

# Documentary Credits for exports

– improving your international trade

Enables you to trade 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.

## Security for payment

In a DC it is the buyer's bank, the issuing bank, that guarantees payment. Your risk is consequently moved from the buyer to the issuing bank. Once you present DC-complying documents you trigger the payment obligation of the issuing bank.

## Nordea confirmation

If the issuing bank or the country of the issuing bank is unknown to you or includes a risk that conflicts with your company policy, Nordea can confirm\* the DC for you. Confirmation by Nordea means that Nordea is obligated in the same way as the issuing bank, e.g. to pay you when you make a DC-complying presentation to Nordea.

## Financing

A DC can be payable either directly in connection with shipment, or at a future date. By using a DC with future payment you offer your buyer financing. But this does not mean that you have to wait for the payment. Nordea can pay you directly and thereby provide you with financing\*.

## When to use a DC

A DC has a variety of uses. But it is strongly recommended when the transaction amount is of such volume that failure to pay or delayed payment would have a notably

negative impact on your company. We also recommend that you use a DC when you need financing<sup>1</sup> for credits given to the buyer, or simply when the buyer is unknown to you or the country of the issuing bank is politically or economically unstable.

## How it works

First you and the buyer agree on the terms of the contract (1), in this case that settlement will be made under a DC payable in connection with shipment. The buyer then applies for the DC at his bank (2), which issues the DC and sends it to Nordea (3). Nordea advises the DC to you (4). You can now make the shipment (5) and present the documents requested in the DC to Nordea (6). Nordea checks that the documents are as per the DC terms and sends the documents to the issuing bank (7), which remits payment through Nordea (8-9). The buyer will get access to the documents (10) after having paid the issuing bank (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](http://nordea.com/tradefinance).

## CONTACT

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

[NORDEA.COM/TRADEFINANCE](http://NORDEA.COM/TRADEFINANCE)

## SHORTCUTS

More tools to help you improve your international trade:

[NORDEA.COM/TF-PUBLICATIONS](http://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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