

THE MECHANICS OF INTERNATIONAL TRADE FINANCE

**Delivered by distance
learning over 8 weeks**

COURSE INFORMATION

On completion of this distance learning course you will have a comprehensive understanding of all the key aspects of international trade finance. You will be better equipped to support clients in both a financial and advisory capacity and will have learned skills to improve financial risk management - resulting in lower probability of default, and loss given default.

Each module is delivered by a combination of specifically tailored course readings, tests of comprehension and case studies and is supported by weekly online forum that provides an opportunity to network with the course director.

Trade finance is one of the oldest and most reliable forms of lending and it is an important facilitator of international trade by reducing risk and often providing essential finance to either the exporter or importer. There is a great need for formal training in this area yet a huge shortage of courses available and seasoned practitioners around to teach them.

COURSE DIRECTOR

John Martin Ambetsa

A key benefit of this course is that it has been developed by one of the most accomplished trainers in the area of trade finance today, John Martin Ambetsa. His unrivalled wealth of practical market experience brings a level of depth and richness to the topic that trade finance professionals regionally have found invaluable after attending his courses. When it comes to demystifying the complexities of International Trade Finance, you will find no better guide than John Martin. John Martin has over 30 years of experience in the field of trade finance; 10 years in corporate banking and 20 years as an independent specialist. He has held senior positions in Midland Bank UK-Now HSBC London and Cooperative Bank, working in operations, trade finance sales and origination.

In 2005 John Martin was appointed Chief Examiner for International Trade Finance Course at the Kenya Institute of Bankers. As a consultant with the Kenya Institute of Bankers, John Martin formulated trade finance credit risk policies and operational procedures for a number of banks. He continues to work as a consultant trade advisor and handles letters of credit and supply chain finance for his corporate clients; this helps to ensure his material is both relevant to today's market and highly practical.

COURSE AT A GLANCE

CORE TOPICS

MODULE 1

Introduction to international trade finance

MODULE 2

Documentary Collection Systems and Aval

MODULE 3

Documentary credits

MODULE 4

Specialist types of credit

MODULE 5

Demand guarantees and standby credits

MODULE 6

Structured trade finance

MODULE 7

Open account payments and their financing

MODULE 8

Commodity finance

Agenda

Module 1 - Introduction to international trade finance

Learning Objectives

- To gain an insight into the operation of international trade, the conflicting needs of seller and buyer and the importance of the commercial terms

- To understand the role and types of documentation in trade and the methods in which the seller and their financier can exercise documentary control over the movement of goods
- To appreciate the importance of trade finance in international trade, and the benefits to both the corporate and the financier

MODULE CONTENT

INTERNATIONAL TRADE

- Conflicting needs of seller and buyer
 - Nature and importance of the commercial terms of trade
 - Type of risks encountered in international trade
 - Overview of the methods of payment
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TRADE DOCUMENTATION

- Nature and use of negotiable documents
 - Use and key features of each of the trade documents to include the sales invoice, bill of exchange (draft), promissory note, bills of lading, and other transport documents
 - Importance of cargo insurance and pre-shipment inspection
 - Methods of exercising control over the goods during transport and the features and value of documents of title.
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TRADE FINANCE

- An explanation of what trade finance is, when used and its benefits
- The difference between trade services and trade finance
- Digitalization of trade finance

MODULE 2 - COLLECTION SYSTEMS AND AVAL

LEARNING OBJECTIVES

- To appreciate the use and operation of DP and DA collections, and bank Aval
- To understand the financing of collections and the discounting of bills of exchange
- To gain an insight into the ICC rules for collections
- To understand the risks in collections and how to mitigate them



MODULE CONTENT

COLLECTIONS

- Use and operation of DP and DA collections and appreciation of the ICC rules URC
 - Maintenance of title and control over goods
 - Bank responsibility
 - Collection instructions and the process of protest in the case of dishonor
 - Risk considerations and benefits for each of the parties
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ADVANCE AGAINST COLLECTIONS

- Method of financing collections and how these are structured
- Risks appreciation and benefits

BANK AVAL

- Use and operation of bank aval
 - Obligations and risk considerations of the avalising bank
 - Optimum structure for the exporter, importer, avalising bank & financier
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DISCOUNTING BILLS OF EXCHANGE

- Financing of bills of exchange with and without recourse
- Operation of discount finance

MODULE 3 — DOCUMENTARY CREDITS

LEARNING OBJECTIVES:

- To appreciate the purpose and value of the documentary credit
- To gain an appreciation of the ICC rules UCP, ISBP and URR
- To understand the credit and documentary risk factors
- To be able to optimally structure documentary credits from the perspective of the buyer or the seller
- To appreciate and identify financing opportunities

UNIT CONTENT:

PRINCIPLES AND USAGE

- When used, key principles and parties
- Operation
- Appreciation of the ICC UCP, ISBP and URR rules
- Overview of the SWIFT MT 700 message data fields

ISSUING THE DOCUMENTARY CREDIT

- Risk appreciation for the applicant and issuing bank
- Obligation of the issuing bank
- Structuring the import credit to mitigate risk
- Calculating the credit facility limit
- Advantages and disadvantages for the applicant.

