

COMPARATIVE APPROACH DOCUMENTARY CREDIT AND STANDBY L/C

To know to choose between the standby L/C and the documentary credit

PUBLIC

Bank executives, import/export managers, executives of the sale administration, financial executives of the import/export companies, credit managers, treasurers

OBJECTIVES

To master better the principles of working of the documentary credit and the standby L/C

To know the basic differences between the 2 instruments

To know the advantages and the disadvantages of each instrument both for the purchaser and the seller

To know all the possible uses of the standby L/C

PRE-REQUISITE

To be familiarized with the use of the documentary credit

TEACHING METHOD

Technical contributions, talks/discussions, mini 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 Main methods of payment used in the international trade and the problematic of non-payment

Payment in advance

Open account

Documentary collection

Documentary Credit

Standby L/C

II Reminders on the documentary credit

Definition

Fundamental mechanisms

Contents of the documentary credit and documents to be presented

Risks incurred by the different actors
Disadvantages of the documentary credit
The irregularities and their impacts on the course of the documentary credit
Examples of import and export credit

III The standby L/C

Definition
Mechanism
Content and documents to be presented
The calling of the standby
Example of import and export standby L/Cs

IV Comparative Analysis of the 2 techniques of payment

Basic differences between the 2 instruments
Comparison of the 2 instruments: commercial and financial aspects
Forces and weaknesses of each instrument (the optics of the exporter, the importer, the banker)

V Other uses of the standby L/C: contract bonding

The standby L/C as tender bond
The standby L/C as performance bond
The standby L/C as advance payment guarantee
The standby L/C as a retention money guarantee

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