

Risk Management

– improving your international trade

Know the risks and secure your trade.

There are various risks in international trade due to different cultures, political and economic environments as well as national and international regulations. The flexibility in trade finance products helps you to reduce the risks and can give your company a competitive edge.

As the leading Nordic Trade Finance Bank, we know how to help you succeed in international trade.

Customer risk (commercial risk)

Customer risk does not only mean the risk of your trading partner not being able to deliver or pay as agreed, but also that your trading partner is unwilling to fulfil the agreement, or simply that you have different interpretations of the terms of the agreement.

The use of payment terms such as collection or documentary credit, and standard delivery terms like the Incoterms, reduces or eliminates various risks related to your business, including cancellation of orders, late delivery or delayed payments etc.

Country risk (political risk)

Political and economic circumstances may affect the possibility of doing trade. They may even prohibit deliveries or payments.

The risk of war, riots, civil commotions, changes in trade regulations, nationalisation of companies, shortage of currency and weak banking systems are examples of country risks.

Trade finance products can be structured to reduce or eliminate these kinds of risks.

Currency and interest risk (financial risks)

Fluctuations in, for instance, exchange rates, interest rates, commodity prices or transportation fees can have significant effects on companies, banks and countries. And, of course, on whether or not your trade deal will turn out as planned.

Well-structured deal terms and the right hedging products can ensure completion of the deal as planned.

How it works

This example shows one easy way to secure delivery, payment and a currency exchange rate.

First you reach an agreement with your trading partner on the terms of the contract (1). In this case the payment is to be made in US dollars under a collection covered by a payment guarantee. The importer's bank then issues the payment guarantee (2) in favour of the exporter. As the importer's domestic currency is the Japanese Yen and the exporter's is the Euro, both the importer and exporter sign an FX agreement with their banks (3) to ensure that they know at this stage what currency exchange rate will be used at the time of payment. The exporter can now make the delivery (4) and obtain payment under the collection (5).

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.

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