



# IMPORT AND EXPORT THEORY AND PRACTICE

# Introduction

## International Payment Terms

1. Letter of Credit
2. Collection
3. Advance Payment / Deposits
4. Open Account ( On credit terms)

## Methods of payments

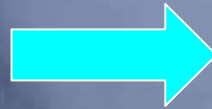
T/T, cash ,cheque,etc.

Letter Of Credit

Terms and Conditions

Document / not as a goods

Sales contract



Letter of Credit

## Advance Payment

In order to reduce risk. The seller ask the bank to send the banking guarantee

Seller



Buyer

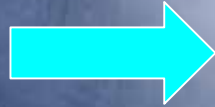


Make a deposit

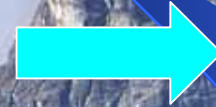
Open Account is same as advance payment , but the transaction is opposite site

# Letter of Credit

Applicants



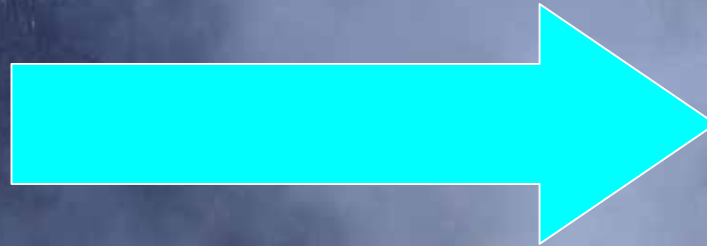
Issuing Bank



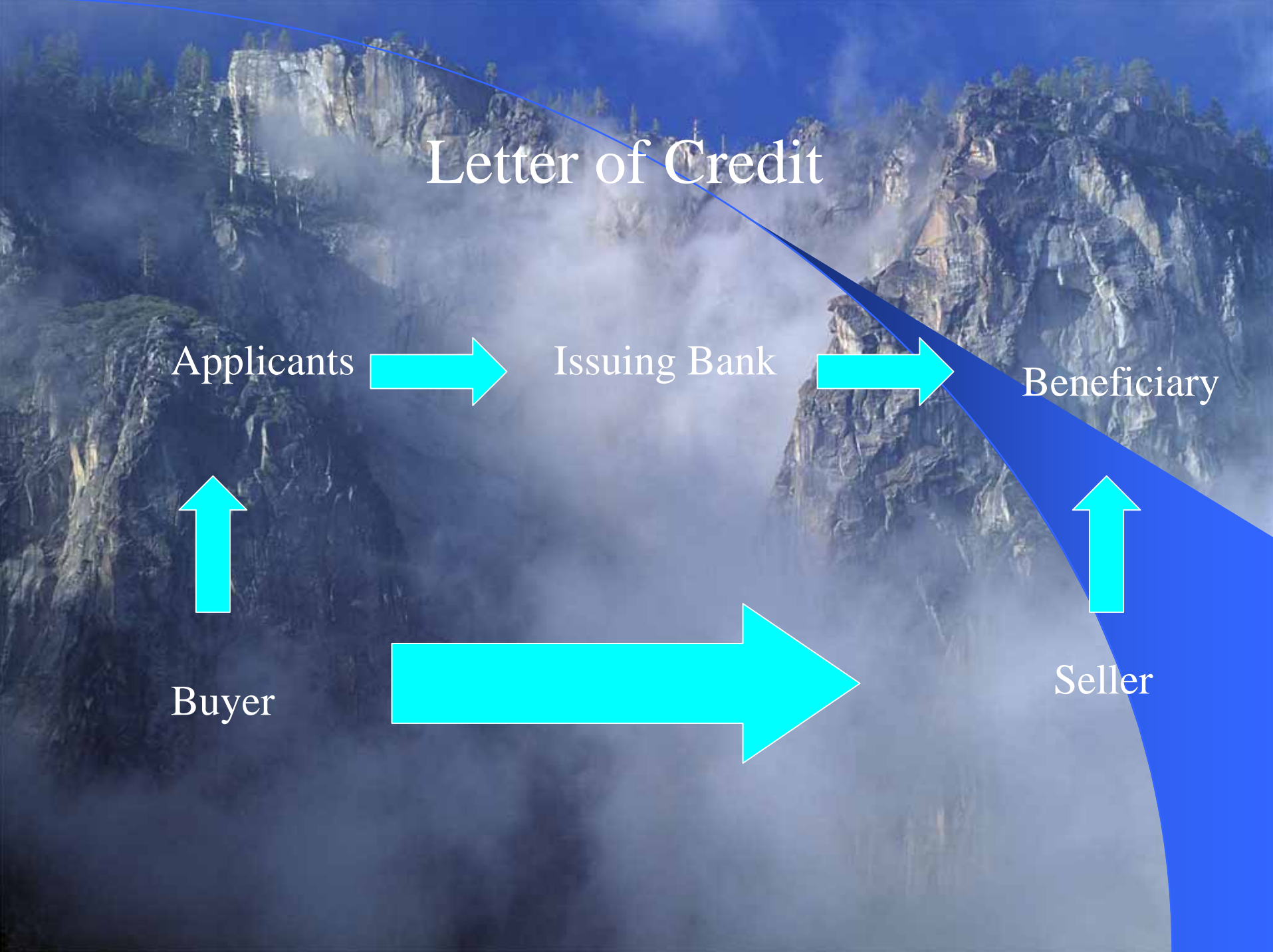
Beneficiary



Buyer



Seller



## Chapter Two : Letter of Credit

- Letter of credit exist
- Definition of letter of credit
- Structure of letter of credit
- Recoverable/Irrecoverable letter of credit

Letter of credit

Conditions/Undertaking

Issuing  
Bank



Beneficiary

Sales contract is independence of letter of credit.  
In case of any short shipment, the letter of credit  
still operate until the document and term does  
not match

