

Global Trade and Receivables Finance

Sri Lanka & Maldives

A quick guide to HSBC Global Trade and Receivables
Finance Products & Services



HSBC Global Trade and Receivables Finance

Our Global Trade and Receivables Finance (GTRF) experts provide support and knowledge based on the experience gathered through our extensive global network over 150 years to help you turn new markets into familiar territory.

HSBC's comprehensive suite of products and services can be combined into a customised solution that could make it easier for you to manage trade risk, process trade transactions and fund trade activities. This includes helping you replace unstructured lending arrangements with more cost-effective, flexible trade and receivables finance options. Plus, with more than 5,500 trade specialists globally, HSBC¹ has access to 90 per cent² of the world's trade flows, which means we can help you connect with new partners in new markets to meet your growth objectives.

¹ HSBC refers to The Hongkong and Shanghai Banking Corporation Limited

² HSBC Network Analysis, Global Insights, UNCTAD

Content

1.	Quick Guide	4
1.1.	Export Documentary Credits Advising	4
1.2.	Find out More	4
1.3.	Our Tariffs	4
1.4.	Complaints & Feedback	4
2.	Imports	5
2.1.	Import Documentary Credits (DC)	5
2.2.	Standby Documentary Credits	5
2.3.	Documentary Collections	6
2.4.	Shipping Guarantees	6
2.5.	Import Loans	6
3.	Exports	7
3.1.	Documentary Credit Advising	7
3.2.	Transferred Documentary Credits	7
3.3.	Documentary Collections	8
3.4.	Export Documentary Credit/Export Bill Negotiation	8
3.5.	Export Loans	9
3.6.	Financing under Export Documentary Collectionsn (DA / DP Purchases)	9
3.7.	Packing Credit / Manufacturer's Advance	10
4.	Bank Guarantees	10
4.1.	Bank Guarantees	10
5.	Various Payment Methods	11
5.1.	Quick Guide for Payment Method Selection	11
6.	Value Added Services	12
6.1.	Instant@dvice	12
6.2.	Internet Trade Services (ITS)	13
6.3.	Documentary Credit Safe Custody	13

1.Quick Guide

1.1. Export Documentary Credits Advising

For your customers to have their DCs advised to your account, please provide the following information and request them to appoint HSBC as the Advising Bank.

Name of Bank: The Hongkong and Shanghai Banking Corporation Limited

Address

Sri Lanka: No.24, Sir Baron Jayatilaka Mawatha, Colombo 01, Sri Lanka

Maldives : MTCC Tower. No.24, Boduthakurufaanu Magu, Malé, Maldives

SWIFT Address

Sri Lanka: HSBCKLX

Maldives : HSBCMVMV

1.2. Find out More

Visit: www.business.hsbc.lk or www.business.maldives.hsbc.com

1.3. Our Tariffs

Visit: www.business.hsbc.lk or www.business.maldives.hsbc.com

Scroll down and select 'Download Center' under Tools and resources

Select 'GTRF Standard Tariff' under 'Global Trade and Receivables Finance'

1.4. Complaints & Feedback

All customers may direct any feedback or complaints to the below personnel.

Manager Client Services	Tel: +94(11)5451053 Email: gtrf.clientservices.cbh@hsbc.com.lk
Tharusha D Mahawaduge	Head of Global Trade and Receivables Finance Services Sri Lanka and Maldives Tel: +94(11)5451070 Email: tharushamahawaduge@hsbc.com.lk
Asanka Abeyasinghe	Head of Global Trade and Receivables Finance Sri Lanka and Maldives Tel: +94(11)5451522 Email: asankaabeyasinghe@hsbc.com.lk

2.Imports

2.1. Import Documentary Credits (DC)

How does an Import DC work?

A DC is an undertaking by a bank to pay a supplier for goods or services within a prescribed time limit as long as clearly defined terms and conditions have been met.

Features

- ◆ Ensures a supplier has met your terms and conditions before you pay them
- ◆ Strengthens your negotiating position by offering a guaranteed payment
- ◆ Improves cash flow

Benefits

- ◆ Protects you and your suppliers' interests
- ◆ Increases the credit period a supplier is willing to give
- ◆ Widely accepted as payment assurance by suppliers and their banks
- ◆ Replaces deposits and advances financed by import loans, overdrafts or your own cash reserves

2.2. Standby Documentary Credits

How do Standby DCs work?