ADVISING/NEGOTIATING THE DOCUMENTARY CREDIT

- Difference between advising and nominated bank
- Role and responsibility of the nominated bank
- Structuring the export credit to mitigate risk for the beneficiary
- Advising the credit
- Handling amendments

- Advantages and disadvantages of the export credit for the beneficiary

CONFIRMATION

- Unconfirmed credits; beneficiary risk appreciation
- Risk, responsibility and obligations of the confirming bank
- Silent confirmation; the difference between an undertaking to pay and a commitment to negotiate

DOCUMENTS

- Presentation and document examination
- Impact and process of a discrepant presentation
- Operation of the discrepancy waiver
- Right of the issuing bank to reject a discrepant presentation

PAYMENT

- Complying documents
- Discrepancy waiver approval
- Importance of the bank to bank reimbursement clause

IMPORT CREDITS; FINANCING OPPORTUNITIES

- Usance payable at sight credits
- Re-finance

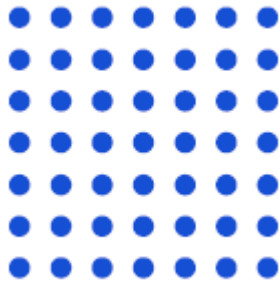
EXPORT CREDITS; FINANCING OPPORTUNITIES

- Pre-shipment finance
- Discounting bank acceptances
- Purchasing deferred payment undertakings
- Negotiating with and without recourse
- Allocation of proceeds

Unit 4 — SPECIALIST TYPES OF CREDIT

LEARNING OBJECTIVES

- To appreciate the different types of documentary credit and their use
- To gain an insight into the operation of oil related credits and the role of the letter of indemnity and shipping guarantee
- To understand the operation and credit facility requirement of a revolving credit, risks for the issuing bank and applicant, and the differences with a credit reinstatable by amendment
- To appreciate how to structure the master and counter credit on a back to back credit facility to mitigate risk and comparison with transferable credits



MODULE CONTENT

OIL CREDITS

- Variation in amount clauses
 - Use of letters of indemnity
 - Requirement and risk considerations of shipping guarantees
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REVOLVING CREDITS

- Use and operation
 - Revolvement by value or period, and the operation of cumulative and non-cumulative credits
 - Calculation of the credit facility limit
 - Risk appreciation for the issuing bank and applicant
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TRANSFERABLE CREDITS

- Use and operation
 - Allowed changes on transfer
 - Risk appreciation for the issuing bank
 - Advantages and disadvantages to the middle-party
 - Comparison with back to back credits
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BACK TO BACK CREDITS

- Use and operation
 - Risk appreciation for the financing bank and middle-party
 - Structuring master and counter credits to mitigate risk
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OTHER TYPES OF CREDIT

- Reinstatable
- Synthetic
- Red clause
- Green clause
- Sustainable shipment LCs

MODULE 5 — DEMAND GUARANTEES AND STANDBY CREDITS

LEARNING OBJECTIVES:

- To appreciate the use and operation of demand guarantees and how these differ to conditional guarantees and surety bonds
- To understand the different types of demand guarantee
- To be able to explain the use and difference between a counter guarantee and 'primary' guarantee
- To appreciate the use of the ICC rules URDG
- To gain an insight into the applicant and bank risks of issuing guarantees
- To be able to structure the key clauses of a demand guarantee to mitigate risk and to manage risk exposure
- To appreciate the use, process and operation of standby credits and how these differ to demand guarantees
- To gain an understanding of the key differences between ICC rules ISP and UCP
- To gain an insight into the syndication of facilities and method of risk participation for large guarantee or standby credit facilities



DEMAND GUARANTEES

- Key principles, parties and when used
- Comparison with conditional guarantees
- Appreciation of ICC URDG rules & ISDGP
- Operation of direct and indirect guarantees
- Role of the counter guarantee
- Issuing the demand guarantee
- Obligation of the guarantor
- Clause construction
- Overview of the SWIFT MT 760 data fields
- Structuring the demand guarantee wording to mitigate risk and manage risk exposure
- Types of trade-related guarantees
- Governing law
- Impact of extend or pay demands and foreign law and usage on expiry dates
- Claim demand; examination and payment obligation
- Cancellation
- Risk considerations for the applicant, counter guarantor and guarantor
- Benefits to the beneficiary
- Transferable guarantees and comparison with assignment

STANDBY CREDITS

- Key principles, parties and process
- When used
- Bank responsibility and obligations
- Appreciation of ICC rules ISP compared with UCP
- Types of trade-related standbys
- Operation of a commercial standby credit
- Automatic extension (evergreen)
- Presentation of claim demand documents; examination and payment
- Risk considerations for the issuer and applicant
- Benefits to the beneficiary
- Structuring a commercial standby credit to mitigate applicant and issuer risk
- Comparison with demand guarantees

MODULE 6 — STRUCTURED TRADE FINANCE

LEARNING OBJECTIVES:

