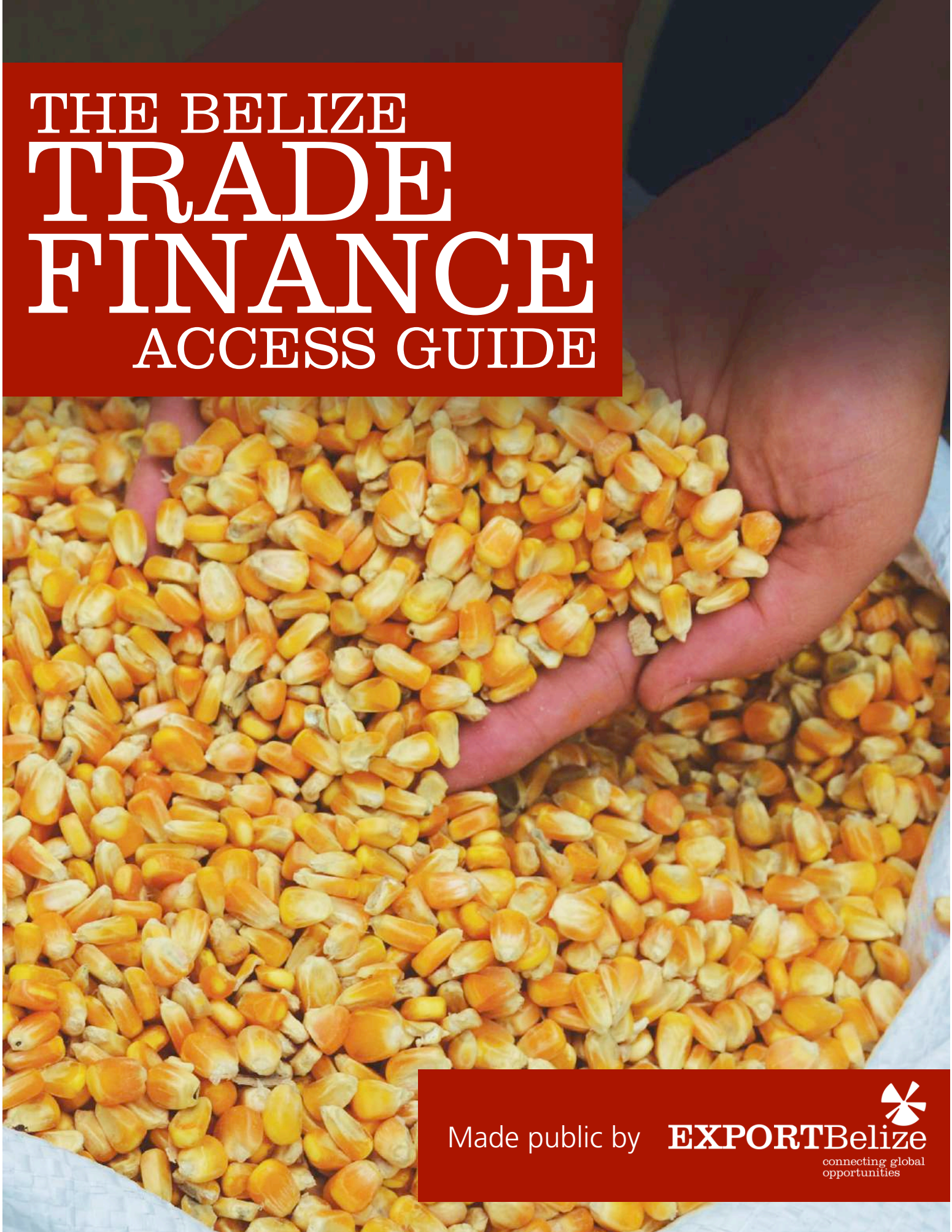


THE BELIZE TRADE FINANCE ACCESS GUIDE



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Table of Contents

Welcome.....	3
Introduction to Trade Finance.....	4
Methods of Payment.....	5
Cash-in-Advance.....	6
Open Account.....	7
Letters of Credit (L/C).....	8
Documentary Collections (D/C).....	9
Pre-Shipment Financing.....	10
Export Receivable-Backed Financing.....	11
Revolving Lines of Credit.....	12
Pre-Payment Financing.....	12
Post-Shipment Financing.....	13
Export Factoring.....	14
Financing for Risk Mitigation - Political, Commercial and Transportation.....	15
Performance Bonds.....	16
Cargo Insurance.....	17
Foreign Exchange (FX) Risk Mitigation.....	18
Currency Forward Contract.....	19
Forward Currency Option.....	20
Appendix I – Diagrams and Simplified Transaction Examples.....	21- 24
Appendix II – Service Providers and Contact Information.....	25 - 26
Glossary of Key Terms.....	27