Standby DCs (SDCs) are generally used to guarantee a third-party's credit facility. The most common type of SDC is opened on behalf of a parent company, in favour of the lending bank, to guarantee facilities granted to its subsidiary.

Features

- ◆ Guarantees payment in case of default or non-performance
- ◆ Gives suppliers payment assurance to accept open account trading
- ◆ Allows you to leverage your credit standing to secure banking facilities for your other companies

Benefits

- ◆ A way to consolidate banking relationships in one office for greater convenience and control
- ◆ An alternative to performance and bid bonds
- ◆ Accepted in countries such as the US where bank guarantees are not allowed
- ◆ Provides substantial savings in transaction fees if you make purchases of similar amounts at regular intervals from the same supplier

2.3. Documentary Collections

How do Documentary Collections work?

Having shipped the goods, your supplier presents the necessary documents, together with supplier's instructions, to his bank which forwards the documents to your bank for payment. With a Documentary Collection against payment (D/P), import documents are released to you on payment. With a Documentary Collection against acceptance (D/A), the documents are released to you against your promise to pay at a future date.

Features

- ◆ A cost-effective and secure way to trade internationally
- ◆ Enables you to receive goods before payment
- ◆ Eliminates the need for credit facilities if no bank finance is required on payment

Benefits

- ◆ A simpler alternative to Documentary Credits (DCs)
- ◆ Reduces payment risk for your supplier at minimal cost to you
- ◆ Gives you access to goods without delay
- ◆ Suppliers are paid as soon as your account is debited with no hidden interest or payment delays

2.4. Shipping Guarantees

How do Shipping Guarantees work?

Benefit from immediate access to goods without having to wait for all the transport documents.

Features

- ◆ Goods can be possessed without the transport documents
- ◆ Avoids unnecessary delays and missed business opportunities
- ◆ No need to pay storage fees or demurrage charges

Benefits

- ◆ Defers payment until your supplier's documents have been presented
- ◆ Shipping guarantees issued by HSBC are widely accepted by all shipping companies
- ◆ A shipping guarantee can be issued as soon as you make the application

2.5. Import Loans

How do Import Loans work?

An Import Loan bridges the gap between payment for imported goods and receipt of funds through subsequent sales, providing greater flexibility and liquidity to grasp new business opportunities.

Features

- ◆ Loan Against Import – available when you are trading under Documentary Credit or Documentary Collection terms. Goods are released to you under trust receipts, meaning that you can use the goods immediately but they belong to the bank until you settle the loan
- ◆ Clean Import Loan – rather than being triggered by the receipt of a DC or Documentary Collection, the advance is made on presentation of supplier invoices and evidence of shipment only

Benefits

- ◆ Timely payments to suppliers will enhance your business reputation
- ◆ Flexible – you can extend your credit periods beyond those given under DCs and Documentary Collections
- ◆ Your negotiating position with suppliers is strengthened as you are able to accept quick payment terms

3.Exports

3.1. Documentary Credit Advising

How does DC Advising work?

Once you advise your Importer to issue a DC in your favour through HSBC, this will be received by us.

Features

- ◆ Our export trade specialists check the authenticity of DCs issued to you
- ◆ You can now start arranging shipment
- ◆ A DC will reach you within 24 hours of receipt from the issuing bank

Benefits

- ◆ For DCs issued by other HSBC offices, communications are streamlined
- ◆ You can combine DC Advising with our free DC Safe Custody service
- ◆ You can seek advice on trading internationally and expanding into new markets

3.2. Transferred Documentary Credits

How does a Transferred DC work?

If your customer is a middleman, trading house or sourcing office, you might receive a Transferred DC as the payment method. The ultimate buyer issues a Transferable DC to your customer who then transfers all or part of the DC to you to source the goods and effect payment. You are paid when the ultimate buyer pays your customer and, from the proceeds, your share of the payment is credited to you.