## Letter of Credit : Performance

- ✓ Shipments
- ✓ Presentation (documents required , terms and conditions)

# Structure of letter of credit

Prepare and presenting documents

Shipments

Applicants

Beneficiary

Apply

Issuing Bank

Remit document

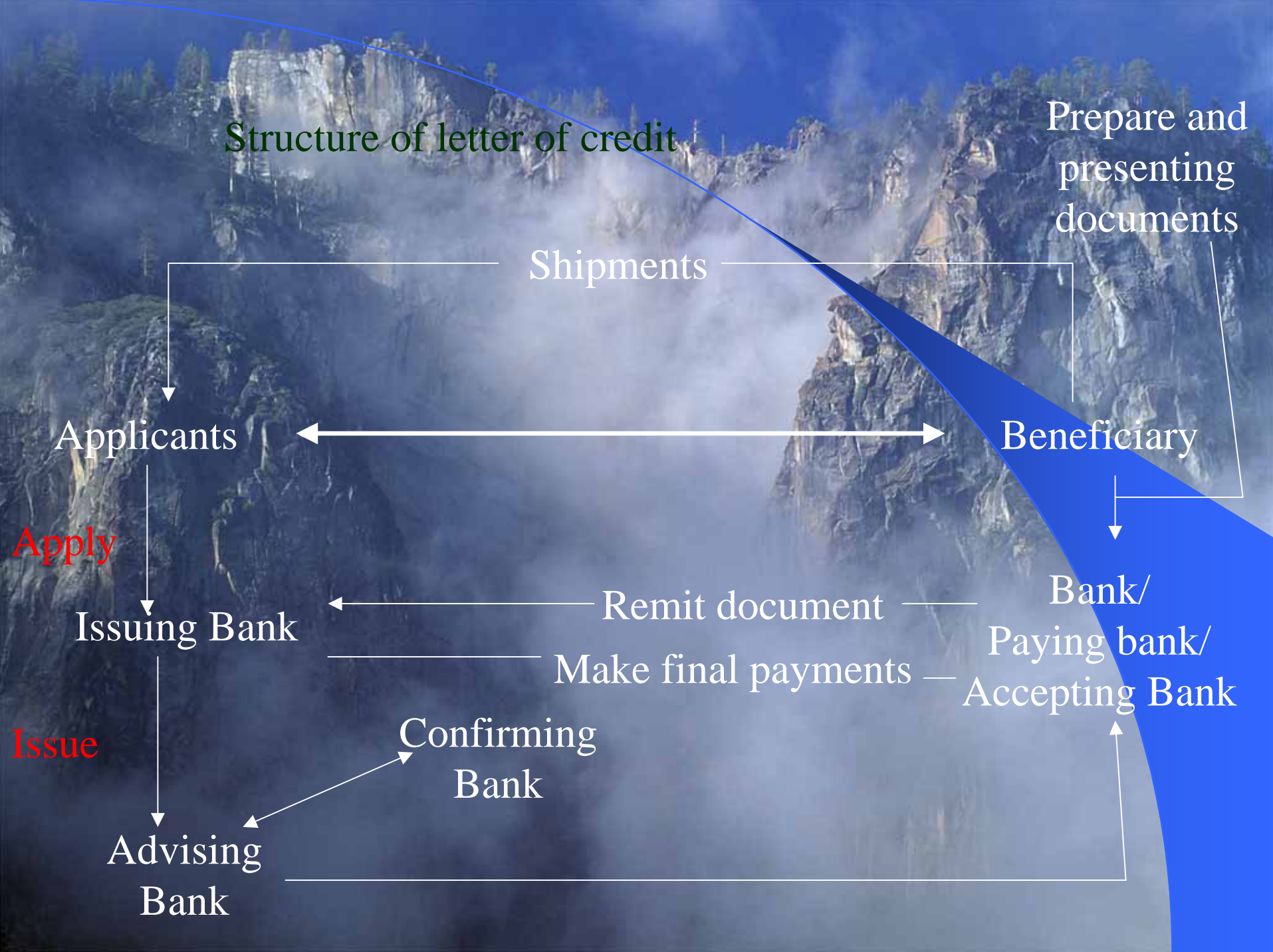
Bank/  