The Belize Trade Finance Access Guide



Welcome

The Belize Trade Finance Access Guide has been released as a part of the Trade Finance Initiative at EXPORTBelize, BELTRAIDE. The goal of this guide is to educate the current and future exporters of Belize on the financing options available to them as exporters. In reading this guide, the exporter will learn the fundamentals of the Trade Finance services in Belize, how each trade finance service will enhance their exporting capacity, where these services are provided in Belize, and many other pertinent details. The information presented here should be used by exporters to identify and obtain the most appropriate solution to their financing needs. With a better understanding and utilization of trade finance in Belize, the country's exports of goods will exhibit increased stability and competitiveness in foreign markets, as well as amplified growth in quantity and value.

The Belize Trade Finance Access Guide is an informational guide and does not necessarily represent the views and opinions of the BELTRAIDE staff. All content is subject to change.



Introduction to Trade Finance

“importer” and
“buyer”

Trade Finance refers to a specific category of financial instruments within a country’s financial structure that cater to the specific needs of its exporters and importers. Primarily, trade finance services help exporters capitalize on export opportunities in foreign markets by providing them with working capital to expand and deliver on international purchase orders, as well as help mitigate risk of non-compliance from international buyers. As developing enterprises, SMEs often lack the internal expertise and financial

liquidity to take advantage of export opportunities and thus, should be ready and willing to engage third party financial institutions who can assist in the complicated international trade processes. The specific services addressed in the following sections are those offered by the financial Institutions of Belize, and should be used to overcome logistical and financial hurdles faced by exporters. It should be noted that that terms “exporter” and “seller” are used interchangeably, as well are “importer” and “buyer”.

This guide is divided into four categories, Methods of Payment, Pre-Shipment Financing, Post-Shipment Financing, and Financing for Risk Mitigation. Each category will be introduced as a whole, and the various finance instruments that fall into that category will be successively reviewed using the following format:

What?	Brief description of what the TF instrument is
Why?	Reasons for using this instrument
Who?	Who all is involved when this instrument is used
How?	How the TF instrument works
Where?	Where the service can be found
When?	The appropriate time to use this service
Risks?	Level of risk to exporter, and or how the service mitigates risk to the exporter



“security, flexibility,
availability”

Methods of Payment

As an exporter, the number one concern in every sales transaction is getting paid. When an international purchase order is made, the exporter of the goods has to decide which method they will use to collect payment from the importer. An exporter must consider that the process of shipping goods and receiving payment internationally can be infinitely more complicated than transactions that are done domestically. If left to their own devices, an exporter has little ability to navigate the formalities and cultural barriers that exist between nations, and failure to consider even one of the multitudes of these variables can result in non-payment. When a buyer-seller relationship is not previously established, the risk of non-payment is even higher, amplifying the need for risk-mitigating financial instruments. Failure to collect payment on goods that have been produced and shipped can be devastating for a SME that cannot afford to lose that amount of product and the resources that went into their production. There are numerous methods of payments that are commonly used in the international market place, many of which are available for use by exporters in Belize. These options vary in security, flexibility, availability, cost and coverage. As an exporter, it is your job to determine which financial service you will use to collect payment, and the following methods will help you make the best decision. In this section, the function, the benefits, the costs and all other pertinent details are presented for each method of payment.

Cash-in-Advance

What?	In a cash-in-advance payment, the importer provides payment for the purchased goods before the goods are shipped and delivered.
Why?	Provides the exporter with working capital that can be used to produce the ordered goods. For the exporter, this eliminates the risk on non-payment because payment is received in advance of producing, processing and shipping the goods.
Who?	The transaction is handled directly between buyer and seller.
How?	Cash-in-advance payment terms are requested by an exporter and made through wire transfer or credit card payment.
Where?	Most commercial banks in Belize offer international wire-transfer services and accept credit card payment from major credit card suppliers. Check with your commercial bank to see what options are available to you.
When?	International wire transfer or credit card payments
Risks?	For the exporter risk of non-payment is mitigated partially or completely depending on the amount of the payment that was received in advance.

