

Trade Finance Solutions Limited



www.trade-financesolutions.com

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BRIEF:

Trade Finance Solutions Limited can assist with any company's international trade finance needs by providing documentary Letters of Credit to assist with Corporate cash flow requirements.

Our company can open letters of credit to fulfil inventory financing needs for large and small purchase orders through our purchase order financing scheme, and to provide an enhancement to current banking arrangements.

Our expert staff can work with clients to arrange their transfer Letters of Credit, performance guarantee requirements, cash against document requests and other such trade instruments by using our extensive global banking facilities.



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ABOUT US

Trade Finance Solutions Limited (TFSL) provides Letters of Credit to client businesses.

TFSL facilitates and manages the process of the opening of Letters of Credit on behalf of its clientele, and continues the ongoing management of the Letter of Credit process throughout the period for which a transaction may occur.

TFSL uses the services of several American and European banks, and is a representative for two special purpose banks. Because of the company's firm banking relationships, it is positioned to provide flexible and expedited services to its clientele. Due to the flexibility of the company, a specific collateral deposit is not required, and TFSL does not necessarily become a creditor to its client companies. TFSL provides an augment to the banking or lending facilities which may be currently provided by other institutions.

The services offered have facilitated excellent relationships between the clients of TFSL and their overseas suppliers, thus allowing the growth of certain business segments which companies would otherwise not have the ability to pursue. This past year TFSL has opened hundreds of Letters of Credit on behalf of clients based in North America, Europe, the Middle East and Asia.

Through its strong banking relationships in which world banking institutions work in conjunction with TFSL's expert staff, the company avails itself of the foremost experts in the World of Trade Finance, and the criteria set forth in UCP 600** for documentary LC's and ISP98 for standby Letters of Credit. These alliances help to create opportunities for growth and profitability the client companies.

TFSL clients import items ranging from commodity goods to apparel and textiles, and electronic components to consumer appliances and specialty products. The Letters of Credit are opened to suppliers in Asia, Africa, South America and other points in the world.

If your company is looking for a strategy to finance goods to fill your orders, or simply to support growth, CONTACT US NOW.

*** UCP 600 are the latest version of the Uniform Customs and Practice that govern the operation of Letters of Credit.*

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Letters of Credit: The Basics

Definition:

A documentary credit is a (conditional) bank undertaking of payment. It is a written undertaking by a bank (issuing bank) given to the seller (beneficiary) at the request, and on the instructions of the buyer (applicant) to pay at sight or at a determinable future date up to a stated sum of money, within a prescribed time limit and against stipulated documents or other conditions. The issuing bank is putting out its credit and good name for the sake of the buyer.

Buyer:

Because the documentary credit is a conditional undertaking, payment is made on behalf of the buyer against documents, which may represent the goods and give the buyer rights to them.

Seller:

Because the documentary credit is a bank undertaking, the seller can look to the bank for payment, instead of relying upon the ability or willingness of the buyer to pay.

Summary:

Documentary credits therefore:

Are an arrangement by banks for settling international commercial transactions.

Provide a form of security for the parties involved.

Ensure payment, provided that the terms and conditions of the Letter of Credit have been fulfilled.

Mean that payment by such means is based on documents only, and not on merchandise or services involved.

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Types of Letters of Credit

Documentary; Merchandise, Commercial, Trade

The majority of Letters of Credit issued are in payment for goods in shipment or current services performed. Payment is normally made against documents for goods shipped. (Article 2 UCP 600)

Standby:

Normally, this type of Letter of Credit functions like a guarantee. This type of credit can be drawn against only upon performance of service or financial obligation default. It is a definite undertaking of the issuing bank. The standby Letters of Credit from CIB and GEBS both state that they are governed by UCP 600. If that is the case, should we mention ISP98.

Revocable:

Under UCP 600 a Letter of Credit is revocable even if there is no indication to that effect (article 3).

Unconfirmed:

Bears only the obligation of the issuing bank. The beneficiary should look to the credit worthiness of only the issuing bank, and not to any intermediary (Article 7 UCP 600)

Confirmed:

Is a credit in which a second obligation is added to the Letter of Credit by another bank (Article 8 UCP 600)

Sight:

Payment is at sight, which means that the drafts and documents are honoured, if in order, by making payment without delay.

Time, Usance:

The draft honoured by accepting it for payment at a future date. Payment is delayed until the maturity of the draft.

Transferable credit:

Can be transferred by the original beneficiary to one or more other parties. It is normally used when the first beneficiary does not supply the merchandise himself, but is a middleman and wants to transfer all or part of his rights to the actual supplier (Article 38 UCP 600)

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FAQs:

I generally open letters of credit through my bank. How are your letters of credit different?

The letters of credit that we open are opened using our bank accounts at prime banking institutions. When you open the letter of credit through your bank, you use your credit line. When you open through us, you use our credit lines.

Why do I need to pay your fee before you open the letter of credit? Can't you take your fee out of the profits of our transaction?

We do not participate in the transactions of our clients as a party to the transaction other than a provider of certain financing. Therefore, we do not participate in the profits of our client's transactions. Our fees are the same regardless of the profit margin in the transaction.

Can I cancel my letter of credit after it has been opened? All of the instruments that we issue are irrevocable and cannot be cancelled except by the beneficiary.

What type of collateral do you require to open a letter of credit? In most cases we do not require a specific collateral deposit to open a letter of credit. We offer transactional based finance. When a client wishes to open a letter of credit, he presents us with the details of his transaction so that we can make a decision about the transaction on its merit. The final decision by our company to enter into a transaction is made according to a set of criteria

What is the charge for opening a letter of credit? The letter of credit charge depends on a number of factors. We can provide you with details once communication has been established.

What is the maximum size letter of credit that you open? We are able to open letters of credit of almost any size. We consider the complexity of the transaction; the goods that are being traded; and, other factors having to do with the parties to the transactions and where they take place.

For what type of goods do you open letter of credit? We can open letters of credit for any type of goods provided they fall into our ethical and legal criteria. That said, we will not get involved in transactions involving weaponry or ammunition under any circumstances.

I opened a letter of credit to my supplier, but he did not ship the goods. Will you refund my fee? Once the letter of credit is opened your fee cannot be refunded. We recommend to all of our clients that they need to assure themselves of their suppliers' ability to perform before opening any banking instruments to them.

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Comparison of various methods of payment:

Method	Goods Available	Time of Payment	Risk To Exporter	Risk To Importer
Cash in Advance	After Payment	Before Shipment	Very Low	Maximum ~ relies on exporter to ship goods as ordered
Letter of Credit *Confirmed *Unconfirmed (Advised)	After Payment	When documents are available at shipment	Very Low	Assured of quantity and quality of shipment if inspection report is required
Documentary Collection Sight Draft Documents against Payment	After Payment	On presentation or draft to importer	If draft unpaid, goods must be returned or disposed of, usually at a loss	Assured of quantity, also quality if goods are inspected before shipment
Documentary Collection Time Draft Documents against Acceptance	Before Payment	On maturity of draft	Relies on importer to pay draft	Minimal ~ Can check shipment for quantity and quality before payment
Consignment	Before payment, exporter retains the title until goods are sold or used	After use; inventory and warehousing cost to exporter	Substantial risk unless through foreign branch of subsidiary	Very Low
Open Account	Before payment	As agreed	Relies on importer to pay account as agreed ~ complete risk	Very Low



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