

Key Fact Document

HNB TRADE SERVICES



Key Fact Document

HNB TRADE SERVICES

Description of the product/ delivery channel

We are one of the oldest and largest private commercial banks in Sri Lanka. Born in the lush hills of Hatton in 1888, our roots began in trade services as we were created to serve the main export industry of tea. Through the years our floors have echoed with the tread of each rising generation. We have thrived because we have always served our customers with passion, knowledge and skill.

Today, as a leading one-stop-shop provider of services with a fully-fledged International Trade Services arm under the bank's Wholesale Banking Group (WBG) vertical, we are committed to deliver fast, efficient, reliable and comprehensive solutions for every stage of your trade value chain, that are customized keeping your business model in mind. We are here to support your evolution in line with your ever-changing dynamic cross border and domestic trade requirements.

How HNB can help your business:

- Protect your trading interests with solutions to help mitigate payment risk when you are selling or exporting, and product quality and sourcing risk when you are buying or importing.
- Be more competitive and agile in international markets.
- Procure innovative sources of funding to support your supply chain and trade flows.
- Secure and strengthen your relationship with your commercial partners.
- Better manage the negotiation phase of commercial contracts.

Why we are the best choice for your Trade Finance requirements:

- **Our Trade Expertise and resources set us apart from our peers** - With the one of the largest pool of technically qualified staff and Certified Documentary Credit Specialists (CDCS) in the industry we are geared to provide an unparalleled service in offering of a full spectrum of customized and structured trade finance solutions. Our unmatched technical expertise enables us to provide simplified end-to-end solutions even for complex transactions.
- **On-line Banking Solution** - that enables you to carry out import/export transactions anywhere/ anytime
- **Extensive outreach enabling utmost customer convenience - Domestic:**
 - Strong local footprint with an island-wide network of over 250 branches.
 - A fully-fledged cutting-edge Centralized Trade Processing Centre to support the entire network, in close proximity to Colombo Port, Sri Lanka Customs and other government institutions that are directly involved in International Trade.
 - Trade Units - strategically located at Head Office Branch, City Office, Pettah, Aluthkade, Negombo and Kandy to offer focused services to trade hubs.

- **Extensive outreach enabling utmost customer convenience - International:** A global network with over 900 correspondent banks enabling hassle free trade transactions with any country
- **International Bank Guarantees** - A leader in issuing International Bank Guarantees for various infrastructure projects in Sri Lanka undertaken by contractors overseas with the strength of the counter guarantees issued by the foreign bank on behalf of the contractors.
- Our turnaround time to issue bank guarantees is considered to be one of the best in the industry.
- **International Certification** - HNB Trade Services are ISO 9001:2015 certified by Bureau Veritas Certification (India) Private Limited for processing and issuing of documents used for export and import financial transactions.



IMPORTS

METHODS OF PAYMENT IN TRADE FINANCE

1 Cash in advance (advance payment)

Advance payment is like paying for something before you receive it – Buyer effects the payment in advance before seller ships the goods.

Advantage – Seller gets guaranteed payment before shipment.

Risk – Buyers bear the risk of non-delivery.

2 Letters of Credit:

A letter of Credit is a risk management instrument, whilst it serves the purpose of a working capital solution.

Think of it as a financial promise – when you buy something, your bank assures the seller they will get paid if they fulfill the agreed terms and conditions of the LC, making transactions more secure. It's a definite irrevocable undertaking from the issuing bank to the beneficiary to make payment against the presentation of complying shipping documents.

Advantage – Secure for both parties, as the bank acts as an intermediary.

Risk – Documents must be precisely in line with terms or payment may be delayed.

Letters of Credit

A Letter of credit (LC), benefits both sellers and buyers.

