

more  
than  
money



*Managing*  
**INTERNATIONAL  
TRADE**

The most useful global currency  
is knowledge.

**Important foreign currency warning.**

There is an important warning on  
the next page which you should read.

## FOREIGN CURRENCY WARNING

This important notice should be read and understood before you decide to enter into a facility or transaction in a foreign currency.

This notice is intended to provide you with a general warning of the risks that can arise from adverse exchange rate movements when transacting in a foreign currency, and to advise you that other risks also exist.

Your liability in Australian dollars will increase, possibly very substantially, if there is an adverse movement in either:

- the Australian dollar relative to the currency of the foreign currency facility or transaction; or
- the foreign currency relative to the Australian dollar.

Another risk that may also exist is the potential for adverse movements in the interest rate that applies to the foreign currency facility or transaction.

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 (FECs) and fixed rate loans to more complex options and derivatives. A solution can be tailored to your specific business needs.

For more information about managing risks associated with international trade, go to the “Business” tab on our website [www.nab.com.au](http://www.nab.com.au) and click on International and Foreign Exchange. For more information regarding Foreign Exchange Risk please telephone a NAB Business Markets Specialist on **1800 307 827 (7am – 7pm EST)**.

Any advice contained in this document has been prepared by NAB without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends you consider whether it is appropriate for your circumstances. You should seek independent professional advice before entering into a facility or transaction in a foreign currency. In particular, advice should be sought as to the suitability of a foreign currency facility or transaction for your purposes and risk management strategies available for such facilities or transactions.

Please refer to page 9 of this brochure for important information you should know before acquiring any of the products detailed in this brochure.

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# MAKING THE MOST OF OPPORTUNITIES OVERSEAS

## **Are you new to international trade? Expanding your current markets?**

Perhaps there's a one-off export deal you want to secure. Maybe you need to regularly source components or products from an overseas supplier. You might be weighing up the relative risks and rewards of trading partners in different countries.

You know your own business inside out. But how do you find out about the issues likely to affect you when you're dealing with suppliers and customers in international markets? How and when should you pay, or require payment? And what can you do to protect yourself against the unknowns – like fluctuating currencies? This brochure raises some of the things you may want to consider, and suggests ways we might be able to help.

# AN INTERNATIONAL NETWORK TO HELP CLOSE THE DISTANCE

## **Trade and Working Capital specialists**

**Like to know a bit more about the unknown?**

**There's plenty of information out there, but what you need is the right facts at the right time, to help you move forward.**

Economic conditions, the competitive environment, local market conditions, government regulations – these are just some of the issues that confront you when dealing with new markets. Our team of specialists can discuss your situation and look at options to minimise your risks.

We can provide you with contacts at various Australian Government business development agencies and other bodies, who can provide economic and trade-related information on overseas markets. They can also assist with insights to help you make the most of this information.

**Maybe you're only in the exploratory phase of developing new markets. Or you could be ready to take the next step – expanding from existing trade arrangements into bigger ventures.**

Together with your Business Banking Manager, our Trade and Working Capital specialists can help you to evaluate your circumstances, develop strategies, structure deals and implement the right finance and payment solutions to help you maximise opportunities. They can suggest some safeguards to help you as you enter new, uncharted waters.

For general information on international services and products, visit [nab.com.au/internationaltrade](https://nab.com.au/internationaltrade) or, for information on international financial markets visit [wholesale.nabgroup.com](https://wholesale.nabgroup.com).

If you'd like to discuss your plans with a Trade and Working Capital specialist, just ask your Business Banking Manager to set up an appointment, or phone **13 10 12**.

# IMPROVING YOUR POSITION WITH STRONG CASH FLOW

## Trade finance

**As distances increase, so does the trading cycle and pressure on cash flow.**

If you're exporting goods, you'll probably have to wait longer for payment. If you're importing, you might need to pay your supplier before you finally sell the goods.

Trade finance can provide a buffer to tide you over, to enable you to operate with greater certainty. It may also strengthen your negotiating position. You might get a better deal by paying overseas suppliers up front, and in cash. Or if you're exporting, offering competitive credit terms may help seal an important trading partnership.

## Euros? Yen? US dollars?

Trade finance is available in most major currencies at fixed interest rates, for periods aligned to your trading cycle. This gives you more flexibility to structure the financing of your trade deal to suit your circumstances.

