well known to the company selling to you, then that company may require you to open a Letter of Credit to secure your payment to them. By issuing a Letter of Credit on your behalf Bank of Ireland takes the payment risk, giving your seller a firm commitment to pay them. Your company is also secured because the company selling to you will only be paid if they present documents stipulated in the Letter of Credit, which typically include a document of title to the goods. Letters of Credit are governed by a set of guidelines, Uniform Customs and Practice for Documentary Credits (UCP) 600 issued by the International Chamber of Commerce (ICC).



Import Bills for Collection

If your relationship with your export client is at a stage where you have developed a certain amount of trust and understanding, perhaps built up from a good trading record, then an alternative option to issuing a Letter of Credit is to settle transactions using Bills for Collection. These Collections which are governed by the Uniform Rules for Collection, issued by the ICC are processed through the banking system and are more secure than using open account terms. Alternatively you can also use a Cash against Documents option allowing you to make a cash payment in exchange for title documents.



Managing Exports

The primary issue for you as an exporter is to meet the requirements of the client buying your products or services whilst securing your incoming payment risk. A number of trade instruments are available to you to ensure you and your business are protected against various kinds of payment risk associated with exporting abroad. Here are a few of the usual examples:

- (a) Export Letters of Credit
- (b) Export Bills for Collection

Export Letters of Credit

If you are selling to an overseas market, you are likely to experience greater risks than a company selling domestically and you may require your buyer to make payment on more secure terms.

In such cases your buyer's bank can issue a Letter of Credit allowing payment to you upon presentation of stipulated documentation, usually including documents of title to the goods. This results in you receiving the commitment of your buyer's bank in the overseas market, provided that you present documents correctly under the terms of the Letter of Credit.

You may, however, still be concerned with the credit risk of the overseas bank and the country risk of the overseas market and therefore seek to further reduce payment risk. Solutions that you can consider are:

- Negotiating documents locally in your market rather than sending them to the issuing bank.
- Confirming* the Letter of Credit, i.e. the confirming bank adding its commitment to that of the issuing bank. Your risk thus becomes that of the confirming bank, a bank known to you and in your home market.
- Discounting* the amounts due to be received at a future date from the issuing bank in respect of Letters of Credit that have a credit period (usance period), thus allowing you to receive payment immediately.

Bank of Ireland will be pleased to consider confirming and/or discounting your export Letters of Credit

* Confirmation and discount charges are subject to negotiation and dependent on the country and bank risk being considered, size of transaction and complexity of documentation.

Export Letter of Credit

key stages



Export Bills for Collection

If you as an exporter are comfortable with the risk of the company buying your goods, you may simply ask Bank of Ireland to collect funds on your behalf once goods are shipped. Bank of Ireland will normally send the relevant documentation to your buyer's bank in the overseas market instructing them to act on the basis of one of the following options:

- Documents against Payment (D/P) - enabling the release of documents to your buyer against payment by your buyer.
- Documents against Acceptance (D/A) - enabling the release of documents against acceptance of a Bill of Exchange drawn on your buyer by you which may allow the buyer to pay at a fixed future date.

Discounting of Receivables/Forfaiting

Where you have been required to give credit terms to your buyer allowing them to pay at a future date you may request Bank of Ireland to discount the obligation of your buyer to remove the credit risk on the transaction and advance you immediate funds.

The receivable may be evidenced by invoices and negotiable instruments such as:

- Bills of Exchange drawn on your buyer
- Promissory Notes issued by your buyer
- Letters of Credit issued by your buyer's bank

Bank of Ireland may be able to consider purchase of these obligations on a non-recourse basis often known as forfaiting, a term deriving from the French "à forfait": to give up rights to something.

To purchase or discount a receivable on a non-recourse basis Bank of Ireland must have the ability to claim on the buyer or obligor without reference back to you as the risk seller. The obligation must not be contingent on the seller performing anything further under the contract and be an unconditional commitment by your buyer. This is often difficult to evidence for invoices so it is more usual for other debt instruments (negotiable instruments) to be used in these circumstances. Once purchased the obligation is taken off the seller's balance sheet and, if unpaid by the buyer at maturity, the bank has no claim on the seller (except in the event of fraud or misrepresentation by the seller).

It is likely that the actual overseas buyer may not be known or be of sufficient standing to allow your bank to purchase the receivable. You might therefore ask that the buying company's bank add their support to the buyer's obligation by:

- Issuing a Letter of Credit evidencing the credit terms required
- Signing the Bill of Exchange or Promissory Note "per aval" as a form of guarantee
- Issuing a separate written Guarantee to support the buyer's payment obligation

With the support of the buyer's bank there is a much greater chance your bank can discount the receivable for you, remove the risk from your balance sheet and give you immediate cash payment without using your own direct bank facilities.*

* Discount charges are subject to negotiation and dependent on the country & bank being considered, size of transaction and complexity of documentation.