Additional Key Considerations:

By making a cash-in-advance payment for the goods, the importer remains exposed to the risk of non-compliance by the exporter who will not deliver the goods until a future-agreed upon date. Also, cash-in-advance payment has negative effects on the importers free cash flow as delivery of goods may occur 30-90 days after payment. For this reason, a seller that insists on cash-in-advance

payment may lose customers to competitors that offer more attractive payment terms for buyers.

Using credit card as a payment option is a great tool for a SME that is building an online presence. The use of credit card as a method of payment works best for small scale transactions and consumer goods. However, international laws and regulations governing international credit card

transactions may prevent this as a possibility and also carry with it high fees from providers.

Open Account

What?	Purchased goods are produced, shipped and delivered to the importer before the payment is made to the exporter.
Why?	Open Account payments terms are very favorable for the importer and will make the exporter's goods more competitive in global markets.
Who?	An Open Account transaction involves the exporting and importing parties, as well as the institution that provides the wire transfer of credit card services.
How?	Seller is paid by buyer through international wire transfer or credit card payment.
Where?	Online payment providers, credit cards, wire transfers which are available at most commercial banks in Belize.
When?	Intended for use with well-established buyer-seller relationships in which the exporter is satisfied with the buyer's ability to pay.
Risks?	The Open Account payment terms are very risky for the exporter because it offers no recourse in the event of non-payment from importer.

Additional Key Considerations:

The logistics involved with the transportation of necessary documents, such as a bill of lading, is handled directly by buyer and seller when selling on Open Account. If the documents are not appropriately prepared and handled, the goods may not be released to the buyer upon delivery and of course, the seller will not be paid. Therefore, the seller must also be familiar with laws and regulations that apply in foreign markets so that the shipment is properly received in the foreign country and is released to the buyer without problems.

From the importer's perspective, open account payment terms are very appealing because the importer does not pay for the goods until they have been delivered in accordance with the terms of sale, mitigating the importer's risk of non-compliance. However, for the exporter, open account terms offer no recourse in the event that the importer does not comply with the terms of sale when the shipment arrives.

Letters of Credit (L/C)

What?	A L/C is a letter from a bank guaranteeing that the seller will receive the buyer's payment on time and in the correct amount
Why?	Of the trade finance instruments available in Belize, an L/C provides exporters with the most security, efficiency and flexibility in collecting payment in international transactions.
Who?	The L/C payment method involves the exporter, the importer, and a third party financial institution.
How?	The buyer and seller agree to allow their respective banks handle the logistics and formalities of exchanging goods for payment.
Where?	L/Cs are offered by only the largest banks in Belize. Please refer to Appendix II for additional procurement details.
When?	L/Cs should be used for new or less-established trade relationships. The exporter must also be satisfied with the creditworthiness of the buyer's bank.
Risks?	L/C is the most secure instrument available to exporters in Belize because it completely mitigates the risk of non-payment from the buyer.

Additional Key Considerations:

Please see Appendix I for an in depth explanation of the process behind a Letter of Credit transaction and key considerations.



Documentary Collections (D/C)

What?	Just like a letter of credit, the exporter and importer entrust their respective banks to facilitate the complicated task of coordinating the timing of exchanging goods for payment
Why?	Less complicated and less expensive than L/C
Who?	Buyer, Seller, Buyer's bank, and Seller's Bank
How?	The exporter receives payment from the importer in exchange for the shipping documents, with the funds and documents channeled through their respective banks. For a diagram demonstrating the typical flow of events for a simplified D/C transaction with accompanying explanations, please see Appendix I
Where?	D/C services are offered by only a few major banks in Belize. Please see Appendix II for details
When?	Recommended for use with well-established buyer-seller relationships where there is no doubt of the buyer's ability to pay.
Risks?	Because the bank accepts no liability in the collection of payment and is merely an executor of the customer's instructions, this instrument offers no risk mitigation for the exporter

Additional Key Considerations:

Unlike a L/C, the bank accepts no liability in the payment of the exporter or the delivery of the goods to the importer and is a mere executor of the customer's instructions; it is not involved in the underlying transaction. Also unlike a letter of credit, the banks do nothing to verify the accuracy of the documents that are passed between exporter and importer.