If you're importing, suppliers may require payment before you've on-sold the goods, trade finance may be available to fill this financing need.

On the flip side, businesses in other countries have the same cash flow pressures. So exporters who can deliver extended credit – even up until your buyer on-sells the goods – can help win the sale and perhaps negotiate higher prices.

Rather than drawing on your capital reserves, trade finance may allow you to leave your fixed capital hard at work. Having the ability for early repayment (an economic cost and/or a prepayment fee may apply), or extend terms you have already given (subject to NAB's approval), can help you maintain flexibility and competitiveness.

# SETTLING ACCOUNTS WITH THE MOST SPEED AND LEAST RISK

## **Payments and receipts**

Agreeing to the appropriate method of payment within international trade is a major factor in minimising your payment and/or delivery risk.

The method of payment that is agreed to by both parties will be influenced by many factors which may include conflicting cash flow and risk management issues.

Whilst exporters would prefer to choose a method that provides them with their payment prior to shipment, the importer would rather opt for a method that defers their payment until after the goods are received or even on-sold.

These conflicting demands, combined with other influences such as exchange control regulations of both countries, the creditworthiness of each party, and price, may require both the buyer and seller to accept some degree of commercial risk. It will be up to each party to determine the level of risk that they are prepared to accept.

# WHAT ARE THE METHODS OF PAYMENT AND LEVEL OF RISK?

**Exporter/  
Seller**

**Importer/  
Buyer**

Low Risk

High Risk



**Prepayment**

Remittance from the importer/buyer prior to shipment by the exporter/seller.



**Documentary credit**

Issuance of sight or term documentary letter of credit with payment by drawing under the letter of credit.



**Documentary sight bill**

Documents against payment (D/P Bill).



**Documentary term bill**

Documents against acceptance (D/A Bill).



**Shipment on open account**

Payment by the importer/buyer after delivery of goods.



High Risk

Low Risk



# MANAGE THE IMPACT OF EXCHANGE RATE MOVEMENTS

## **Forward foreign exchange contracts**

**There's little you can do about the things that impact on foreign exchange rates, and even the smallest fluctuations can have significant consequences. But there are ways to manage the impact of these fluctuations on your business.**

If you want greater certainty about the amounts you actually pay and receive, you could consider using a forward foreign exchange contract. This fixes an exchange rate that will apply to a set amount of funds as at a fixed future date. This can apply to the exchange rate between the Australian dollar and a foreign currency or the rate between two foreign currencies.

## **Foreign currency accounts**

Quite possibly, you buy and sell different goods in one or more overseas countries but in the same foreign currency. In that case, you'll want to avoid the costs and hassles of converting funds into Australian dollars and then converting back to that foreign currency.

With your own foreign currency account, funds you receive from export sales can be held until you need or want them. So you needn't convert Australian dollars to pay for import sales or other overseas business costs. In addition, you can convert your funds to Australian dollars at any time and you may earn interest at competitive market rates on the balance of your account that is above USD5,000 or the currency equivalent (interest is not paid on the first USD5,000 or currency equivalent).

Our Trade and Working Capital specialists can discuss your situation and help determine what strategies best work for you.

### **Important information**

The information is current as at the time of printing (August 2011) but may change without notice. The information in this brochure is of a general nature and has been prepared for business customers by National Australia Bank Limited ABN 12 004 044 937 (NAB) for information purposes only. The products and services described are only available to approved customers. Terms and conditions and fees and charges apply. For further information contact NAB.

Any advice contained in this brochure has been prepared by NAB without taking into account your objectives, financial situation or needs. Before acting on any advice in this brochure, NAB recommends you consider whether it is appropriate for your circumstances.

Where required by law NAB will provide Product Disclosure Statements in respect of the products issued by it which are contained in this brochure. NAB recommends you consider any Product Disclosure Statement or other contractual or disclosure document before making any decisions regarding products contained in this brochure.

All products described in this brochure are issued by National Australia Bank Limited ABN 12 004 044 937.

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## Like to know more?

Tell us more about your importing and exporting plans and we can suggest some appropriate solutions.

To talk to a Business Banking Manager, call

**13 10 12**

8am – 8pm AEST, Monday to Friday  
or visit [nab.com.au/internationaltrade](http://nab.com.au/internationaltrade)



Hearing impaired customers  
with telephone typewriters

can contact us on **1300 363 647**