

BANK GUARANTEES IN INTERNATIONAL TRADE

To master the parameters and the implications of the contractual guarantees in order to minimize the legal and financial risks

PUBLIC

Bank executives, administrative and financial collaborators of the export departments wishing to initiate themselves or look further into these instruments

OBJECTIVES

To know the incurred risks on the buyer and the seller side

To know the various types of guarantees to be set up at each stage of the contract

To familiarize oneself with the legal distinctions and the mechanisms inherent in each type of guarantee

To master the various parameters of the guarantees in order to be able to negotiate the terms under optimal conditions and to thus minimize the risks

To know how to react in the event of abusive call

PRE-REQUIS: None

TEACHING METHOD

Technical contributions, talks/discussions, case studies.

The goal is to make the participants react on concrete cases enabling them to be operational as of their return in the company.

DURATION: 1 day

PROGRAM

I Risks incurred in the sales transactions

1.1 Risks on the exporter side

- Identification of the risks to each stage of the contract
 - Export of consumer goods
 - Export of capital equipment on “turn-key”

- Chronology of the risks during the course of the contract

1.2 Risks on the purchaser side

- Different types of risks on each stage of the contract
- Chronology of the risks

II Contract bonds set up by the exporter

2.1 Bank guarantees set up by the exporter

- Finality of the guarantees
- Chronology of the various guarantees
- the different guarantees by function
 - tender bond
 - performance bond
 - advance payment guarantee
 - retention money guarantee
 - guarantee for overdraft facilities)
 - Examples of real cases for each type of guarantee

2.2 Various types of guarantees according to their legal nature

- Suretyship
 - Mechanism
 - calling of the guarantee
- First demand guarantee
 - Mechanism and calling
 - Differences between suretyship and first demand guarantee
 - Various types of first demand guarantees (on simple request, justified, Documentary guarantee...)
 - Direct or indirect bank guarantee
 - Risks incurred by the exporter
- Standby L/C
 - Mechanism and setting up
 - Specificities of the standby L/C
 - Various types of standby L/C (clean standby...)
 - Risks incurred by the exporter
- Example of real cases for each type of guarantee

2.3 Analysis of the various parameters of the guarantees and precautions to be taken by the exporter to reduce the risks

- The duration and the amount of the guarantees
 - Coming into effect and expiry of the guarantees
 - Problems of duration posed by certain countries

- Precautions to be taken by the exporter
- The reduction of the amount according to the advance of the contract
- The coming into effect
 - Condition precedents to introduce into the wording of the guarantees
- The calling of the guarantees
 - What to make in the event of an abusive calling?
- Legal provisions and applicable jurisdiction
- The wording of the guarantees (legal qualification)
- The articulation of the various guarantees

III Other bank guarantees set up within the framework of an export contract

- Bank guarantees of payment (other than the documentary credit)
- Letters of indemnity (LOI)

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