

Simplifying your trade transactions

# IMPORT LETTERS OF CREDIT

more  
than  
money

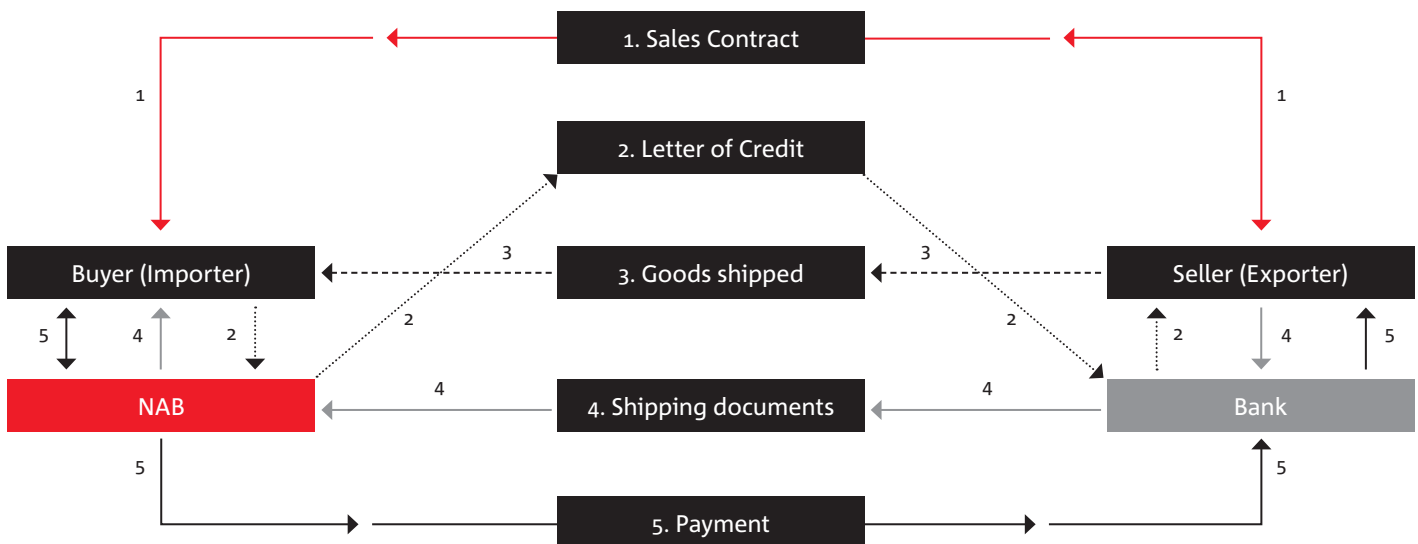


## WE CAN STRENGTHEN YOUR RELATIONSHIPS WITH YOUR SUPPLIERS

If you are an importer looking to enter new markets or looking to improve your terms of trade with existing suppliers, then securing attractive trade conditions and terms will be crucial to your cash flow. With a NAB Import Letter of Credit you can leverage the strength of NAB's global rating and brand to negotiate more favourable payment terms, rather than tying up your own funds with advance payments or deposits.

## IT WORKS LIKE THIS

A Letter of Credit issued by NAB is our undertaking to pay the supplier for the value of a shipment of goods provided that the supplier presents shipping documents that comply with the terms and conditions of the Letter of Credit.



1. Seller and buyer agree terms and enter into a Sales/Purchase contract.
2. Buyer issues an Import Letter of Credit via NAB.
3. Goods are shipped.
4. Seller presents shipping documents through their bank who in turn presents to NAB for payment.
5. Provided those documents comply with the terms and conditions of NAB's Import Letter of Credit, NAB pays.

Benefits	Features
<ul style="list-style-type: none"><li>• <b>Cash Flow</b> – you only need to pay after goods have been shipped (or later if you have extended payment terms from the Exporter). No need for advance payments prior to shipment of goods.</li><li>• <b>Control</b> – the exporter must comply with the Import Letter of Credit to be assured of payment. Latest shipment dates, pre-shipment inspections, etc., must be satisfactorily achieved, ensuring you get your goods on time and as expected.</li><li>• <b>Relationships</b> – a NAB backed Import Letter of Credit demonstrates to your counter parties that you are a company of substance. Being backed by a highly rated Australian bank, will help build your existing relationships and can open the door to new relationships.</li><li>• <b>Expertise</b> – our team of specialists are available to consult and assist with your unique Supply Chain Finance requirements.</li></ul>	<ul style="list-style-type: none"><li>• Traditional trade payment instrument, well understood in the international market.</li><li>• Governed by an internationally agreed upon set of rules formulated by the International Chamber of Commerce, Paris.</li><li>• Our National Online Corporate software allows you to raise, amend, finance and pay for your Import Letters of Credit from your office.</li><li>• NAB's credit rating may allow your supplier to obtain financing from their bank against our letter of credit. This may improve your bargaining position to obtain extended payment terms.</li><li>• <b>Service</b> – NAB prides itself in offering the premium Import Letter of Credit service in Australia. We undertake to process and courier shipping documents to you on the same day as receipt.</li></ul>

