

EXPORT UNIVERSITY 201

Payment Methods

- Cash in Advance
- Letter of Credit
- Documentary Collection
- Open Account

Additional Payment Methods

- Transferable Letter of Credit
- Clean Bankers' Acceptance
- Foreign Credit Insurance

Choice of Methods

- Buyer - Seller Relationship
- Buyer's Credit Standing
- Country Conditions
- Other

Cash in Advance

■ Buyer Pays

- Wire Transfer
- Check
- Draft
- Credit Card

■ Seller Ships

Letter of Credit

- Payment contract guaranteed by bank
- Payments against documents not goods

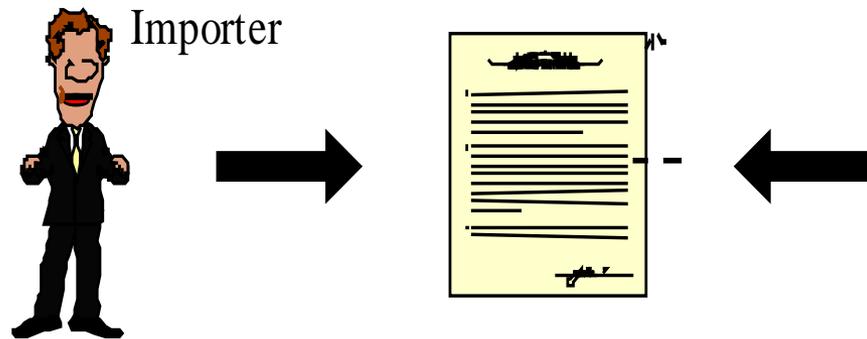
Documentary Collection

- Bank acts only as payment agent
- Cheaper than a Letter of Credit

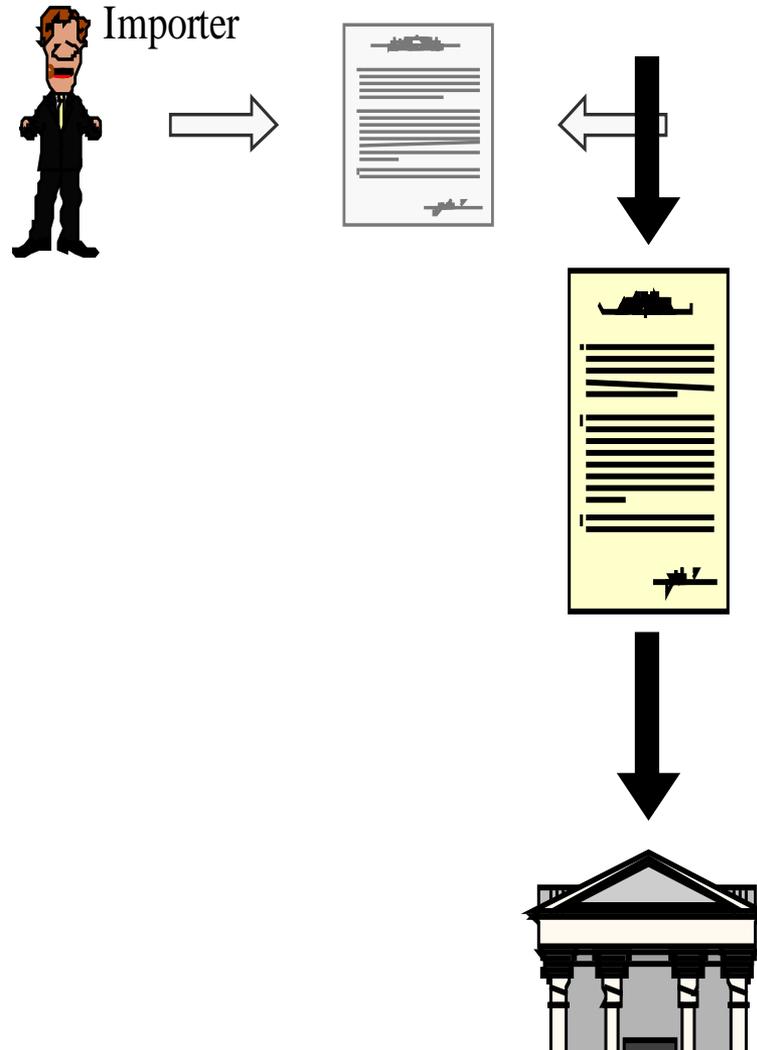
Open Account

- Seller Ships
- Buyer Pays
 - Wire Transfer
 - Check
 - Draft
 - Credit Card

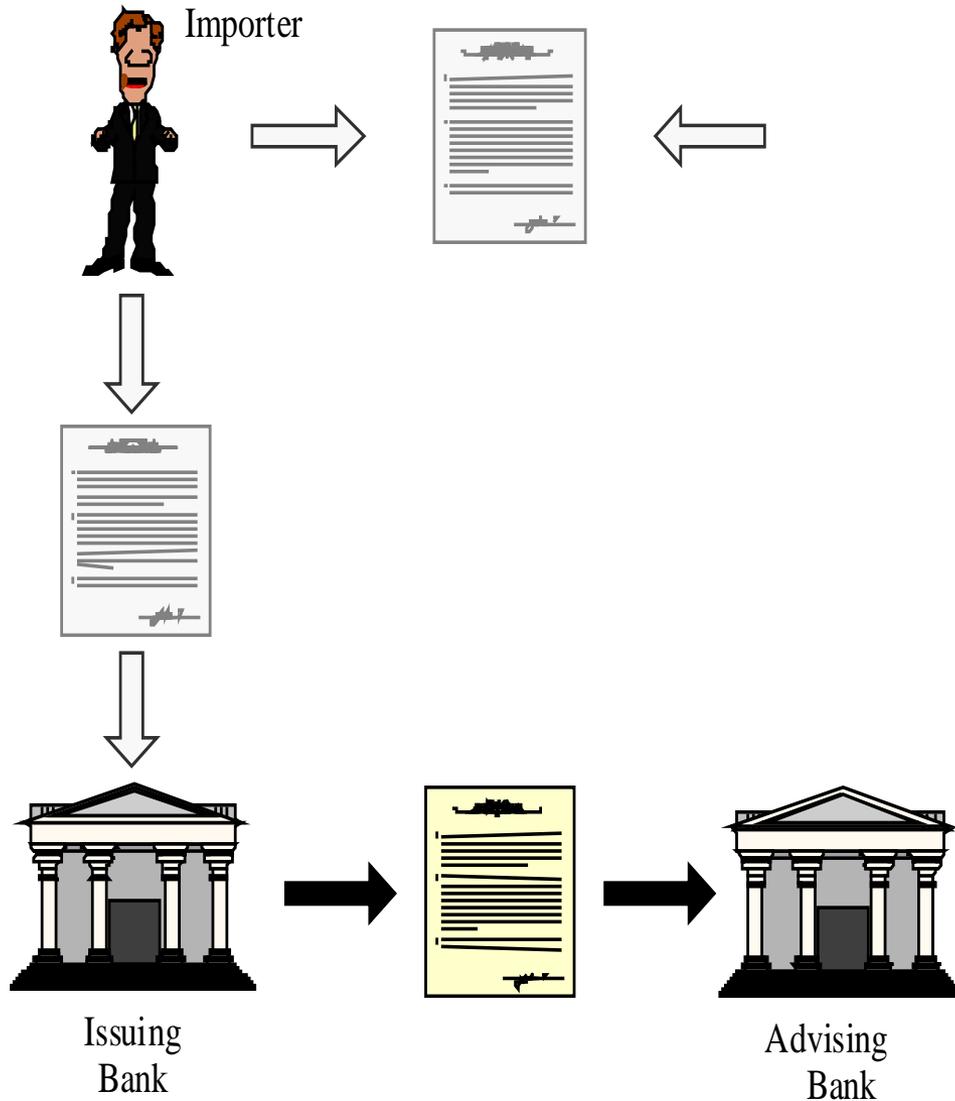
Letters of Credit



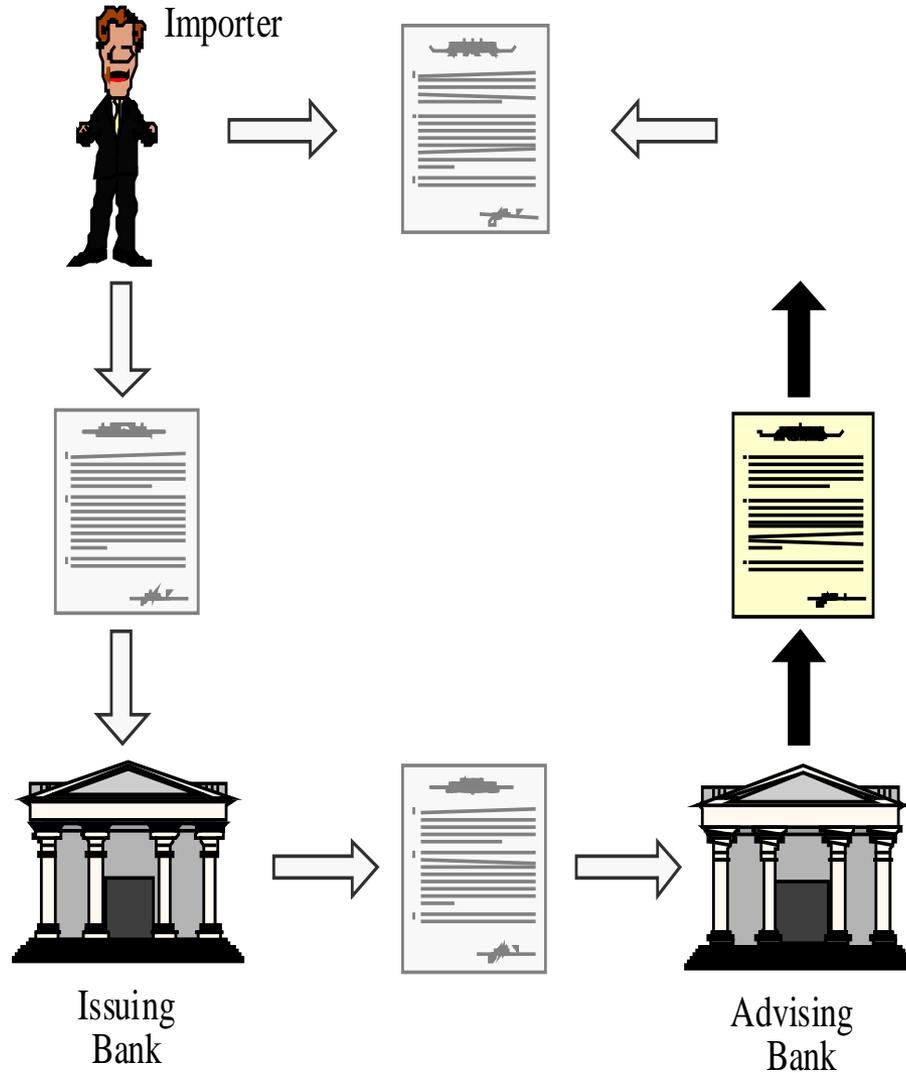
Letters of Credit



Letters of Credit