- ▶ Types of LCs
 - a) Irrevocable LC at Sight or Usance
 - b) Transferrable
 - c) Revolving
 - d) Service LCs
 - e) Standby
- ▶ For sellers, LCs guarantee that payment for goods or services will be made by a bank, on behalf of the buyer, upon presentation of commercial/shipping documents that are compliant with the terms and conditions of the LC
- ▶ For buyers, LCs give confidence that imported goods will be as specified and delivered at the agreed time and place, and that payment will only be made by the bank after shipment and against compliant documents in line with the LC terms

How Letters of Credit work

- ▶ Payment terms are; Sight payment, deferred payment, acceptance and Negotiation.
- ▶ Once shipment is effected the seller presents commercial documents to the LC issuing bank.
- ▶ Upon receipt of LC complying documents, the LC issuing bank then releases them to the buyer
- ▶ Payment to the seller is assured by the issuing bank upon confirmation that documents are compliant
- ▶ The buyer has an obligation to make the payment against the LC, to the issuing bank
- ▶ HNB handles LCs in accordance with the Uniform Customs and Practice for Documentary Credits (UCP 600), a set of international standards for the handling of Documentary Credits through financial institutions. These rules are published by the International Chamber of Commerce (ICC)

LCs are typically used as a risk management and financing instrument in international and domestic trade. As such, they are subject to international rules and give both buyers and sellers access to a consistent framework when trading overseas. While they are independent from the commercial contract, LCs will often reflect the terms of sales agreed between the buyer and seller.

Benefits for Buyers

- ▶ **Security around payments:** which are only made upon presentation of compliant documents providing evidence that the LC terms are met
- ▶ **Negotiate better terms:** a LC issued by HNB provides suppliers with payment assurance, giving buyers extra leverage to negotiate better pricing or payment terms
- ▶ **Improved cash flow:** Using LCs instead of deposits and or advance payments can help improve cash flows
- ▶ **Reduced risk of non-payment:** The buyer's bank undertakes to pay sellers at sight or on a set date, upon presentation of documents compliant with the LC terms
- ▶ **New market opportunities:** LCs can help buyers minimize the risks of working with new suppliers in new territories as payment is only made once all terms and conditions are met
- ▶ **Greater control:** LCs also gives buyers greater control over the details of a transaction by stipulating certain conditions
- ▶ **Funds immediately after shipment:** Documents can be sent to the issuing bank for acceptance and/or payment, or sellers can request upfront funding without the need to draw on credit facilities. Funds can generally be advanced against compliant documents post acceptance has been received from the issuing bank.

- ▶ **Reduced risk of non-compliant documents:** HNBs reputation for superior standard of document checking and handling may help lower the risk of noncompliant documents being presented to the Issuing bank
- ▶ **Improved buyer relationships:** LCs can enable sellers to offer extended credit terms to buyers
- ▶ **Added protection:** Sellers can leverage LC confirmation services to address country and/or bank risk, with the prior arrangement with HNBs correspondence banks.
- ▶ **ADB Credit Guarantee scheme** – Both buyers and sellers could leverage on the ADB Issuing Bank Agreement signed with HNB to support arrange LC confirmations for import LCs, at very attractive pricing.

3 Documentary Collections:

Documentary collection is like a trusted middleman in trade, when a buyer and seller agree to use this method, the seller ships the goods and handover shipping documents to their bank. The bank sends these documents to the buyer's bank who release them to the buyer upon payment or acceptance of a draft agree to pay at maturity. It's a way to ensure everything's in order before the buyer get the goods.

Advantage – Balance risk – the seller has more assurance of payment, while the buyer retains control until documents are settled or accepted to settle on the due date.

Risk – If buyer doesn't pay or accept the draft, the seller faces delayed payment and potential disputes.

Documentary Collections are designed to help and protect both buyer and seller and are subject to international rules and regulations*.

Documentary Collections offer:

- ▶ Sellers the ability to retain control of commercial documents until a buyer has made payment, or arrangements to pay at an agreed future date if the seller wishes to offer credit terms
- ▶ Buyers the security of knowing that goods have been shipped before paying or agreeing to a future payment date. A bank facility is not required and the buyer may be able to obtain better credit terms due to the comfort of the bank's involvement.
- ▶ Documentary Collections are less secure from a seller's perspective than Documentary Credits since the banks involved in the transaction do not guarantee payment. Sellers should always check a buyer's credit status and reputation before agreeing to Documentary Collections

How Documentary Collections work

- ▶ Seller and buyer agree to a commercial contract with payment by Documentary Collection via one of two methods:
 - Documents against payment (D/P) or Documents against acceptance (D/A)
 - Once goods have shipped the seller presents the necessary documents, together with their instructions, to their bank
 - The seller's bank forwards the documents to the buyer's bank with payment instructions
 - With D/P, commercial documents are released to the buyer on payment
 - With D/A, commercial documents are released to the buyer against their promise to pay at a future date or on acceptance of a draft/bill of exchange
 - Upon receipt of payment from the buyer, the buyer's bank sends funds to the seller's bank, who in turn make payment to the seller.