Paying bank/  
Accepting Bank

Make final payments

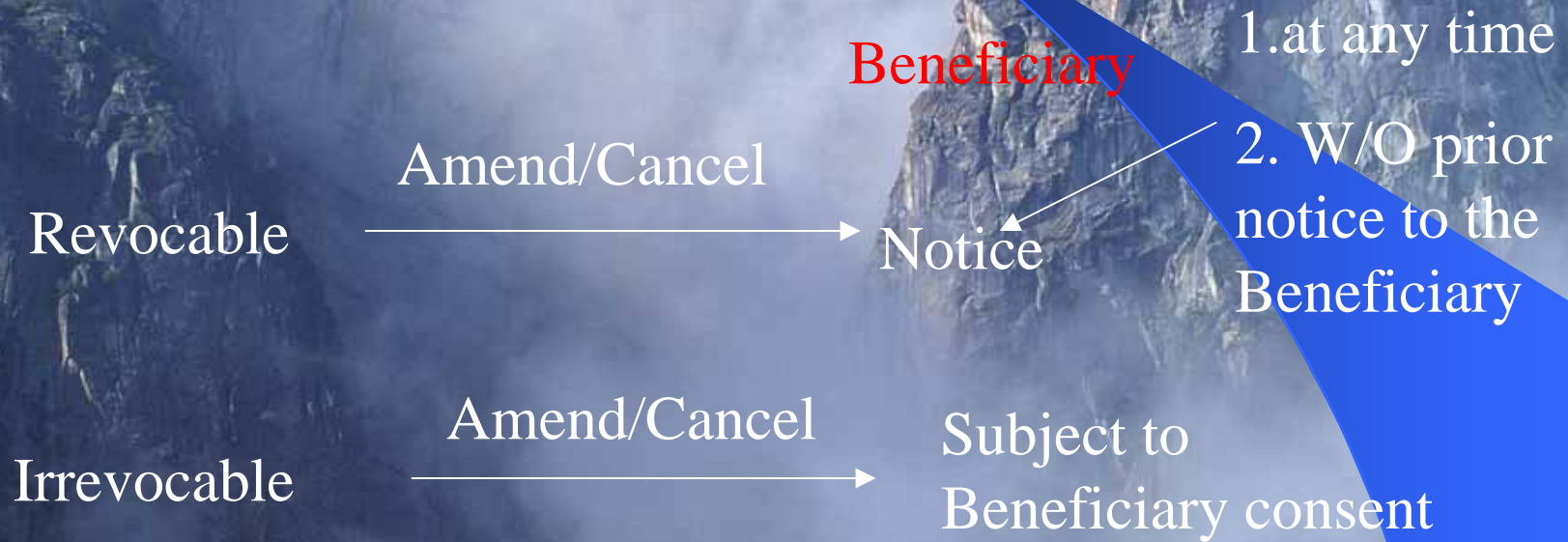
Issue

Confirming  
Bank

Advising  
Bank



# Revocable or Irrevocable Letter of Credit





## Draft

1. Sight Draft Demand Draft
2. Time Bill or Usance Bill

Sight L/C

Issuing  
Bank

documents  
Bank

Beneficiary