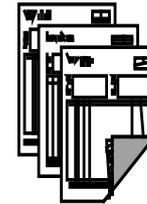
Letters of Credit



Letters of Credit



Importer

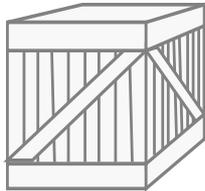


Advising
Bank

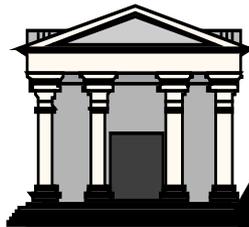
Letters of Credit



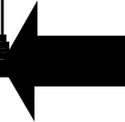
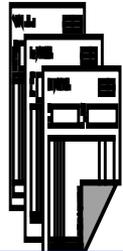
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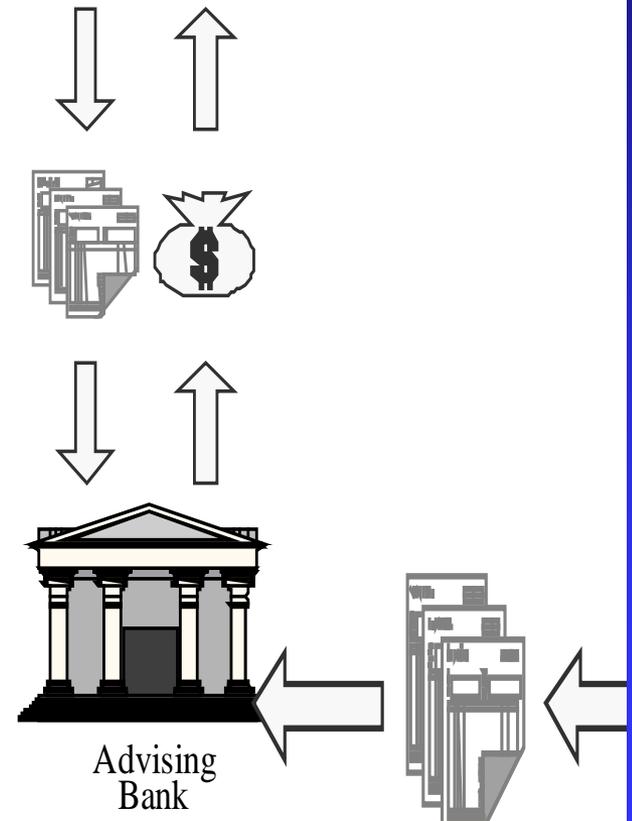
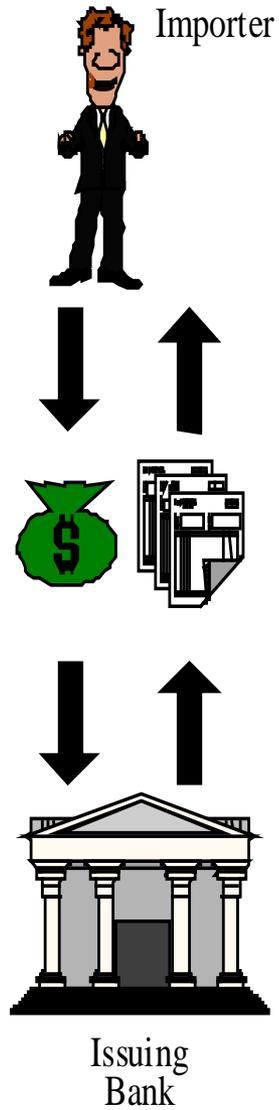
Issuing Bank



Advising Bank