## What you need to know

<b>What it costs</b>	<ul style="list-style-type: none"><li>• Facility fees and charges are detailed in a separate Letter of Offer.</li><li>• Import Letter of Credit transaction fees and charges are detailed in NAB's brochure <i>International Trade Services – A Guide to Fees and Charges</i>, which is available from NAB's internet site and Business Banking Centres.</li></ul>
<b>Term</b>	<ul style="list-style-type: none"><li>• A NAB Import Letter of Credit facility is approved for 12 months and reviewed annually.</li></ul>
<b>Trade Refinance</b>	<ul style="list-style-type: none"><li>• Subject to approval, short term Trade Refinance may be available in connection with drawings under Import Letters of Credit. Interest rates are available on application.</li></ul>
<b>Terms and conditions</b>	<ul style="list-style-type: none"><li>• NAB lending criteria apply. Terms and conditions are set out in a separate Letter of Offer.</li><li>• For general conditions, all banks follow the Uniform Customs and Practice for Documentary Credit, (2007 revision), International Chamber of Commerce, Paris publication No. 600 (UCP 600). A copy of these rules is available only from the International Chamber of Commerce.</li></ul>
<b>What you will need</b>	<ul style="list-style-type: none"><li>• An approved NAB Import Letter of Credit facility. Security requirements apply.</li><li>• You can use our National Online Corporate software to raise, amend, request finance, pay and manage your outstanding Import Letters of Credit.</li></ul>

## Risks

- **Goods** – by itself an Import Letter of Credit does not provide you with any assurances around the quality of goods shipped. To minimise any goods quality risks you can organise for pre-shipment inspections by independent agencies or a company you are associated with.
- **Non Delivery** – the risk of loss of, or damage to, the goods while they are in transit is generally covered by transit insurance. If insurance is your responsibility you must ensure that appropriate transit cover is obtained. If it is your supplier's responsibility, the Import Letter of Credit will normally call for a copy of an insurance document to be presented along with other shipping documents. The sale/purchase contract should clearly define the party responsible for transit insurance.
- **Foreign Exchange** – economic factors in Australia and globally can significantly impact the value of the Australian dollar against a foreign currency. If you have been invoiced in a currency other than Australian dollars, a depreciation in the value of the Australian dollar can dramatically increase the amount you have to pay in Australian dollars. This risk commences at the time you enter into a sale/purchase contract. You should also be aware that in some circumstances mechanisms may be available for limiting these risks. Such mechanisms may include products ranging from forward foreign exchange contracts to more complex options and derivatives. A solution can be tailored to your specific business needs.
- **Regulations** – import/export regulations may impact the successful shipment of goods. Increasingly, governments and other bodies impose sanctions to freeze payments and stop money laundering, terrorist and other illegal activities. The application of a law or ruling by a body of competent authority may mean that NAB is not obligated to make a payment or provide a service under your facility or that a payment to you or from you could be blocked.

## Complementary solutions

<b>Trade Finance</b>	Our Supply Chain Finance specialists can provide access to funds to match your trade cycle.
<b>National Online Corporate</b>	Electronic platform where customers can manage their trade finance.
<b>Foreign Currency Account</b>	An at call transactional account providing you with the convenience of holding foreign currencies so you can make deposits and withdrawals simply and quickly.
<b>Foreign Exchange Solutions</b>	Our Business Markets specialists can help with a range of solutions to support your business through managing movements in foreign exchange rates and interest rates.

## WHERE TO FROM HERE?

If you have more questions or need further assistance, contact your NAB Business Banker, call **13 10 12** or visit **nab.com.au**

**Important information** – The information is current as at the time of printing 13 May 2014 and is subject to change. The information is of a general nature only. Please consider the Terms and Conditions before making a decision about this product.

This fact sheet has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this fact sheet, NAB recommends that you consider whether it is appropriate for your circumstances. The product is only available to approved business customers.