Benefits

- ◆ Gives you assurance of a confirmed order and peace of mind if you are uncertain of the financial standing of your customer
- ◆ Enables the recipient to secure financing in some countries where a DC is required

Potential risks

- ◆ Your customer could mishandle the documents and put the payment at risk as you do not have ultimate control over the presentation of compliant documents under the Transferable DC
- ◆ You cannot fulfil the requirements of the Transferable DC if your customer does not transfer subsequent amendments to the original DC to you

3.3. Documentary Collections

How do Documentary Collections work?

Having shipped the goods, you present the necessary documents, together with your instructions to your Bank who then forwards the documents to your Buyer's bank for payment.

With a Documentary Collection against payment (D/P), import documents are released to the Buyer on payment. With a Documentary Collection against acceptance (D/A), the documents are released to the Buyer against their promise to pay.

This is a secure way to trade if your buyer does not issue DCs. It puts you in a position to negotiate better terms and prices.

Benefits

- ◆ Simple and cost effective
- ◆ Documents and payment collections are handled by HSBC on your behalf
- ◆ Easier and cheaper for buyers to receive Documentary Collections than to issue Documentary Credits
- ◆ Reduces disputes as Documentary Collections are governed by URC522 which clearly defines the responsibilities of different parties, along with interest and expense issues
- ◆ Access to HSBC's global network makes it easier to chase outstanding payments

Potential risks

- ◆ You bear the risk while goods are in transit or storage until payment or acceptance takes place because payment is not made until after the goods are shipped
- ◆ No guarantee of payment from the banks involved in the transaction

Note: You should always check a buyer's credit status and reputation before agreeing to a Documentary Collection.

3.4. Export Documentary Credit/Export Bill Negotiation

How does Export Documentary Credit/Export Bill Negotiation work?

A bank purchases post-shipment bills of exchange for onward presentation to the buyer's bank with the necessary commercial and transport documents.

Features

- ◆ You receive immediate payment on presentation of shipping documents under a DC transaction
- ◆ Cash flow is improved
- ◆ Risk of non-payment is reduced

Benefits

- ◆ Allows you to immediately reinvest proceeds from your sales
- ◆ Offers more payment options to your customers without a negative impact on your cash flow
- ◆ Experienced HSBC staff check documents and correct errors to ensure compliance before submission to the DC issuing bank
- ◆ No credit facilities are required
- ◆ Fast and convenient
- ◆ Proceeds from Export DC Negotiation can be used to settle packing credits or import loans

3.5. Export Loans

How do Export Loans work?

Through a credit facility with HSBC, an export loan can be obtained by using the goods being shipped as proof for the loan. This is provided post-shipment upon presentation of your invoice, copy/copies of other commercial and transport documents.

Features

- ◆ Immediate post-shipment finance for open account trading
- ◆ Cash flow is improved
- ◆ Competitive interest rates

Benefits

- ◆ Easy to apply for
- ◆ Low handling charges and straightforward settlement
- ◆ No missed business opportunities where buyers require long credit periods
- ◆ An export loan is not secured by the exported goods
- ◆ Structured to ensure your trade cycle is financed adequately

3.6. Financing under Export Documentary Collections (DA / DP Purchases)

How do DA / DP Purchases work?

Through a credit facility with HSBC, we can purchase your Documentary Collections. A cash advance is provided against an expected payment from your buyer under Documents against Acceptance (DA) or Documents against Payment (DP) collections. When the bill is paid, HSBC keeps the proceeds to pay off the loan, thereby improving your cash flow.

Features

- ◆ Receives a cash advance against an expected payment under Documentary Collections
- ◆ Improves cash flow
- ◆ Allows you to reinvest your sales proceeds immediately

Benefits

- ◆ Minimises the impact of export bills on your business
- ◆ Offers more payment options to your customers with no negative impact on your cash flow

3.7. Packing Credit/Manufacturer's Advance

How does a Packing Credit/Manufacturer's Advance work?

An advance is provided by a bank to an exporter to finance the purchasing, processing, manufacturing or packing of goods prior to shipment. It is provided on the basis of a Documentary Credit opened in the exporter's favour by an overseas buyer.