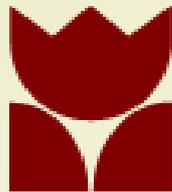
Letters of Credit



Transferable Letter of Credit

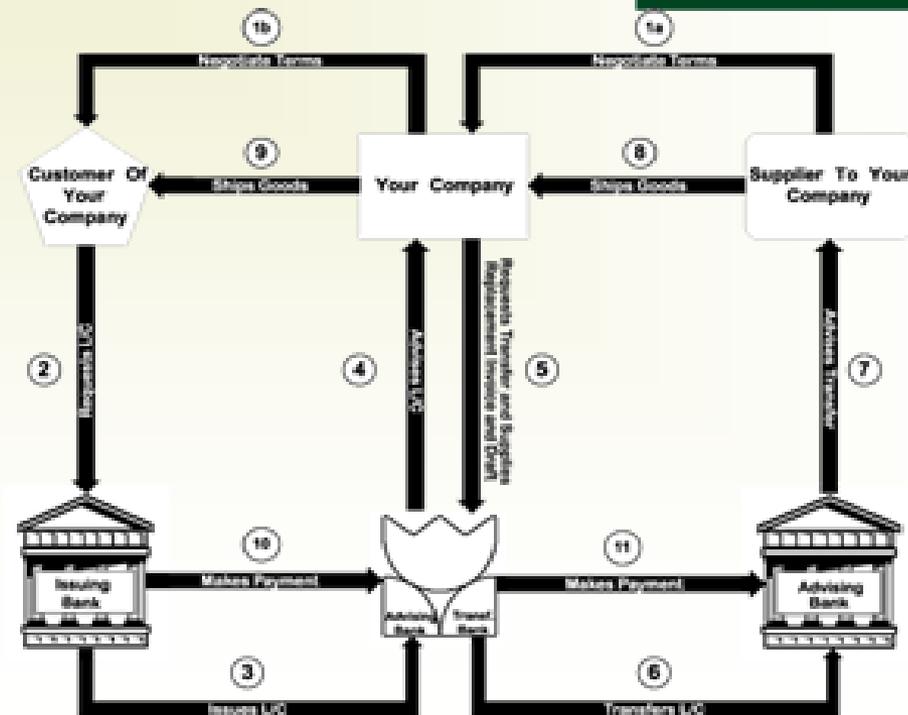
- Used when the middleman/broker uses the credit of the final buyer. The middleman/broker (first beneficiary) does not have enough capital to purchase the goods from their supplier (second beneficiary) before they re-sell them to their final buyer (applicant) without knowing the details of the supplier (second beneficiary).