“Working Capital Financing”

Pre-shipment Financing

Pre-shipment financing refers to any loan or advance granted to an exporter for the financing of the production, processing and/ or packaging of goods for export. After an international purchase order has been confirmed by the exporter, the exporter must possess a sufficient amount of free capital that can be used to produce, process, and ship the goods to the buyer. If the producer lacks sufficient free cash flow to comply with the agreed upon contract, he must acquire financing enough to cover the cost of production, processing and shipment of the goods. Because this type of financing is meant to increase the amount of working capital that an enterprise has to continue and amplify its operations, it is also known as Working Capital Financing. In Belize, three primary methods of pre-shipment are available to exporting or export-ready enterprises.

Export Receivable-Backed Financing

What?	Financing issued to exporter using short term receivables and confirmed purchase orders as collateral.
Why?	This allows the exporter must possess a sufficient amount of free capital that can be used to produce, process, and ship the goods to the buyer.
Who?	Financing arraignment between exporter and the financial institution that issued the loan. The buyer is uninvolved in this portion of the transaction.
How?	Please see Appendix I for diagram and explanations for the usual flow of events behind export receivable-backed financing.
Where?	This service is provided by DFC, Atlantic Bank and Scotia Bank. Please see Appendix II for details.
When?	This type of financing is required by exporters who lack the working capital needed to produce, process, and ship purchased goods
Risks?	Because the repayment of the loan is contingent on the receipt of payment from the importer, the lender often accepts the liability of collecting the payment for the goods from the importer, mitigating the exporter's risk of nonpayment.

Additional Key Considerations:

Many enterprises in Belize have struggled to acquire the financing necessary to bring their product to international markets, and the number one reason for that is lack of financial track records that the bank can use to gage enterprises creditworthiness. Export-backed receivable financing can be a great way to overcome this hurdle, as a confirmed purchase order or receivable in-hand is a great

testament to the enterprises ability to pay. Always bring past purchase orders along with any new ones to show to the banks in Belize. This is evidence to them of your ability to pay and will allow you to get financing quicker and better interest rates.

Revolving Lines of Credit

What?	Funds allotted to exporter that can be drawn upon at any time up to a certain amount and during a specific time period. The amount that is made available for drawing is reinstated automatically at the end of the time period.
Why?	Revolving lines of credit are meant to cover temporary funding needs that may arise unpredictably, over a set period of time.
Who?	Involves only the exporter and the principal that provides the line of credit
How?	Revolving lines of credit are very flexible in structure and can be drawn upon at any point during the allotted period. The line of credit is reinstated at the end of the allotted period.
Where?	Available at most commercial banks in Belize. Please see Appendix II for details.
When?	When exporter is in need of working capital at unpredictable times and amounts.
Risks?	If used responsibly by an exporter, the risk associated with a Revolving Line of credit is low, as this is a basic and introductory financing instrument.

Additional Key Considerations:

Revolving lines of credit are one of the most popular export working capital financing used in Belize and is a good starting point for SMEs in need of a working-capital facility. By diligently using a revolving line of credit, a borrowing enterprise can build a rapport with the lending institution that issued the line of credit. Diligent payments on a revolving line of credit is a great way to build credit-

worthiness within a financial institution and may enable the borrower to procure larger-scale financing facility at more favorable lending rates in the future from that same institution.



“free cash flow”

Pre-Payment Financing

In this method of financing the importer purchases goods from an exporter by making a payment in advance thanks to a loan issued from a bank to the importer for that specific purpose. The purchased goods are usually in stock in a warehouse or are ready for assembly. Once the pre-payment is made, the importer obtains the title to the goods which is immediately transferred to the bank that issued the loan. The bank gets paid once the supplier has fulfilled his end of the contract as an exporter. For the importer, the financing risk is shared with the lending institution. For the exporter, this financing option is used to reduce the risk of non-payment from the importer because payment is received in advance. Also, the exporter is granted working capital that can be used to fill purchase orders.