Reasonable  
time

Check



Usance L/C

Issuing  
Bank

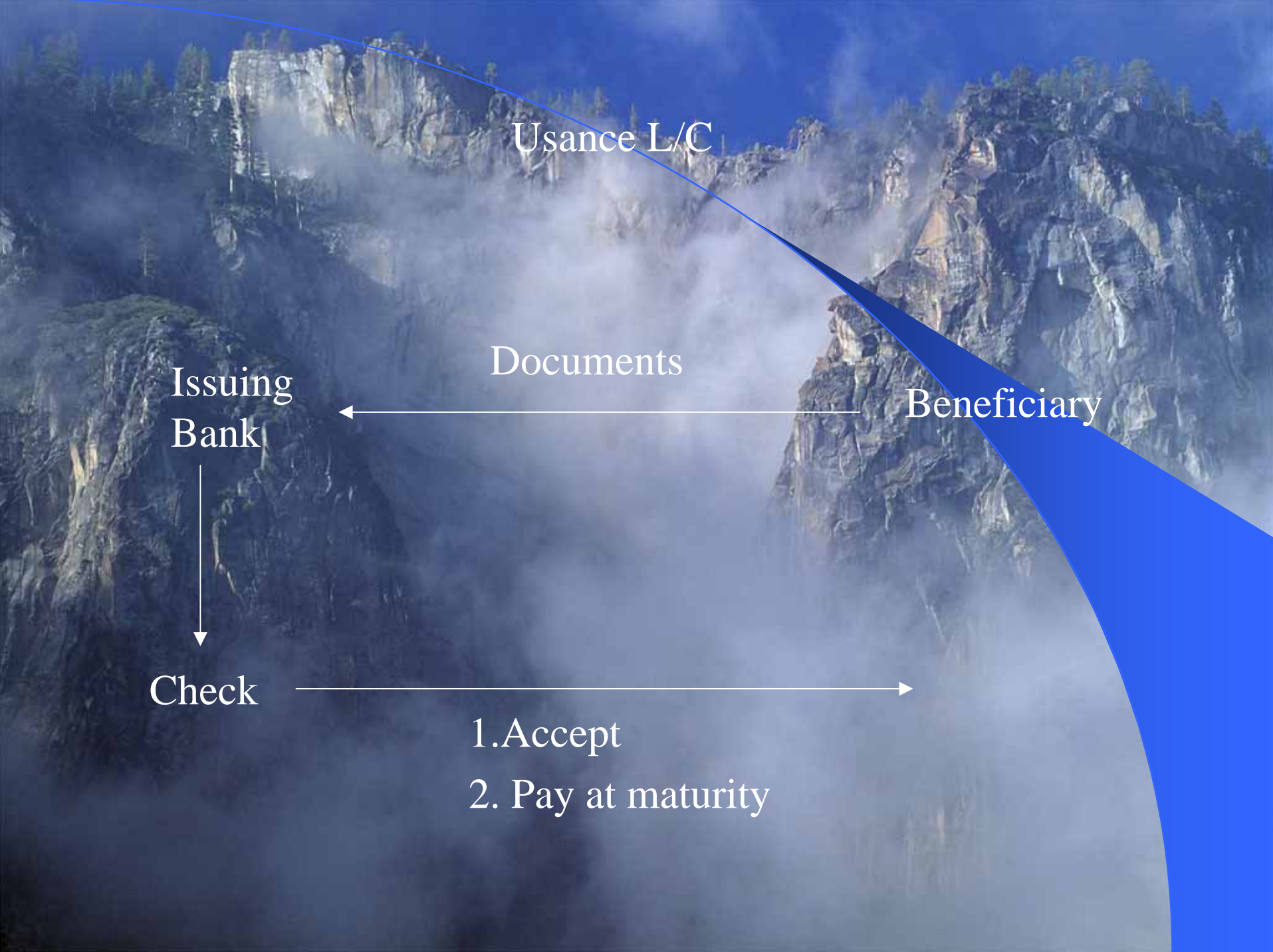
Documents

Beneficiary

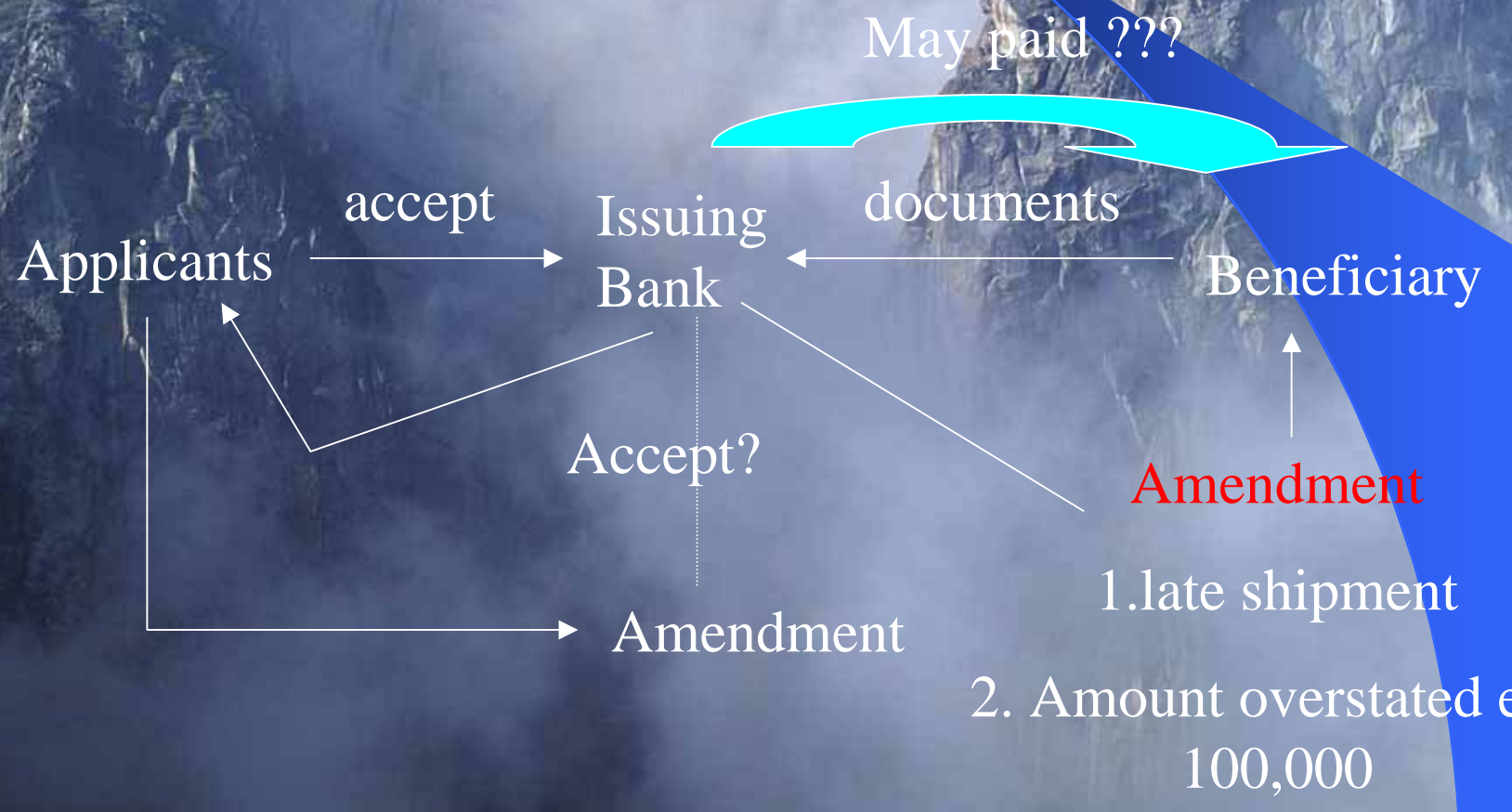
Check

1. Accept

2. Pay at maturity



# Amendment L/C



May paid ???

accept

Applicants

Issuing Bank

documents

Beneficiary

Accept?