4 Open Account:

It is a trust-based system – the seller ships the goods and sends an invoice and transport document, and the buyer pays later usually with agreed upon credit term.

Advantage - Simplicity for frequent trading partners.

Risk- Seller has higher risk as payment is made after goods are received.

Our Import services:

- Structuring Import facilities to be in line with the Trading pattern
- Structuring of Letters of Credits with multiple payment options subject to Uniform Customs & Practice for Documentary Credits UCP 600
- Issue of various types of Letters of Credit
- Handling of Import Bills subject to Uniform Rules for Collection URC 522
- Advance Payments and Open Account Payments
- Avalization of Documents against Acceptance (DA) Bills
- Facilitating Entrepôt Trade business
- Arranging of LC Confirmation through our network of Correspondent Banks worldwide.

Additional Services provided to support your Import Trade needs:

- **Shipping Guarantees**
- **Air Way Bill Endorsements / Advance Documents Endorsements**
- **Foreign Exchange services** - A state-of-the-art, globally connected Dealing Room to provide you with competitive exchange rates and a comprehensive range of services related to foreign exchange transactions.
- **Import Loans** - If you're importing goods, our import Loans could help you improve your cash flow, and to negotiate better terms with your suppliers and pay them promptly.
For further information please click on the link below.

EXPORTS

Export refers to the sale or shipment of goods, services, or commodities produced in one country to another country or region for the purpose of trade. It involves sending products or services across national borders, typically to be sold to foreign consumers or businesses.

When a country exports goods or services, it means they are producing and selling those items to customers outside of their domestic market. Exporting allows countries to generate revenue, create job opportunities, and stimulate economic growth by tapping into international markets.

If your business trades overseas, our expertise could give you an advantage. Our wide range of export products could support you with solutions to suite your requirements, as well as to support you to mitigate Trade risks associated with International trade.

Furthermore, our export finance solutions could give you access to the working capital you need to fulfil your orders and help you offer more favorable terms to your trading partners.

Our Export services

- Speedy Advising of Export Letters of Credit
- Handling Transferable Letters of Credit
- Prompt Confirmation of Export Letters of Credit
- Negotiation of Export Documents Under LC
- Handling Export Bills on Collections
- Purchase / Discount of Export bills
- Pre-shipment loan Facilities
- Assistance in Preparation of Export documents
- Facilitating Status reports on buyers

1. Export Letters of Credit

An export letter of credit is a financial document issued by a bank on behalf of an importer, guaranteeing payment to the exporter upon successful completion of the specified trade transaction. It serves as a secure method of payment in international trade, ensuring that the exporter will be paid once the agreed-upon terms and conditions are met, typically related to the shipment and delivery of goods.

2. Export Collection

Export collection is a trade payment method where a bank acts as an intermediary to collect payment from an overseas buyer on behalf of the exporter. The bank forwards shipping documents to the buyer's bank and payment is made upon presentation of the documents or at an agreed future date.

What Are the Facilities Given for The Exporters by HNB?

HNB typically provides various facilities and services to exporters to support their international trade activities. While specific offerings may vary from bank to bank, here are some facilities that HNB often provide for exporters:

3. Export Financing

HNB offer different types of financing options to exporters, including **Pre-shipment** financing, **postshipment** financing, export working capital loans and Status reports of foreign buyers. These facilities help exporters manage cash flow, fulfill export orders, and cover production costs.

3.1 Pre-Shipment Facility

Pre-shipment facility for exporters is like a financial boost before the journey begins –It is a loan or credit provided by a bank (pre-financing) to help cover the costs incurred by the exporter or to purchase the raw materials to meet the export orders, ensuring a smooth start to the export process.