Post-Shipment Financing

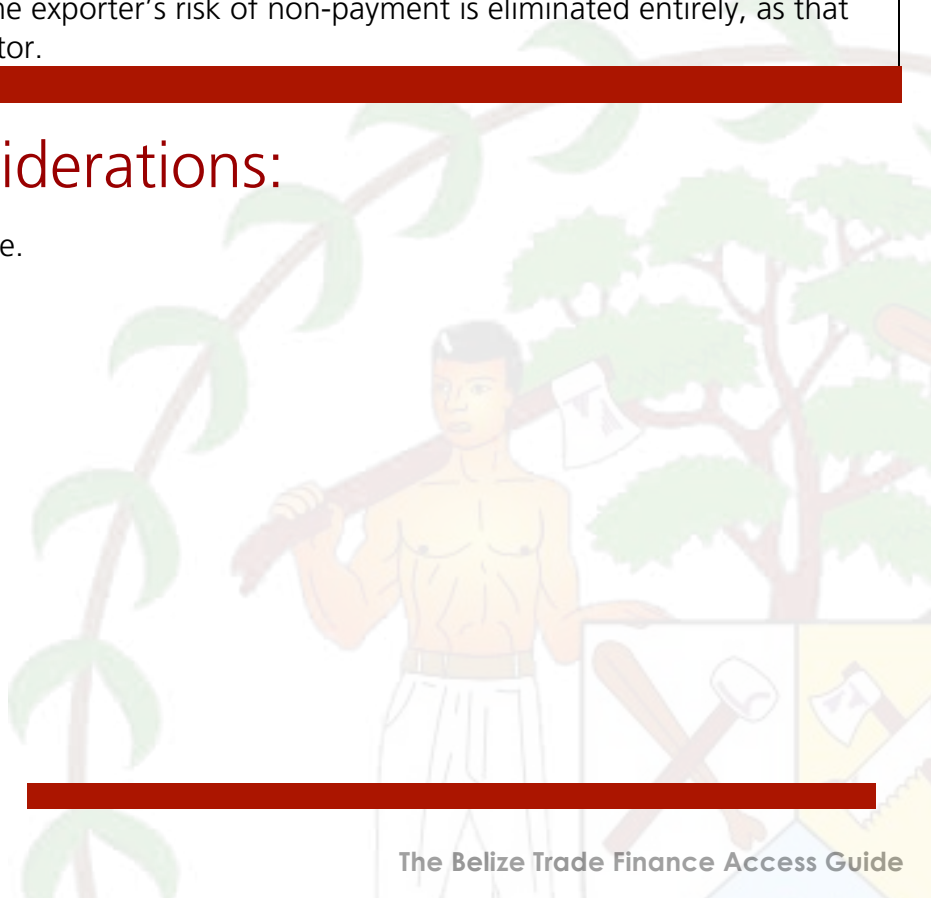
Post-shipment financing refers to the provision of finance for export goods from the stage of shipment to the date on which the payment is realized. In many instances, an exporter that makes sales overseas will have to wait between the dates that exporter delivers the purchased goods and the date on which the importer will make payment for those goods. This time delay can cause significant liquidity constraints for the exporter as its cash flow is tied up in receivables. Lack of free cash flow is limiting in many ways and need be dealt with on a consistent basis. Also in this situation, the exporter must consider the risk associated with receiving payment when it is due. Post-shipment financing should be used by exporters to overcome this type of financial constraint. Currently there is just one post-shipment financing facility in Belize; Export Factoring.

Export Factoring

What?	An Export Factoring Facility, referred to here as a factor, is a bank or financial institution that issues financing to exporters by purchasing their short-term outstanding foreign account receivables, in cash, at a discount of the receivables face value.
Why?	Offers exporters working capital financing, risk mitigation of buyer non-payment, and the ability to offer competitive open account terms to potential buyers.
Why Not?	By selling their receivables to a factor at a discount, the exporter sacrifices a percentage of the value in the receivable.
Who?	An ongoing agreement between the factor and exporter. The factor must also, then, deal with the buyer to collect payment. This instrument is best suited for established exporters with continuous short-term export sales.
How?	The exporter signs an agreement with the factor who is then responsible for investigating foreign buyer (those for which the exporter holds receivables) credit ratings. If approved and the receivable is handed over to the factor, the factor becomes responsible for collecting payments. The factor that signs off with the exporter usually works in cooperation with an import factor, via a correspondent factor network.
Where?	There is currently only one financial institution in Belize offering Export Factoring. See Appendix II for more details
When?	Exporter faces lack of free cash flow and needs continuous working capital, to continue to fill international purchase orders.
Risks?	Upon purchasing the receivable, the factor also accepts the responsibility of collecting payment on the receivable and assumes the risk associated with the buyer's ability to pay. This means that the exporter's risk of non-payment is eliminated entirely, as that risk is shifted to the factor.

Additional Key Considerations:

This is different from export-backed receivable financing because in this case the exporter has already produced and delivered goods and is awaiting payment as opposed to an exporter that needs the financing to produce, process and ship the goods in the first place.





