



Nordea Trade Finance

Taking the risk out of trade

Trading partners rely on building trust. But few business leaders can afford to rely solely on trust when money is at stake. Bank guarantees provide trading partners with protections that cover virtually every phase of the transaction between buyer and seller. Guarantees are used as a security to ensure that compensation is paid when the situation warrants it.

Benefits to the seller:

- Improved competitiveness – reliable counterparty
- Enhanced cash flow
- More flexibility in cash outlay compared to cash deposit
- Proof of creditworthiness
- Able to negotiate better terms with counterparties

Benefits to the buyer:

- Ensure due compensation if contract is breached
- Improved security
- Proves creditworthiness of the counterparty
- Increased trust between parties involved in a sale or a project
- Encourages proper and timely performance of the contract

What should you take into consideration when using bank guarantees in export trade?

- *Expiry of the guarantee* – it's recommended that the guarantee has a fixed expiry date
- *Maximum guarantee amount* – to limit guaranteed obligation
- *Transferability of the guarantee* – Risk of an unknown counterparty
- *Expenses* – agree who's paying expenses – In case of indirect guarantees the cost of the guarantee issuance can rise quickly
- *Country specific rules* – important to consider the choice of law and jurisdiction to be applied in guarantee, might affect the guarantee parameters, e.g. expiry of the guarantee
- *Language of the guarantee* – to be understood without doubt by all parties, English recommended
- *The form of guarantee* – accessory guarantee vs. demand guarantee

Standard guarantee texts

We recommend using Nordea's standard guarantee texts. They are designed to suit both the Seller and the Buyer.
<https://www.nordea.com/en/our-services/tradefinance/guarantees/>

Benefits of using Nordea's standard guarantee texts:

Fast, efficient, easy & cost-effective

Contact

Please contact us and find out more about our trade finance solutions.

[NORDEA.COM/TRADEFINANCE](https://www.nordea.com/tradefinance)

Additional Information

Most used guarantee types:

- Tender guarantee/bid bond
- Advance payment guarantee
- Performance guarantee
- Warranty guarantee
- Payment guarantee

Issuing of guarantee:

- Direct Guarantee – Paper guarantee issued by Nordea
- Advising of Guarantee – Issued by Nordea and transferred electronically via a local bank
- Indirect Guarantee – Paper guarantee issued by a local bank against Nordea’s counter guarantee

Nature of Guarantee:

Accessory

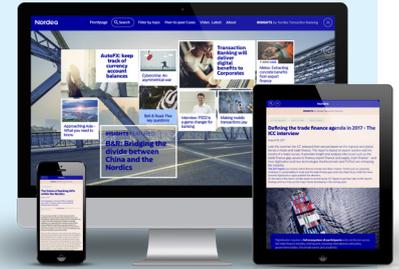
- Linked to the underlying contract
- “Argue first, pay later”

On-demand

- Independent from the underlying contract
- “Pay first, argue later”
- ICC rules URDG758 - reduces the risk of misunderstanding, simplifies guarantee terms and increases transparency

Check out the latest insights from our experts

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Bank Guarantees in Export Trade

