

Agents Solutions for Sourcing, Buying Offices and Traders

# Export Documentary Credit Transfer



# Supports the special role you play in the world of trade services

Sourcing products globally can increase opportunities but the consequences can be unpredictable, especially in unfamiliar markets. With HSBC's Export Documentary Credit (DC) Transfer Solution, you can provide greater payment assurance to your suppliers using your buyer's original DC without the need to separately issue a DC under your own credit lines\*. Plus, you can benefit from greater visibility and control with access to HSBC's comprehensive suite of processing and payment services.

## Your needs

This is the solution for you if:

- You have signed a contract with a buyer to supply goods, but you are not able to fulfill the obligations in part or in full. You need a mechanism to transfer your rights and obligations to multiple suppliers/parties while ensuring that the requirements under the original contract are fulfilled.
- Your suppliers demand a DC, but you do not want to tie up your existing banking facilities or are not in a position to establish import facilities.
- You need to protect your position when you transfer your rights and obligations to a third party. This product can help you avoid revealing the identity of your ultimate supplier to your buyer as well as your profit margin from the transaction.
- You wish to retain control of goods throughout the transaction.

## Product features

- **Transfer to one or more suppliers\*\*.** A transferable DC can be transferred in full or in part to one or more second beneficiaries (suppliers) with or without substitution of invoices. The terms of a DC transfer prevent second beneficiaries from transferring the DCs onto third beneficiaries.

- **Flexibility to substitute drafts.** You may choose to substitute the drafts and invoices of the second beneficiary with your own when collecting payment. Under a full transfer without substitution, you do not need to present your own invoices/draft. The ultimate supplier may present documents directly to the issuing bank via his/her own bankers.

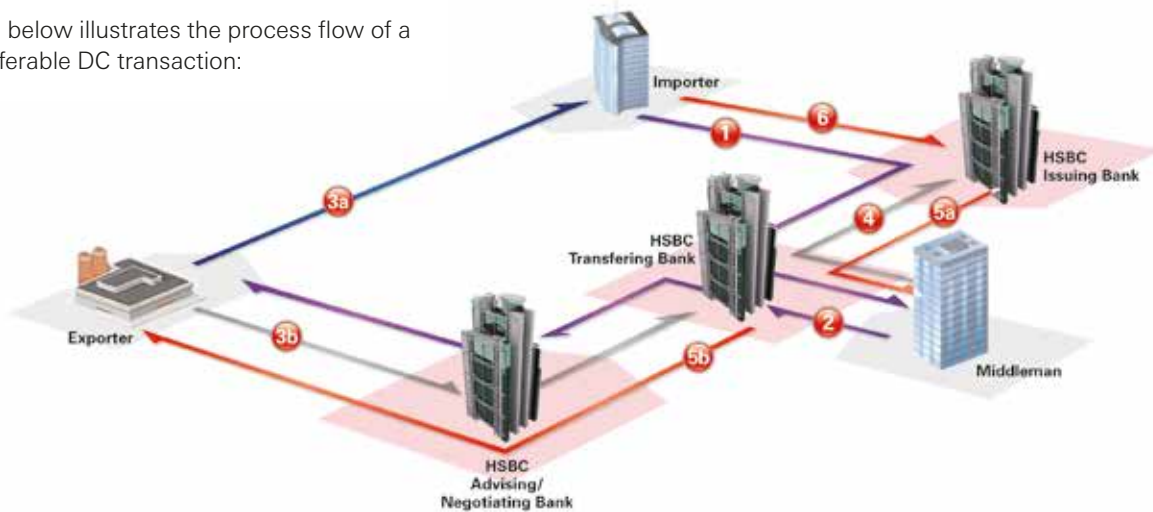
- **Transfer options.** When affecting a transfer, the DC must be transferred on the same terms and conditions. However, you have the flexibility to reduce or curtail one or more of the following five elements of the DC to reflect the terms of your contract with your supplier(s):

- Amount of the DC
- Price/quantity of units/goods
- Expiry date
- Presentation period
- Shipment period/latest shipment date

In addition, the insurance cover as a percentage of the value of goods shipped by your suppliers can be increased.

## How it works

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



- 1 Importer applies for Transferable Master DC. DC issued and advised to middleman.
- 2 Middleman requests DC to be transferred. Transfer DC issued and advised to the exporter.
- 3 Exporter ships the goods. Documents are presented to the advising/negotiating bank which sends these documents to the transferring bank.

- 4 Once middleman substitutes documents, the finalised documents are sent to the master DC-issuing bank.
- 5 The DC-issuing bank effects payment. The transferring bank will in turn pay the middleman and the exporter.
- 6 The importer settles the import bill after receiving documents from the DC-issuing bank.



## Benefits to you

- **Credit facilities not required.** By opting for an export transferable DC to be issued in your favour, you can transfer the credit to your supplier without the need for credit facilities.
- **Confidentiality.** Where required, you can substitute the drafts and invoices presented by the supplier with your own when presenting documents under the master credit, thus keeping your profit margin confidential from your ultimate importer/buyer.
- **Multiple suppliers.** You have the option to transfer the DC to more than one supplier/beneficiary.
- **Obligation upheld.** You are able to satisfy the terms of the contract with your buyer although you are not in a position to directly manufacture/supply the goods and services.

## Risk characteristics

Before transferring a DC, you should be aware of the following:

- Non-performance by the second beneficiary will prevent you from receiving payment for your portion under the master DC.
- The transferring bank has the right to send all of the second beneficiary's documents, including invoices and/or draft(s), to the issuing bank should you fail to substitute conforming documents on first demand, without further responsibility to you as the first beneficiary.

## Related products

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

## Contact points

For further information please contact your HSBC Relationship Manager or Trade and Supply Chain specialist today.

If you do not have a Relationship Manager, or are not an HSBC customer, call us on 2380 1843 during office hours or contact Commercial Banking Contact Centre on 2380 8000 from 8.00am to 5.00pm Monday to Friday (excluding public holidays). Alternatively you may visit [www.business.hsbc.com.mt](http://www.business.hsbc.com.mt)

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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). The original DC should state that it is issued as an "Irrevocable Transferable" DC and HSBC should be nominated as the DC transferring bank.

\*\* If the DC is to be transferred to more than one second beneficiary it must state that partial shipments are allowed. In addition, if it calls for shipment by instalments, the text of the original DC must state that Article 32 of UCP 600 does not 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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