- To appreciate the purpose and nature of structured trade finance and the use of trade loans
- To be able to construct a trade cycle timeline and calculate the borrowing requirement
- To evaluate a trade proposition and determine the required extent of structuring
- To understand the role of security, the use of pledge and trust receipts in taking transactional security over goods and the importance of 'the law of the place'



MODULE CONTENT:

STRUCTURED TRADE FINANCE

- What structured trade finance is and when it is used.
 - An alternative to 'balance sheet' lending
 - Trade loans; their use, structure and management of different risk exposures
 - Determining the extent and nature of the structure
 - Self-liquidating and partially structured facilities
 - Use and construction of the trade cycle timeline and the formulation of the credit facility amount
 - Structuring an export letter of credit as a source of repayment for pre-shipment finance
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EVALUATION OF THE TRADE PROPOSITION

- Key aspects of assessment
 - Relevance of the borrower's financial statements
 - Principle of 'going concern' and relevance of other lending facilities
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SECURITY

- Its use and purpose
 - Taking transactional security over the goods; the use of pledge and trust receipts
 - Relevance and importance of 'the law of the place'
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ESG AND SUSTAINABILITY

The principles of ESG & sustainability and their use in trade and export finance

MODULE 7 — OPEN ACCOUNT PAYMENTS AND THEIR FINANCING

LEARNING OBJECTIVES:

- To gain an appreciation of the operation and market dynamics of open account trade
- To understand the mechanism of supply chain finance
- To appreciate how to construct a trade payables financing structure for a buyer
- To be able to explain the use, mechanics and risk considerations of Approved Trade Payables
- Finance from the perspectives of the buyer, supplier and the bank
- To appreciate how to assess risk and construct a trade receivables financing structure



MODULE CONTENT

OPEN ACCOUNT TRADE

- Operation and market dynamics
 - Mechanism of international payment transfer
 - Introduction to SWIFT ISO messages
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TRADE PAYABLES

- Structured methods of financing trade creditor payments
 - Pre-shipment funding for the manufacturer
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APPROVED TRADE PAYABLES FINANCE (SUPPLY CHAIN FINANCE)

- Use, process and operation
 - Role of the bank in supporting the buyer and suppliers
 - Credit risk
 - Proprietary and multi-finance platforms
 - Risk appreciation for the bank, buyer and supplier
 - Benefits
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RECEIVABLES FINANCE

- Structuring receivables finance
- Disclosed and undisclosed facilities
- Eligible and ineligible debts
- Rights of recourse
- Assignment of debt
- Presentation of debts for finance
- Prepayment and retentions
- Capture of the trade receivable
- Specific debt purchase
- Factoring
- Confidential invoice discounting
- Off-balance sheet finance; true sale?

Unit 8 — COMMODITY FINANCE

LEARNING OBJECTIVES:

- To gain an insight into the types of commodity and the commodity market
- To appreciate the role and characteristics of commodity finance
- To be able to evaluate risks in commodity finance
- To understand the financing structures for pre-export payment, goods stored in a warehouse and borrowing base



UNIT CONTENT:

THE COMMODITY MARKET

- Definition and types of commodity; base and precious metals, energy and agri-produce
 - Characteristics of the commodity market
 - How commodities are traded; the role of commodity exchanges
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FINANCING COMMODITIES

- Purpose of commodity finance
 - Risks in commodity finance
 - Financing the commodity trader
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PRE-EXPORT FINANCE AND PREPAYMENT

- Use and operation
 - Risk considerations
 - Due diligence
 - Use of red and green clause credits
 - Off-take agreements
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WAREHOUSE FINANCE

- Use and operation
 - Pre-sold or speculative?
 - Risk considerations
 - Due diligence
 - Use of warehouse receipts, deeds of attornment and warehouse warrants
 - Collateral management
 - Control of cash flow
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BORROWING BASE

- Use and operation
- Security pool and lending value
- Reporting
- Risk considerations

DISTANCE LEARNING WITH KIPROD

Cost Effective – Study around your busy schedule with no need to travel

100% Online - Modules released Weekly via our Virtual Learning Environment

Real-life Application - Apply your new knowledge and skills to your work as the course progresses

Content - Explore a variety of course materials including, case studies, and written modules

Flexibility - Access and study when and where convenient for you

Interaction - Meet course director on the once a week online forum

Assessment - Check your understanding with online quizzes

COURSE STRUCTURE

Over EIGHT weeks' students learn via:

- Eight modules, spread over 8 weeks
- Quizzes to test your knowledge
- Revisiting the content - you have unlimited access to all the materials for two months
- Access the discussion forum to interact with the Trainer Once a week throughout the course

COURSE CERTIFICATION

You will receive our Certificate confirming the subjects covered on completion. This will help build your CV for your growth in the industry.

INTERNATIONAL REACH

KIPROD Risk Management Services is committed to meeting the needs and ambitions of a culturally and internationally diverse range of students by providing challenging professional programmes. Staff and students come from a wide spectrum of cultures and backgrounds with a common interest in executive education that is world class, modern and applicable. KIPROD is proud of its dedicated teachers and its rich range of learning resources including distance learning and virtual learning environments.

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