

# Import Letters of Credit



## What's an import letter of credit?

An import letter of credit is a written agreement from a bank at the request of the buyer of goods or services. The bank agrees to pay the seller an amount of money within a specified time, provided the seller presents certain documents.

Letters of credit are usually issued subject to standards published by the International Chamber of Commerce.

Letters of credit are commonly used where the buyer or seller needs to mitigate payment or supply risk, to support the provision of finance for the transaction and to allow companies to do business with confidence. This tends to be when trading with a new country, trading with a higher risk supplier and/or country or establishing new trading relationships.

## How does an import letter of credit work?

1. You arrange a purchase contract with your supplier and agree that a letter of credit will be used to settle the transaction.
2. You ask us to issue the letter of credit, providing details of the transaction, a list of the exact documents you want to be in place before payment can be made and any other conditions. The documents can be an invoice, transport document and related commercial documents.
3. We issue the letter of credit and send it to your supplier. Where possible this is digitally via a nominated bank in their country.
4. Once the supplier has delivered the goods or services as required, they present the specified documents to the bank in their country.
5. The bank verifies the documents. If they comply with the letter of credit, either payment is made, or the bank gives a commitment to pay at a later date. This will depend on the terms of the import letter of credit. If there are any mismatches between the documents and the import letters of credit and the seller can't correct them, they may be referred to you so you can accept or decline to pay.
6. The verified documents are sent to you, and you then reimburse us.

## How much does it cost?

We'll charge a risk fee, administration charges, costs and expenses. A risk fee is determined by our assessment of any risk of non-payment. You'll also need to pay an arrangement fee for the setting up of a trade finance facility. Full cost details will be provided by your Relationship or Trade & Supplier Finance Director.

We'll also provide a copy of the Trade Service Pricing Tariff, which will detail the Trade Service fees and how they are charged.

## Things to think about

Any import letter of credit facility with us needs to be arranged by your Relationship Director. This is subject to status and our credit criteria. We reserve the right to decline any application.

A request to draw funds must be accompanied by certain documents. We'll agree those with you when we set up your facility. This will vary depending on your individual requirements.

The product must be used for the purpose for which it was agreed at the outset. For example, paying agreed suppliers.

**For more information, please contact your local Relationship Director or Trade & Supplier Finance Director.**