Amendment

1. late shipment

2. Amount overstated e.g. 100,000

Amendment

## Pre-shipment finance

Packing loan

1. Limit

2. Security

Goods

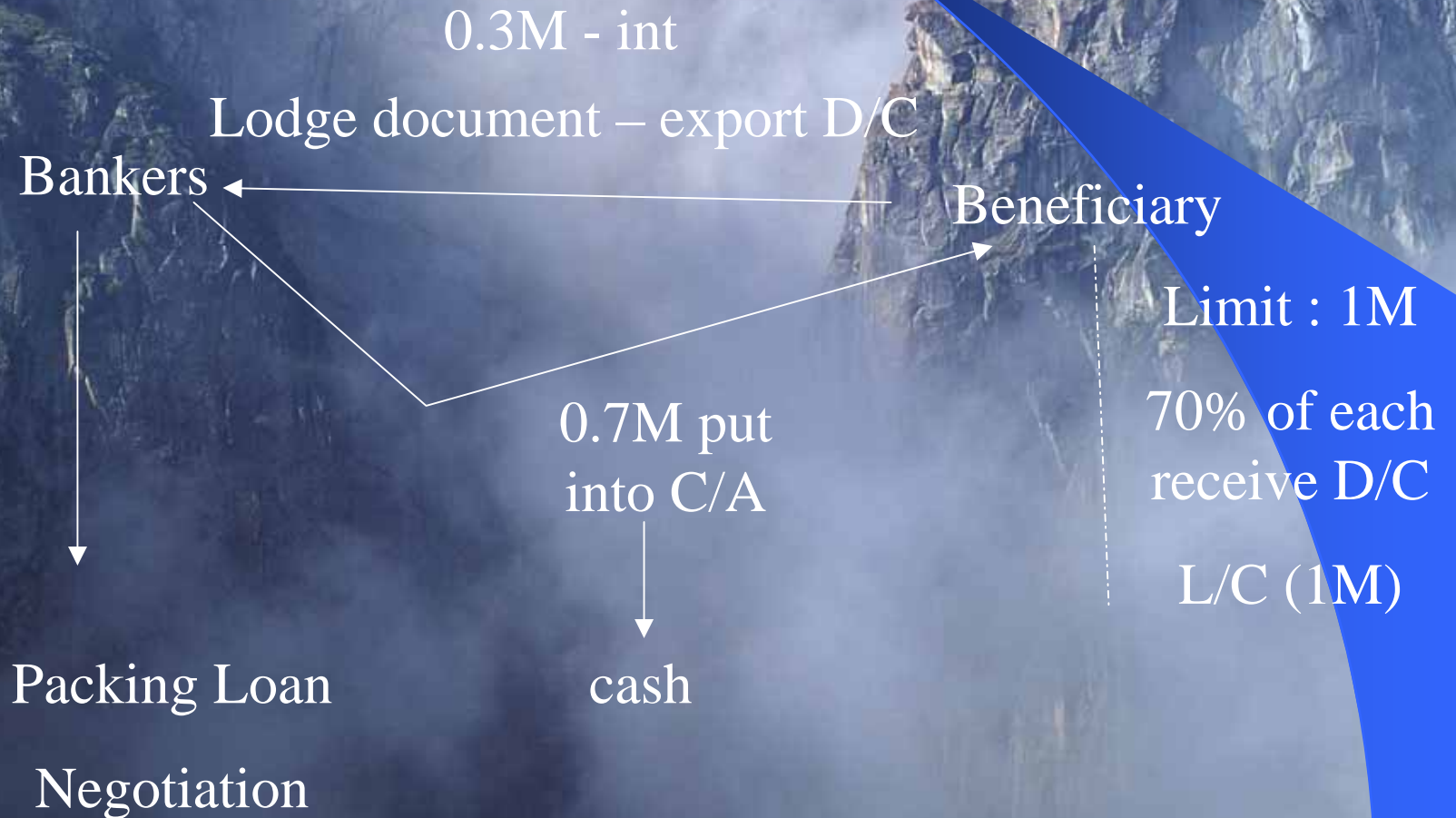
Packing

Insurance / Freight

Shipment

Finance seller/exporters

# Operation of Packing Loan



Recourse

Recourse



Advance payment

Benefits to sellers



Lending  
Money

# Operation with recourse L/C

Recourse L/C

Applicants

Beneficiary

Issue C/N for discount  $\frac{1}{2}$  %

Outsiders

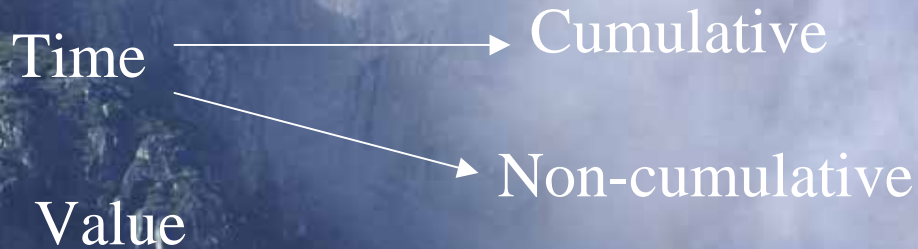
Issuing Bank

Outsiders

Int : P

Int : P + 1

## Revolving L/C



Revolving L/C : 24M for 2years. 1M(face amount).  
The credit amount can be automatically estimated  
each month shipments/presentation of document ,  
but limited to 23 times

## Problems with Revolving L/C

1. Long Period
2. Market Sense
3. Less Used
4. Credit ?



## Example for Cumulative Revolving L/C

Cumulative	Shipments	Remark
Jan	1M	
Feb	1M	
Mar	0.3M	
Apr	0.7M	
May	2M	$1M+0.7M+0.3M$

# Operation of Standby L/C

- 1. Statement
- 2. Declaration of Certificate

1. Goods ( 1M)

Rights to claims ( 3M)  
(Unfair Call)

Seller

Buyers

Court

Submit claims (documents)