Flow Chart

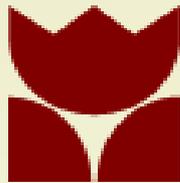


Transferable Letters of Credit

Issuance and Transfer

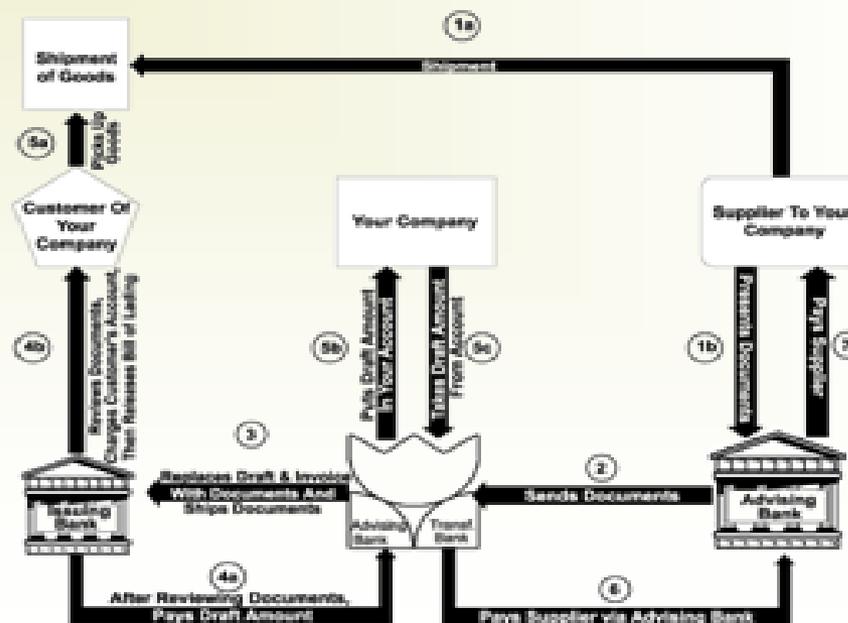


Flow Chart



Transferable Letters of Credit

Shipment, Docs & Funds



Clean Bankers' Acceptance

Clean Financing is a method by which you can gain immediate trade financing for a short period of time usually 30, 60 or 90 days with a max of 180 days.

Clean Bankers' Acceptance

- A Letter of Intent is usually required by the bank, which acts as a Power of Attorney, to create a draft on your behalf.
- The Letter of Intent will identify the commodity, port of loading & discharge, time period and payment instructions.

Sample Letter of Intent

Company Letterhead

Date _____

Bank Name & Address _____

We hereby give our specific power of attorney to any authorized officer of your Bank to sign and draw on our behalf the necessary draft(s) for the below transaction.

Value Date: _____

Amount of BA: _____

Tenor / # of days financing is requested for: _____

The trade transaction which gives rise to this draft, is the shipment or warehousing of:

Commodity: _____

From/Port of Loading: _____

To/Port of Discharge: _____

Please credit the net proceeds (principal amount minus acceptance commission and interest charges and any other applicable bank charges) to my account number. We **authorize you to debit our account number** ___ for the full amount of this acceptance on the maturity date.

Success Story

- A company has test equipment built to order in the Czech Republic. The equipment is shipped to the company and after inspection and final touches, is shipped to the buyer. Half the manufacturing cost is paid to the manufacturer in the Czech Republic when the order is placed, and the balance after receipt of the equipment to the U.S. The buyer usually gets 60 day terms.
- * Rising sales were draining working capital. We provided Clean Bankers' Acceptance Financing for 90 to 120 days, on the purchase or sale side. Under customer instructions we created and discounted drafts in the face value of each draft was repaid with the proceeds of the sale received from the customers buyers.
- * Within a few months the sales level stabilized and cash flow caught up.

Overseas Credit Insurance

- Export credit insurance protects foreign receivables against customer insolvencies, business closures, ownership changes, cash flow problems, balance sheet issues, currency fluctuations, natural disasters, or general economic conditions in your customer's country.
- Political risks of nonpayment are also covered by export credit insurance, including currency inconvertibility, transfer risks, war, strikes, riots, civil strife, expropriation, nationalization, embargoes, trade sanctions, and changes in import or export regulations.
- Export credit insurance does more than mitigate nonpayment risks. It's a sales tool that can help you win more international orders and it's a financing tool that makes your foreign receivables more attractive to lenders.

Foreign Exchange

■ Types of Transactions:

- ☞ Spot Contract - a transaction which is due for settlement two business days after the deal was done.
- ☞ Forward Contract - a transaction which is done for any value date up to one year ahead.
- ☞ Orders - is an instruction to deal if the market reaches a certain level.
- ☞ Hedge - is a way of reducing some of the risk involved in such transactions.

THANK YOU



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