Financing for Risk Mitigation - Political, Commercial and Transportation

A crucial aspect of creating a successful international trade regime is understanding the various types of risk that arise in international trade, as well as the various financial services that are available in Belize to help mitigate these risks. The risks associated with international trade are much higher than the risks associated with domestic trade and can be divided into four major categories: commercial risk, transportation risk, political risk and exchange rate risk.

For the exporter, commercial risk is the risk of non-payment or delayed payment from the buyer, or importer. For the importer, commercial risk refers to an exporter's inability to deliver the product on time and in accordance with the agreed upon quality. Additionally, commercial risk arises from the banks potential insolvency or inability to honor its commitments in the transaction. In total, commercial risks include all of the factors that contribute to the possibility of non-compliance from any of the actors involved in completing an international sale. Political risks are those that arise from the political and economic

circumstances of the country in which your foreign customer resides, or from where goods are sourced or delivered. Political risks are very unpredictable and vary greatly by country and time frame in which the international trade takes place. The political climate of the importing country is an important consideration before trying to deliver product to that country. For example, the source of political risk could be from war and conflict, trade embargoes, and changing government regulations, just to name a few. All of these factors could cause the shipment to be rejected upon arrival at the destination country. The last major risk is that that comes during the transit of your goods for export. Simply put, transportation risk is the risk that your goods may be damaged, lost, or stolen during transit.

Performance Bonds

What?	Performance bonds are used as a form of insurance for large contracts to protect the principal, or funding agent, from risk of non-compliance of the contractor with the agreed upon contract.
Why?	The funding entity, which in this case is the importer, may request that the contractor, which in this case is the exporter, to purchase a performance bond.
Who?	Purchased by exporter from third party financial institution on behalf of principal
How?	Please see example scenario below
Where?	Performance Bonds can be purchased from various financial institutions in Belize. Please see Appendix II for details
When?	When the funder/importer/principal needs insurance of compliance from the contractor
Risks?	Although this instrument is purchased by an exporter, it completely mitigates the risk of noncompliance for the principal.

Example Scenario:

An international sales contract may require that the funder provide partial or complete payment in advance, with the delivery of the goods scheduled for a future date specified in the contract. The funder then faces the risk of non-compliance from the contractor and incurring financial loss. If the funder does not 100% trust the seller to produce in compliance with the agreed upon contract, he may request that the contractor provide a performance bond from a third party institution. With the issuance of the performance bond by a third party, the funder is insured against non-compliance, and will be compensated for financial losses incurred as a result of the non-compliance from the contractor for which the principal has provided funding.

Additional Key Considerations:

Even though this trade finance instrument is used to the benefit of the importer, it will be the exporter that will be asked to acquire the performance bonds. Therefore, an exporter should at least be familiar with the function of performance bonds, when they might be asked to purchase a performance bond, and where a performance bond can be acquired. Please refer to Appendix III.

Cargo Insurance

What?	Cargo Insurance is insurance purchased to protect exported goods in transit. Insurance is available for land, sea, and air transportation and can be purchased on a per-transaction or annual basis.
Why?	When shipping product to international buyers, the exporter must consider that the transportation of the purchased goods will most likely be a service purchased from a third party enterprise that specializes in transporting cargo. This third party assumes the large responsibility of delivering the product to the importer in a secure and timely matter. Therefore the exporter cannot afford to entrust the transit company with this task without first purchasing insurance. Even if the transit provider has a strong track record, there are still factors outside of their control that could affect the security of the transported goods. Losing a shipment during transit can be devastating to a small or medium enterprise as reputation and potentially large amounts of revenue are on the line.
Who?	The insurance service is settled between exporter and insurance agent.
How?	Insurance for cargo is purchased based on the specific mode of transit such as air, marine, or land. The service can be purchased for a specific transit with a one-time fee based on the value of the cargo or on an annual basis for which the exporter pays monthly premiums. The goods in transit are covered up to a certain amount, and if those goods are lost or damaged, the insurance provider pays the exporter for his losses in accordance with the agreed upon terms
Where?	There are numerous financial institutions in Belize that provide the various forms of transit insurance. Please see Appendix II for details.
When?	<ul style="list-style-type: none"> -Shipping product to countries with instable or unpredictable political climate. -Shipping product that an exporting enterprise cannot afford to lose -Shipping product during seasons of inclement/severe/harsh/threatening weather
Risks?	-Mitigates risk completely or partially for exporter who has entrusted a third part transport agency with their goods for export.