Protect the risk of seller

Bank

Does not rely on

underlying transaction

\$

StandBy L/C

## Banking Guarantee

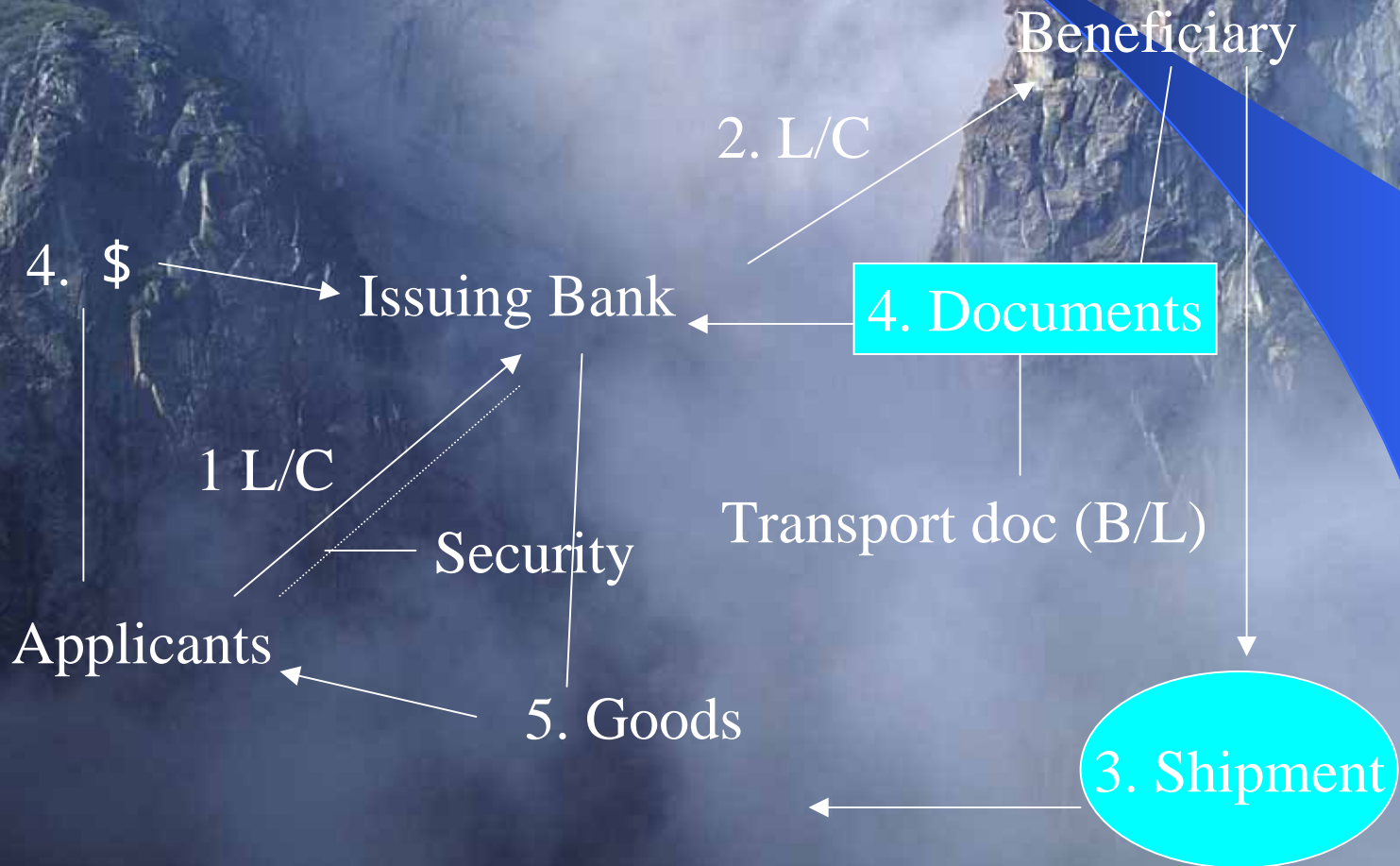
1. Advance payment bank guarantee – Paid deposits
  2. Performance
  3. Default Payment

Risk than other L/C because no goods held

Commercial L/C : Settle commercial deal/transactions

↑  
Performance

# Trust Receipt VS Title of Goods



# D/P – Document Against Payment



A scenic view of a mountain range with a large blue curved graphic on the right side. The mountains are rugged and rocky, with some greenery on the peaks. The sky is a deep blue, and there is a layer of white mist or clouds in the valley. The blue graphic is a large, curved shape that starts from the top right and extends towards the bottom right, partially overlapping the mountain scene.

# Collection

1. D/P

2. D/A

# D/A Document Against Acceptance





D/A

The risk share to the exporter

The importer does not obtain much funds to buy goods

Because importer get the goods first, and sell the goods  
( if the payment date are not on due)

## D/P and T/R

Goods arrive earlier than the payment due date

Importer want to get goods by obtaining documents

Importer ask bank to lend document in order to get goods (TR)

The documents arrive to repay TR

Risk bear on Bank if the importer does not pay the goods  
if the document arrive

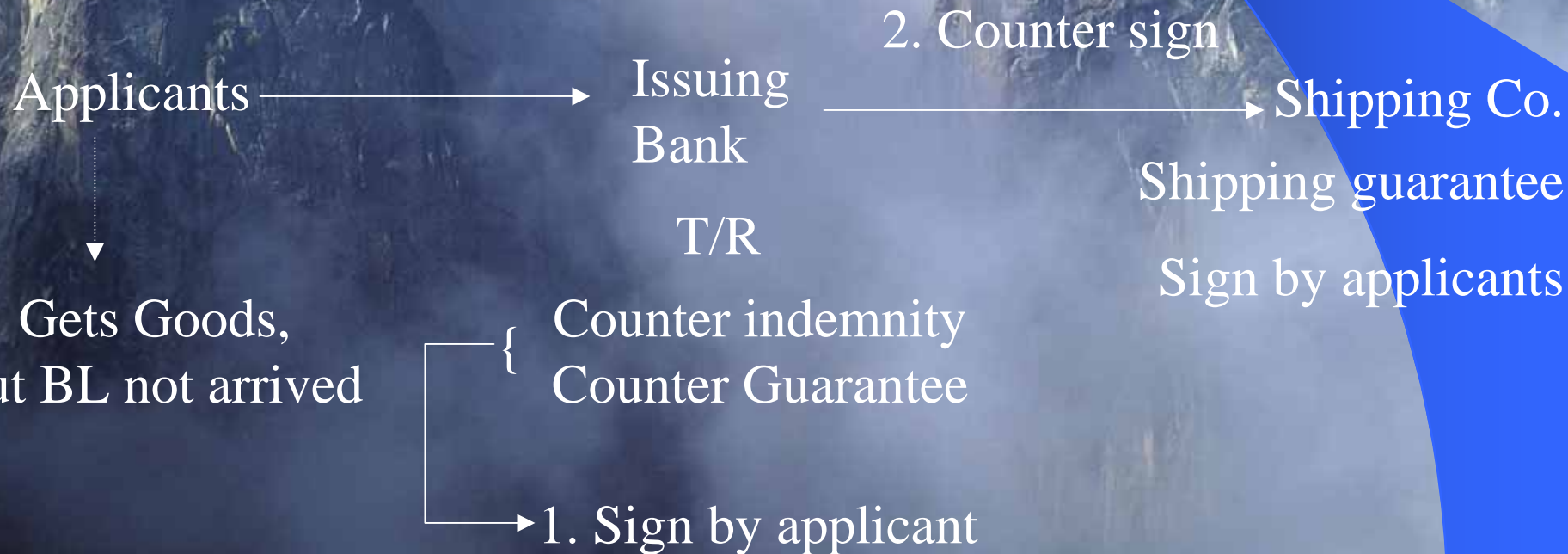
# How to operate TR



# Shipping Guarantee

Release Goods without production of original bills of lading

Waive the rights to refuse any discrepancy for applicants,  
even if errors in Doc



