

Trade Finance SIG – Definition by Vikram Kimyani

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What is Trade Finance?

- Usually between importers and exporters
- A means for importers to buy goods
- A means for exporters to be paid
- A way to reduce risk to both of not receiving services or making payment
- Will usually involve a bank to provide credit or provide trusted party services
- Different mechanisms can be used, letters of credit or bank guarantees
- Could also involve factoring, ie someone else collects payments.

Common Trade Finance Acronyms

- LC = Letters of Credit
- BG = Bank guarantee
- BL = Bill of Lading
- CWO = Cash with order
- COD = Cash on delivery

Trade Finance Example

