

# Import Letters of Credit



## Trade with confidence and minimise financial risk

An Import Letter of Credit is a commitment given by us to pay your supplier on your behalf using a credit facility that you have pre-agreed. Payment is only made if we receive specified documents about the transaction from your supplier.

### Your business needs

You have an overseas supplier which requires security of payment, and/or you want to ensure certain conditions have been met before making payment

### How we could help

An Import Letter of Credit puts you in control. It allows you to stipulate the documentation required, set shipment dates and specify any other conditions that need to be met before you make payment.

### Benefits

- A secure method of settlement for both parties where the importer can stipulate the exact documentation that the exporter must provide in order to be paid
- The Letter of Credit replaces buyer risk with bank (RBS) risk, which may provide additional comfort to the seller and support the security of your supply chains
- The fact that your supplier now has greater certainty of payment means you may be able to negotiate improved payment terms and therefore boost your cashflow

### Is an Import Letter of Credit right for you?

You might consider an Import Letter of Credit if you:



Want to provide your Seller with a means of settlement that is well recognised and covered by protective guidelines issued by the International Chamber of Commerce



Are dealing with a new supplier or want to negotiate extended payment terms



Require specific documents in order to clear the goods through UK Customs or on-sell them to your customers

### Things to think about

- An Import Letter of Credit requires you to have an approved credit facility in place with us. Security may be required
- It's important to remember that, with Letters of Credit, banks take actions based on deal documentation, not the underlying goods themselves. This means that, provided documents are in order, we will pay into or debit from your account irrespective of any underlying contractual dispute.

### How it works

**You make contact with your Relationship Manager (RM)**

Your RM, usually with one of our specialist trade Advisors, discusses your needs and agrees an appropriate solution with you



#### Credit facility

A credit facility is agreed with you and documented



#### Issuance

You complete an application form and RBS issues the Letter of Credit by SWIFT message via your supplier's bankers or one of our correspondent banks



#### Payment

Your supplier ships goods and presents documents to us via their bankers.

We check documents, referring any discrepancies to you, and make payment – either immediately or on a deferred basis if terms are offered. Documents are released to you.

Tomorrow begins today

## How we work with you

- Our team of specialist trade advisors who will work with you and your Relationship Manager to understand your business and your plans for the future.
- Our wide range of trade products, along with the benefits and the costs, will be explained to you and we will work together to find the best solution for your business.

### Your Challenges

- You have a new supplier and are unsure about their ability to provide the right specification of goods within the timescales needed by you or your customers
- You are buying goods from overseas to re-sell in the UK. Your customers will not pay you until say 60 days after delivery, but your supplier is asking for payment in advance of shipment. This gives rise to a large cash flow requirement

### Our Solution

- Using an Import Letter of Credit, you could require presentation of an inspection certificate issued by your agent and specify a latest date by which goods must be shipped.
- By offering your supplier an Import Letter of Credit they may agree to payment after shipment. If necessary, it might be beneficial to your cash flow to negotiate a lower price but obtain deferred payment terms from the supplier, e.g. 90 days after shipment, allowing you time to collect monies from your customer

## Product Specifications

- **Payment either at sight or at the end of specified term:** The buyer or their bank may pay at sight or accept to pay at the end of a specified term (acceptance)
- **Validity Period on Letter of Credit:** Letters of Credit always have a latest shipment date, a stated expiry date and place of expiry
- **Prepayment:** With an Import Letter of Credit, we may be able to pay before a maturity date (discount). This may mean you can negotiate better terms with your supplier and may help your cashflow and working capital needs.

### Our fees

- Risk fees
- Transactional fees
- Arrangement fee
- Security fee
- Risk fees will be payable based upon our assessment of the risk profile of your company and any available security. This will be payable at issuance, acceptance and if the Letter of Credit is extended or increased
- Transactional fees will be payable for amendments, payment, correspondence etc. Postage and SWIFT charges will also be levied.
- An arrangement fee for setting up and managing the facility may apply
- A security fee may be charged if any security is taken

Security may be required. Product fees may apply. Over 18s only. Subject to status, business use only.

ANY PROPERTY OR ASSET USED AS SECURITY MAY BE REPOSSESSED OR FORFEITED IF YOU DO NOT KEEP UP REPAYMENTS ON ANY DEBT SECURED ON IT.

This document has been prepared by The Royal Bank of Scotland plc or an affiliated entity ("RBS") exclusively for internal consideration by the recipient (the "Recipient" or "you") for information purposes only. This document is incomplete without reference to, and should be viewed solely in conjunction with, any oral briefing provided by RBS. RBS and its affiliates, connected companies, employees or clients may have an interest in financial instruments of the type described in this document and/or in related financial instruments. Such interests may include dealing in, trading, holding or acting as market-maker in such instruments and may include providing banking, credit and other financial services to any company or issuer of securities or financial instruments referred to herein. RBS is not and shall not be obliged to update or correct any information contained in this document.

This document is provided for Information purposes only and its content should not be treated as advice of any kind. This document does not constitute an offer or invitation to enter into any engagement or transaction or an offer or invitation for the sale, purchase, exchange or transfer of any securities or a recommendation to enter into any transaction, and is not intended to form the basis of any investment decision. This material does not take into account the particular investment objectives, financial conditions, or needs of individual clients. RBS will not act and has not acted as your legal, tax, regulatory, accounting or investment adviser; nor does RBS owe any fiduciary duties to you in connection with this, and/or any related transaction and no reliance may be placed on RBS for investment advice or recommendations of any sort. Neither this document nor our analyses are, nor purport to be, appraisals or valuations of the assets, securities or business(es) of the Recipient or any transaction counterparty. RBS makes no representation, warranty, undertaking or assurance of any kind (express or implied) with respect to the adequacy, accuracy, completeness or reasonableness of this document, and disclaims all liability for any use you, your affiliates, connected companies, employees, or your advisers make of it. Any views expressed in this document (including statements or forecasts) constitute the judgment of RBS as of the date given and are subject to change without notice. RBS does not undertake to update this document or determine the accuracy or reasonableness of information or assumptions contained herein. RBS accepts no liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this material or reliance on the information contained herein. However, this shall not restrict, exclude or limit any duty or liability to any person under any applicable laws or regulations of any jurisdiction which may not be lawfully disclaimed. The information in this document is confidential and proprietary to RBS and is intended for use only by you and should not be reproduced, distributed or disclosed (in whole or in part) to any other person without our prior written consent.

The Royal Bank of Scotland plc. Registered in Scotland No. SC083026. Registered Office: 36 St Andrew Square, Edinburgh EH2 2YB. Financial Services Firm Reference Number 114724. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.