# How to handle Discrepancies



# Confirming DC

Double assurance of payment

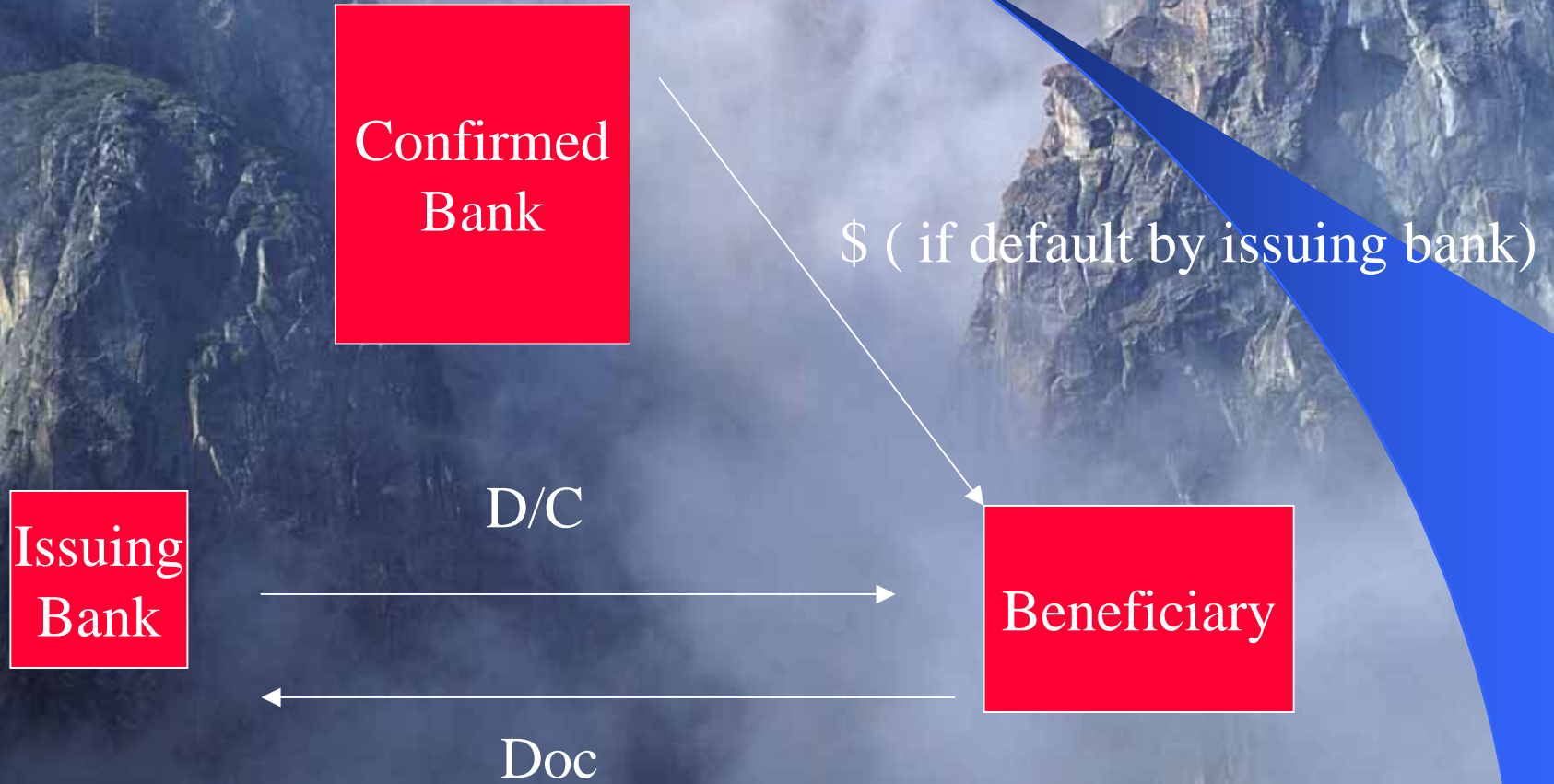
Issuing  
Bank

Confirming  
Bank

Beneficiary

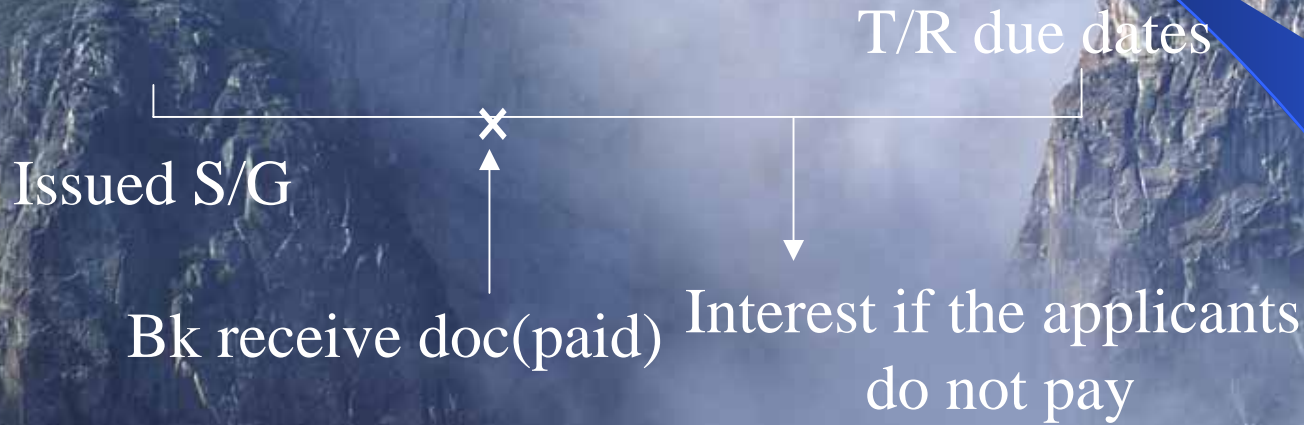


## Operation of Confirmed D/C



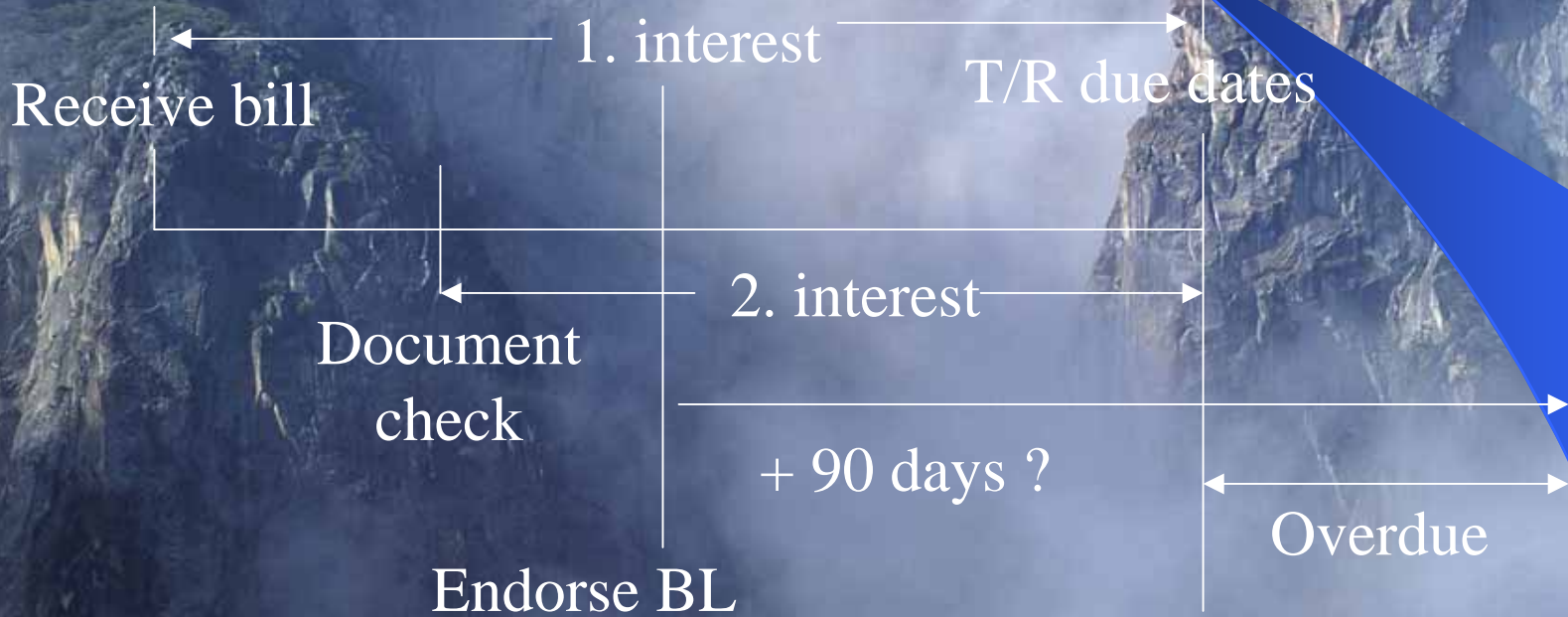
# T/R Due Dates

## 1. Shipping Guarantee



T/R due dates

## 2. Bills Receivable



Usance

For 60 Days