Features

- ◆ Gives you working capital to fulfil orders
- ◆ Covers all pre-shipment costs
- ◆ Offers lower interest rates than traditional overdrafts

Benefits

- ◆ An extended, flexible finance period – usually 90 days before the shipment date
- ◆ The credit covers manufacturing costs such as raw material and employee wages
- ◆ Supports cash flow while goods are being packed and waiting for shipment
- ◆ Is repaid pro-rata from DC proceeds or buyer remittance
- ◆ Credit terms can be structured to suit your business
- ◆ Wins new business by offering more competitive terms to trading partners

4. Bank Guarantees

4.1. Bank Guarantees

How does a Bank Guarantee work?

A guarantee or a bond, as they are sometimes known, provides the beneficiary with acceptable security if the applicant (you) fails to fulfil its obligations in the underlying contract and helps to manage international trade risk. There are many types of Bank Guarantees which can help you expand into new markets. They help to facilitate open account trade, provide security to counterparties, and can be helpful in the writing of legal contracts.

Types of Bank Guarantee

◆ Tender Guarantee / Bid Bond

A pre-requisite for a commercial or trade-related tender, issued to support the applicant's tender for the contract. The guarantee will be claimed by the beneficiary in the event the applicant is awarded the contract but is unable to proceed further.

◆ Advance Payment Guarantee

Issued to cover receipt of an advance payment for a commercial or trade-related contract which can be claimed if the applicant does not meet its obligations under the terms of contract.

◆ Performance Guarantee

Supports the applicant's obligation under a contract and can be claimed in the event of non-performance or non-delivery. These guarantees may well follow on from a Tender Guarantee and often contain an "extend or pay" clause.

◆ Warranty/Maintenance/Retention Guarantee

Usually issued after completion of a contract to support the applicant's obligation to maintain the goods or services for a specified period of time. These guarantees often contain an "extend or pay" clause.

◆ Financial Guarantee

Issued to support various types of financial obligations of the applicant allowing the beneficiary to claim upon non-payment of monies – eg; rent payments under a lease agreement, utility payment in lieu of a deposit, trade debt of an importer under open account terms, or the obligations of the issuer of a commercial paper or note.

◆ Credit Guarantee

Issued to enable an applicant to secure banking facilities for a subsidiary or associate company in other countries.

◆ Customs Guarantee

Provided to Customs enabling the applicant to import goods across the border without the immediate payment of duty or tax.

Benefits

- ◆ Conduct business with confidence, even where you lack established relationships, through the use of guarantees and standby letters of credit
- ◆ An HSBC guarantee could enable you to negotiate favourable terms with buyers and suppliers by protecting them for non-performance under a contract while addressing your financing needs
- ◆ HSBC offers tailored solutions including performance, advance payment, tender, warranty, financial guarantees and standby letters of credit as well as others upon request

5. Various Payment Methods

5.1. Quick Guide for Payment Method Selection

The main difference between these payment methods is the level of risk faced by the importer and exporter:

1. Payment in Advance – Before goods are shipped
2. Open Account Payment – After goods are shipped or received
3. Documentary Credits – Payment is guaranteed by a bank subject to the fulfilment of certain terms and conditions by the importer and exporter
4. Documentary Collections – Payment is handled by banks acting as agents for the importer and exporter

	Payment in Advance	Open Account Payment	Documentary Credits	Documentary Collections
Bank Charges	Low	Low	High	Medium
Payment Risk	Exporter has concerns over the ability and willingness of importer to pay	Exporter is comfortable with the reliability of the importer to pay	Payment is guaranteed by issuing bank if terms of credit are met	Payment risk unchanged but mitigate by control over goods
Country Risk	High - Exporter requires payment before shipment	Low - Does not mitigate country risk in any way	High - Exporter requires confirmation from a bank in a low risk country	Medium - Exporter mitigates risk by using the banking system to retain control over the goods by holding on to title documents
Credit Facilities	Not required	Not required	Required	Not required
Cash Flow	Importer has a good cash position Exporter needs cash as early as possible	Importer wants to delay cash outflow Exporter's cash flow must be able to support the delay	Importer wants to delay cash outflow Exporter's cash flow must be able to support the delay	Importer wants to delay cash outflow Exporter's cash flow must be able to support the delay
Price	Importer may be able to negotiate a discount	Importer may pay a premium for supplier credit	Price may be lower in exchange for added security of bank guarantee	Effect on price depends on collection terms

6. Value Added Services

6.1. Instant@dvice

How does Instant@dvice work?