Bonds, Guarantees & Standby Letters of Credit

Bonds & Bank Guarantees

Bonds and Bank Guarantees are used to secure a wide range of obligations such as the warranty on goods and services, refund of an advance payment, to support a tender or simply in payment of goods.

A Guarantee is a payment instrument that is tailored specifically to your individual contract, but which is a payment obligation independent of the contract itself and usually drawn through a simple document evidencing requirement of payment.

Bank of Ireland Offers Two Levels of Service for Guarantees:

- Where you are a beneficiary of a Guarantee:
We will ensure the Guarantee in your favour is workable and well structured from a banking standpoint.

Bank of Ireland may also be prepared to counter-indemnify the Guarantee by taking the payment risk or discount the obligation supported by the Guarantee (if a credit period is incorporated) where the beneficiary is concerned about the guarantor or the overseas market in which they operate.
- Where you require a Guarantee to be issued on your behalf*:
Bank of Ireland has an experienced and specialised team handling all types of Guarantees that will be pleased to offer advice on the wording and structure and, subject to status, issue a Guarantee on your behalf.*

Standby letters of credit (SBLC)

Standby Letters of Credit are used widely in place of Guarantees, but are in a standard Letter of Credit format and usually governed by the Uniform Customs and Practice for Documentary Credits (UCP). In common with Guarantees, utilisation of a Standby Letter of Credit is only intended in the event of non-performance of specified contractual obligations.

Whether you are a beneficiary of or seeking to have a Guarantee or Standby Letter of Credit issued on your behalf please contact Bank of Ireland to discuss the various options and terms available to you.

* For these facilities it will be necessary for us to contact your local Bank of Ireland branch or service centre. Please contact our Trade Finance Specialist Team who will be pleased to assist with this process where appropriate.

Glossary of Terms

Letters of Credit, Bonds & Guarantees

- **Advising Bank:** The Bank that delivers the Letter of Credit (L/C) to the Beneficiary
- **Applicant:** The company requesting the issuance of a Letter of Credit (L/C), Standby Letter of Credit (SBLC) or Guarantee/Bond – Also known as the Buyer/Importer. The customer of the Issuing Bank.
- **At sight:** Payment is due at sight, i.e. there are no credit terms
- **Beneficiary:** The company in whose favour the Letter of Credit (L/C), Standby Letter of Credit (SBLC) or Guarantee is issued – Also known as the Seller/Exporter. The customer of the Advising/Confirming bank.
- **Bill of Lading:** Transport document for shipment of goods by sea – also a document of title.
- **Confirmation:** A conditional guarantee of payment under a L/C or SBLC – eliminates Applicant/Issuing Bank and country risk. The conditional element is that the documents required under the L/C or SBLC must be presented in strict compliance with the L/C or SBLC Terms & Conditions.
- **Confirming Bank:** The bank, usually the Advising Bank, that takes on the payment obligation together with the Issuing Bank.
- **Counter-Guarantee:** When Bol requests another bank to issue a Guarantee/Bond on our behalf we provide security by way of a counter-guarantee in favour of the Issuing Bank.
- **Demand payment:** Payment is effected immediately upon receipt of documents complying with terms of SBLC or Guarantee/Bond.
- **Demand Statement:** Beneficiary statement claiming that invoices are unpaid by Applicant and payment is now due.
- **Incoterms:** Delivery conditions, e.g. CIF, CFR etc.
- **Irrevocable:** Cannot be cancelled or changed without the approval of the Beneficiary & the Advising/Confirming Bank.
- **Issuing Bank:** The bank issuing the L/C or Guarantee on behalf of the Applicant.
- **ICC:** International Chamber of Commerce, the entity who issue and revise the rules governing L/C's, SBLC's, Guarantees & Bonds.
- **ISP 98:** International Standby Practices, the international rules governing the use of SBLC's.
- **UCP 600:** Uniform Customs & Practices, the international rules governing the use of L/C's. May also be used for SBLC's.
- **URDG 758:** Uniform Rules for Demand Guarantees, the international rules governing the use of Guarantees and Bonds.

*Whilst not a comprehensive listing, this Glossary provides an overview of some of the common terms associated with Trade Finance.

In relation to all the facilities described, you as an importer or exporter are recommended to speak to Bank of Ireland at an early stage to seek advice on:

- The specific risks involved in trading with a particular country
- The form of documentation applicable to the overseas market in which you are working
- The mechanism for securing payment and terms of trade appropriate to that market
- The charges applicable to provision of appropriate facilities
- The exchange rate risk associated with accepting or making payment in any foreign currency

This product/service may be affected by changes in currency exchange rates.



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In the UK, Bank of Ireland is authorised by the Central Bank of Ireland and the Prudential Regulation Authority, and is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and our regulation by the Financial Conduct Authority are available from us on request.

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