TRADE FINANCE

TRADE | LETTERS OF CREDIT | EXPORT FINANCE

TRADE FINANCE GLOBAL

WHAT IS TRADE FINANCE?

Trade finance is the financing of domestic and international trade – if a company trades goods or services and has a trade cycle, this can be financed using a variety of debt finance instruments which come under the umbrella term of 'trade finance'.

In this guide we'll look at how Letters of Credit, Bank Guarantees, Receivables and Loans can be used together to finance the buying or selling of goods.

TRADE FINANCE BENEFITS

Trade finance can be structured as a standalone flexible facility to increase as your company grows:

FREE UP WORKING CAPITAL

Cash is king. By making your stock and business assets work for you, freeing up working capital can help you acquire new clients and increase trading volumes

EXPORT MORE AND GROW TRADE LINES

Trade finance allows buyers to request higher volumes of stock, meaning your business can take advantage of economies of scale and bulk volume discounts with suppliers

MITIGATE SUPPLIER RISK

Trade finance reduces credit and payment risks or bad debt risk on suppliers as the funders assist with processes and control over the goods being traded. Trade finance focuses more on the trade than the underlying borrower (not balance sheet led), so small businesses can trade larger volumes

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HOW TRADE FINANCE WORKS

Trade finance works by issuing payment against confirmed orders:

Letters of Credit (LC) - LCs are issued by banks or trade finance institutions, which pay the exporter on behalf of the buyer, if the terms specified in the LC are fulfilled.

Invoice Financing and Receivables - these allow businesses to release cash from unpaid invoices

Bid and Performance Bonds - these are designed to ensure that the seller delivers goods / services in accordance with the terms of the contract and at the agreed time

Bank Guarantees - A bank guarantee is a 'promise' to underwrite or make payment to a third party, on certain terms. Often a third party will request a guarantee of payment upon dispatching its goods or services to another party, and a bank can guarantee this payment through a contractual obligation

EXAMPLES

- A plastics supplier secured £750k of import finance, allowing them to immediately finance their imported stock from abroad at a fixed cost and freeing up capital for the growing business
- A clothing manufacturing firm released £300k from unpaid client invoices to free up cashflow
- We helped a client get construction funding for a £1.2m of sub-contracting receivables
- Our partners helped a limited company with the provision of currency solution for their 2 year old business to fund international growth

CONTACT US

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