Receive doc. (paid)

NO interest

Due course

Due dates 90 days

T/R 90 days

30 Days  
interest

30 days

S/G



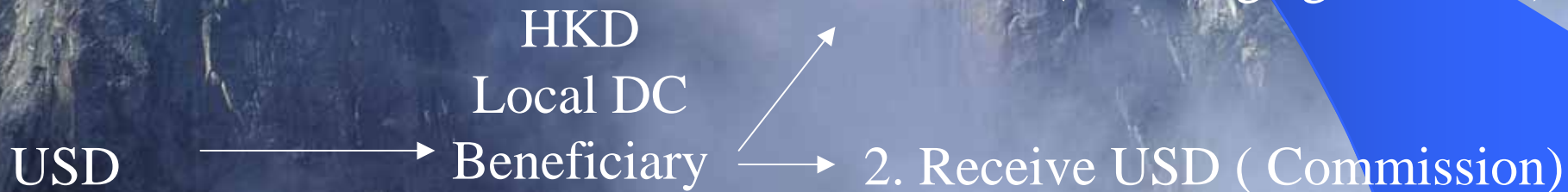
## Bank Charges

### 1. DC opening Commission

Usually paid by a applicants( **not must** )

### 2. HKD Bill Commission ( Commission in lieu of exchange)

1. Receive HKD ( exchange gain in Bk)



### 3. Acceptance(Sight) / Usance credit commission