Once you sign-up with us, advices for all your GTRF transactions will be sent to you via e-mail instantly on approval of transactions for Documentary Credits, Export Bills, Bank Guarantees and more.

Features

- ◆ Accelerated import and export procedures
- ◆ Significant savings in document replication and storage costs
- ◆ Instant email status reports on your transactions with HSBC

Benefits

- ◆ Free of charge
- ◆ As soon as an import DC is issued, you receive a copy by email, so you can forward it to your supplier and other trade partners
- ◆ As soon as we receive the SWIFT message, an export DC copy is sent to you by email, so you can start export procedures earlier than the norm
- ◆ Electronic DCs can be copied into other documents for speed and accuracy

- ◆ Suppliers can start producing goods or collating shipping orders before they receive the original DC
- ◆ Up to five email accounts can simultaneously receive the DC copy
- ◆ Our free DC Safe Custody service will store your original DCs

6.2. Internet Trade Services (ITS)

How do Internet Trade Services work?

Internet Trade Services (ITS) can be accessed via your HSBCNet account (once activated only) which offers an online platform to submit and view status of your applications.

Features

- ◆ Real-time account overview and enquiry via HSBCNet (www.hsbcnet.com)
- ◆ View credit facility limit and position
- ◆ View import and export outstanding items
- ◆ Submit applications for the following trade transactions
 - Apply for and submit amendment for import DC
 - Submit import bills instruction
 - Submit export DC transfer application

Benefits

- ◆ An activity log allows you to view the activities conducted on Internet Trade Services, giving you additional security and control of all transaction activities
- ◆ Ability to save DC templates for DC applications submitted through Internet Trade Services, saving your time in inputting the information each time you issue a similar DC
- ◆ Preferential pricing offered to DC applications submitted through Internet Trade Services

6.3. Documentary Credit Safe Custody

How does Documentary Credit Safe Custody work?

Once you receive a Documentary Credit in your favour, you can choose to lodge this with us until the export documents are ready for presentation.

Features

- ◆ Safe storage of original DCs free of charge
- ◆ No need to find secure storage space
- ◆ No need to collect original DCs

Benefits

- ◆ Original DCs are stored safely at your choice at HSBC Global Trade and Receivables Finance office
- ◆ Minimises the risk of losing an original DC in transit
- ◆ Whenever a DC is needed, simply submit your export documents and we do the rest

Important Notice

- ◆ This document outlines the key facts of the products and services offered by HSBC Global Trade and Receivables Finance Sri Lanka & Maldives
- ◆ The details contained in this document does not constitute an offer or solicitation for, or advice that you should enter into, domestic or international trade transactions. It does not purport to list or summarise all of the terms and conditions of a particular transaction, nor to identify or define all or any of the risks that would be associated with any transaction. While all reasonable care has been taken in preparing this document, no responsibility or liability is accepted for any errors of fact, omission or for any opinion expressed herein
- ◆ We adhere to all publications issued by the International Chamber of Commerce (ICC) which are currently in force and any changes/additions that may come into force at a future date
- ◆ The Hongkong and Shanghai Banking Corporation Limited, Sri Lanka is regulated by the Central Bank of Sri Lanka and this document is issued in line with the requirements of the Banking Act Direction No.8 of 2011 – Customer Charter of Licensed Banks dated 05 October 2011
- ◆ The Hongkong and Shanghai Banking Corporation Limited, Maldives is regulated by the Maldives Monetary Authority and this document is issued in line with the requirements of the Circular No: CN-CBSS/2012/09 – Customer Charter of Licensed Banks in Maldives

This document is issued by:
The Hongkong and Shanghai Banking Corporation Limited
Global Trade and Receivables Finance
Sri Lanka & Maldives

www.business.hsbc.lk | www.business.maldives.hsbc.com