

## Solutions for Importers

# ▶ Import Documentary Credit Solution

*Maximised working capital, reduced risk*



### Comprehensive DC-issuance solution your suppliers will trust

Sourcing products globally can increase opportunities but the consequences can be unpredictable, especially in unfamiliar markets. By issuing a Documentary Credit (DC), HSBC will undertake, on your behalf, to make payment to your supplier against presentation of compliant documents within the validity of the credit. You benefit from greater visibility and control with access to a comprehensive suite of services that make transactions happen at the speed of your business.

#### Benefits to You

- ▶ **New market opportunities.** Payment will only be made if your supplier has complied with all the terms and conditions prescribed in the DC. As a result, a DC can help you expand your business and deal with new business partners in unfamiliar territories.
- ▶ **Potential to improve pricing and terms.** A DC issued by HSBC provides additional assurance to your suppliers, giving you added leverage to negotiate more favourable pricing and longer payment terms.
- ▶ **Accelerated cash flow.** You can accelerate your cash flow by using DCs in place of deposits, and/or advances financed by import loans, overdrafts or your own cash reserves.
- ▶ **Control over payment.** Payment to your suppliers will only be made upon presentation of the required compliant documents within the validity of the credit.

#### Your Needs

This is the solution for you if:

- ▶ You do not want to make payment without evidence that your supplier has shipped goods and submitted documents specified by you.
- ▶ Your supplier wants payment assurance from a world-class financial institution.
- ▶ Your supplier needs additional assurance of payment before shipping goods.

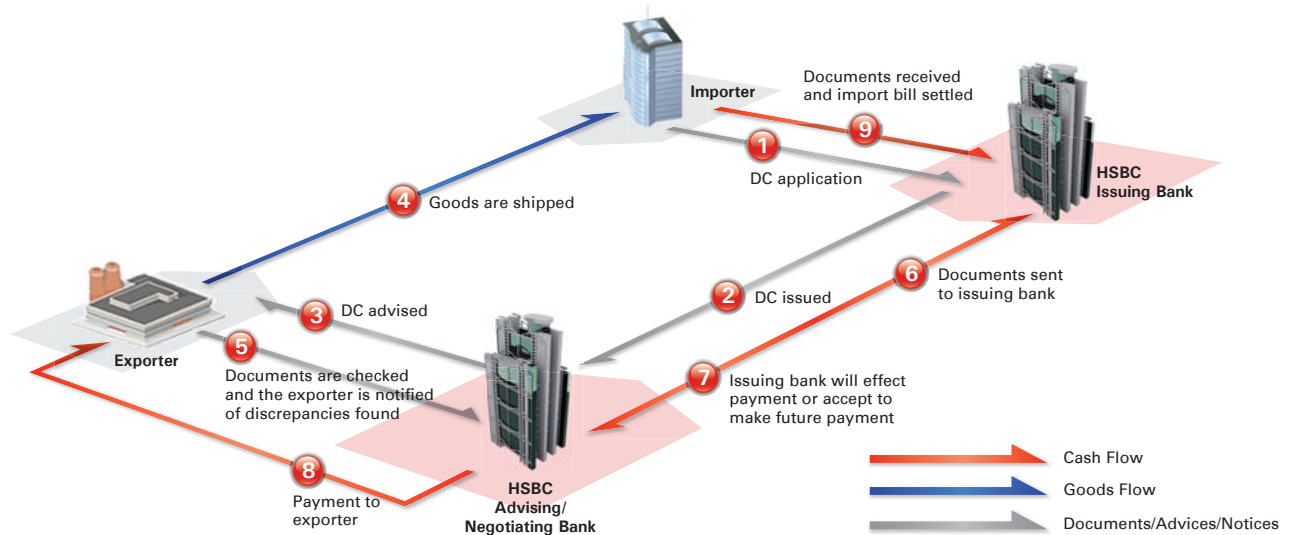
#### Product Features

- ▶ **Additional payment assurance for your supplier.** By issuing a DC, your bank undertakes on your behalf to make payment to your supplier against presentation of compliant documents within the validity of the credit.
- ▶ **Full range of services.** Take advantage of DC issuance and import DC bill processing, plus a range of related products, to fulfill your trade requirements end-to-end.
- ▶ **Documents and payment processing under international rules.** Trading under DC terms helps protect buyers and sellers because document handling is subject to international rules and regulations\*.
- ▶ **Different methods of payment.** The terms of a DC can specify payment at sight or at a future date to accommodate the credit terms agreed with your suppliers.
- ▶ **Variety of DC types to suit your business needs.** Common types of DCs available include:

- Transferable and Back-to-back DCs, which enable your supplier or agent to leverage the strength of your DC when purchasing from their suppliers.
- Revolving DCs, which provide you with additional flexibility to accommodate multiple future shipments from your suppliers.

## How It Works

The diagram below illustrates the process flow of a typical DC transaction:



## Electronic Value-added Services

- ▶ **Internet Trade Services.** Apply for and amend DCs, transfer DCs and access an electronic copy of your issued DCs online. You can also specify payment instructions and view your trade account status and facilities position.

## Risk Characteristics

Under a DC, you are obligated to pay if the supplier presents compliant documents, even if the goods are damaged or do not meet your expectations. You can take additional steps to enhance protection by:

- ▶ Verifying the supplier's reputation, financial standing and ability to produce the goods required; and obtaining samples of goods.
- ▶ Ensuring your DC calls for a certificate of inspection issued by an independent inspection agency, showing a report of 'clean findings' certifying that goods meet the standard as clearly defined by criteria set out.

## Related Products

- ▶ **Import Finance.** Obtain funding against your future sales to pay your suppliers upfront.
- ▶ **Shipping Guarantee/Delivery Order/Air Waybill Release.** Allows you to take control of goods without presenting an original copy of transport documents when goods arrive before the documents, thereby avoiding additional storage fees or demurrage charges.

- ▶ **Pre-Set Exchange Rates and Forward Contracts/Options.** Protect your business against future currency fluctuations by fixing an exchange rate upfront.

## Contact Us

Contact your HSBC Relationship Manager or Trade and Supply Chain Specialist to start using HSBC's Import DC Solution. You can also call HSBC Trade and Supply Chain during regular business hours or visit us on the Web at [www.hsc.co.za](http://www.hsc.co.za) for further information.

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\* HSBC handles DC transactions in accordance with the Uniform Customs and Practice for Documentary Credits (UCP), a set of international standards for the handling of Documentary Credits through financial institutions. The rules are published by the International Chamber of Commerce (ICC).

HSBC has sole discretion to make funding decisions for individual transactions and will retain recourse to you after funds are advanced. An HSBC trade account relationship, approved trade-finance facilities and trade-finance agreement are required. Additional terms and conditions may apply.

Trade and supply chain transactions may be subject to credit approval. Other restrictions, including specific country regulations, may apply. Foreign currency exchange rates may apply to certain trade transactions. Certain products and solutions contained herein may not be offered in every market. Check with your local HSBC Trade and Supply Chain specialist for a full product offering in your country.

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