The pre-shipment facility is closely linked to export transactions and is often linked to the export documentation process. Banks may require the exporter to provide necessary export documents, such as export letters of credit, export orders, or purchase orders, as evidence of the impending export.

For further information please click on the link below.

3.2 Post Shipment Facility

Post shipment loans - The primary purpose of a post-shipment loan/facility is to provide working capital support to exporters after the shipment of goods. It helps address the cash flow gap between the time of shipment and the receipt of payment from the buyer.

Export bill negotiation/discounting - Banks may require certain export-related documents, such as the bill of lading, invoice, export declaration, and insurance documents, as evidence of the completed shipment. These documents are typically submitted to the bank to initiate the post-shipment financing under Export bills.

Additional Services provided to support your Export Trade needs

- Competitive interest rates for both pre and post shipment products.
- Continues follow up on export proceed repatriation
- Scrutinize Export bills as per ICC publications UCP600 and URC522 regularities in order to forward complying documents
- Expertise and professional advice, giving the cutting-edge advantage, to be the first to seal a trade deal.
- HNB facilitates foreign exchange transactions for exporters, including foreign currency accounts, currency conversions, and hedging solutions to manage exchange rate risks. These services help exporters handle international payments and manage foreign currency exposure.
- HNB assist exporters in preparing and processing export documentation, such as export invoices, bills of lading, certificates of origin, and other required documents. Proper documentation is crucial for complying with trade regulations and facilitating smooth customs clearance.
- HNB offer trade advisory services, providing exporters with information and guidance on trade regulations, export procedures, market insights, and emerging opportunities. These services help exporters make informed decisions and navigate the complexities of international trade.

- SME Expo Credit Scheme - to finance start-up exporters and support a national cause in uplifting the exports sector.
- **Partnership with e-commerce platform Cord360.com** - HNB has partnered with Cord360.com to support exporters and ventures of local manufacturers to engage in new global supply chains, offering a whole new opportunity to Sri Lankan exporters with different trading strategies and the necessary financial solutions to carry out their international business transactions. The partnership provides buyers and sellers with a "one-stop-shop" solution by engaging all HNB partners to support exports in areas of finance, logistics, packaging and market access through Cord360.com
- **Foreign Exchange services** - A state-of-the-art, globally connected Dealing Room to provide you with competitive exchange rates and a comprehensive range of services related to foreign exchange transactions.

Other value-added services:

Pre-Checking - Pre-checking of Export documents, prior to effective presentation, by our knowledgeable and experienced staff can be arranged virtually or at your office premises, if health guidelines permits same.

Customized Workshops/Seminars - We conduct Workshops/ Seminars on International Trade tailored to your needs or requirements. These workshops can be conducted virtually, at your premises or at the Bank's Training Centre, highly experienced staff, who are experts in this subject, will conduct these sessions.

Exporter/Importer Information and Liaison - We can obtain reports on your prospective Exporter or Importer in order to further strengthen your decision of getting into a business relationship. We have a close relationship with the Export Development Board, the Sri Lanka Export Credit Insurance Corporation, various chambers, regulatory and statutory institutions. As such, we can assist Exporters in obtaining necessary information and clarifications.

Connect with our Trade finance specialist for expert guidance and tailored solutions.

For new enquiries

Call us on 0115320670/0115562453/0115320696/0115320630/0115320622

Lines are open from 9am to 3pm, Monday to Friday, excluding public holidays

Fees and charges

please refer our website <https://www.hnb.net>

Please access following website

<https://www.hnb.net/trade-services-tariff>

Access the standard formats

please access following website

<https://www.hnb.net>

Application for Irrevocable Documentary credit.

1. Indemnity for Shipping Guarantee.
2. Import loan and export loan application.
3. Outward Telegraphic Transfer application.
4. Application to submit export bills
5. General Letter of hypothecation
6. Request to transfer letter.

***Above applications are available in PDF Format and can be downloaded**

For more information - 0112 462 462/ hnbconnect@hnb.lk

Complaint handling procedure

The contact number is 0112661963

Email address – customer.experience@hnb.lk

Link :- hnb.net/feedback

