

Documentary Credits for imports

– improving your international trade

Enables you to buy worldwide.

The Documentary Credit (DC) (Letter of Credit, LC), is commonly used for settling international trade. It offers a payment and financing method and is a practical tool for risk management that also can give your company a competitive edge.

Avoid advance payment

With a DC it is Nordea that guarantees* the seller the payment. In many cases the DC replaces the need for advance payment and you can consequently move the time of payment from advance until after shipment has been made.

Advance payment is however a common way for sellers to finance their purchases of raw materials and production. With a DC the seller can often obtain local financing instead of demanding advance payment from you.

Obtain financing

A DC can be payable either directly in connection with shipment or at a future date.

By offering the seller a DC* you offer them a security for payment and are thereby better positioned to also negotiate a credit period, i.e. a DC with payment at a future date.

Right goods at the right time

Payment under a DC is subject to the seller making a complying presentation of documents as per the terms of the DC.

One such term could be the latest date for shipment. If the goods are shipped later than the date stated in the DC, the seller

has failed to comply with this term and the issuing bank has the option to refuse payment. This means that you do not have to pay for late shipment of seasonal goods. Another such term could be place of delivery which ensures you that the goods will actually be delivered to the agreed location.

How it works

First you agree with the seller on the terms of the contract (1), in this case that settlement will be made under a DC payable in connection to shipment. You then apply for the DC to Nordea (2) who issue the DC and send it to the Advising Bank (3). The Advising Bank advises the DC to the seller (4). The seller now delivers the goods (5) and presents the documentation (6). The Advising Bank sends the documents to Nordea (7) who release them to you against payment (8-9). Finally, Nordea will remit payment to the Advising Bank (10), which will pay the seller (11) in accordance with the structure of the DC. The banks involved will handle the DC subject to the "Uniform Customs and Practice for Documentary Credits" published by the International Chamber of Commerce (ICC).

Contact us to find out more about how we can assist you with your trade finance transactions. You can also find us at nordea.com/tradefinance

CONTACT

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

NORDEA.COM/TRADEFINANCE

SHORTCUTS

More tools to help you improve your international trade:

NORDEA.COM/TF-PUBLICATIONS

FACTS

Nordea offers a full range of trade finance services and is the largest trade finance bank in the Nordic region. We offer trade finance services including collections, documentary credits and guarantees as well as related e-solutions.

Located in Denmark, Finland, Norway, Sweden, Germany, China, Estonia, Latvia, Lithuania, Russia, Singapore, the UK and USA.

*) Subject to credit approval.

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