Foreign Exchange (FX) Risk Mitigation



An exporter is exposed to FX risk when accepting payment from international buyers in currency other than those accepted for deposit by banks in Belize, which is most commonly USD, BZD and sometimes the Euro. Most international buyers prefer to pay in their own currency, so a Belizean exporter may have to price their goods in the buyer's currency to remain competitive. This means that if the exporter makes a sale and is set to receive the payment in a foreign currency, the exporter will be charged with the task of converting that foreign currency into one that can be held at their own Belizean bank. This exposes an exporter to FX risk, and precautionary measures must be taken. The risk exposure arises in the delay between when the buyer and seller decide on the terms of the sale, and when the buyer actually makes the payment to the seller. When the sale is made, a price for the goods, a timeline for payment, and delivery of goods is also agreed upon. The most competitive producers in the global market give importers 30, 60, or even 90 days to make the payment for the goods for export. During the time delay between when the sale is made and when the buyer makes payment to the exporter, the exchange rate between the buyer's currency and the BZD may have fluctuated. If the BZD has devalued against the foreign currency

during the time delay, the payment will not be worth as much in BZD as it once had when the sale was made. In this way, the exporter is at risk for financial loss.

Of course, this risk can be entirely avoided by an exporter by insisting that their products be priced in BZD, or USD so that the importer will have to exchange their currency before making payment, shifting the FX risk exposure to the importer. Unfortunately, these are very unattractive terms for potential international buyers and will make any exporter insisting on being paid in domestically accepted currency far less competitive in global markets. The cost of sales lost to producers offering more favorable terms could be significant, so it is recommended that the exporters of Belize familiarize themselves with techniques to mitigate FX risk exposure which will allow them to price their products in the currency of the foreign market they are competing in. The Currency Forward Contract and Forward Currency Option are the two FX risk mitigation financial services available to exporters in Belize.

Currency Forward Contract

What?	A forward contract is a binding agreement between you and your bank that locks in the exchange rate that exists between the buyer's currency and the currency accepted by your bank, at the time of sale.
Why?	With this agreement the exporter is able to determine today what exchange rate will be used when receiving payments from the buyer/importer on a future date, effectively eliminating FX risk.
Who?	Agreement between exporter and bank, but is contingent on buyer's payment.
How?	Please see example scenario below.
Where?	Currency forward contracts are offered at only the largest banks in Belize. Please see Appendix II for details.
When?	When locally accepted currency is expected to devalue against the foreign currency between date of sale and date of payment. Also, when the exporter is very confident of buyer's ability to pay
Risks?	The risk of financial loss due to FX rate fluctuation is eliminated.

Example Scenario:

Imagine that a Belizean exporter prices his goods in the European market in Euros and makes a sale today that is worth 100,000 euros. Next, imagine that the exporter's bank accepts deposits only in BZD or USD, meaning that the exporter will have to exchange the Euros before the funds can be deposited in his bank account. Finally, imagine that the terms of this sale has given the buyer 30 days to make the payment of 100,000 Euros. In this scenario the exporter is exposed to FX risk. Using today's exchange

rate, those 100,000 Euros are worth 253,048 BZD. But, in 30 days when the buyer makes the payment, the exchange rate will have fluctuated. Imagine also, that the exporter has noticed that the BZD has been steadily devaluing against the Euro over the last three months. That means that the 100,000 euros will be worth less when exchanged at the later date. If the exporter does nothing to mitigate the apparent FX risk, and the trend continues, financial loss will occur. Therefore the exporter should request a forward contract from his bank to lock in today

exchange rate. In doing so, the bank promises to exchange those 100,000 Euros for 253,048 BZD in 30 days regardless of exchange rate fluctuations. However, the exporter is obligated to present the 100,000 Euros on the agreed upon day to exchange for the 253,048 BZD that the issuing institution had reserved for the exporter that holds the forward contract. Therefore, the exporter must be sure of the buyer's ability to pay and in full; otherwise the exporter would be liable to get 100,000 Euros to the bank, creating a whole new set of problems for the exporter.

Forward Currency Option

This FX risk management instrument serves the same purpose as a Forward Currency Contract, but includes the option for the forward contract holder to opt out of the contract, leaving open the possibility of financial gain. However, this instrument is significantly more expensive than the forward contract, and if the holder of the forward opts out of the contract he forfeits a significant fee.

Currency Forward Contract

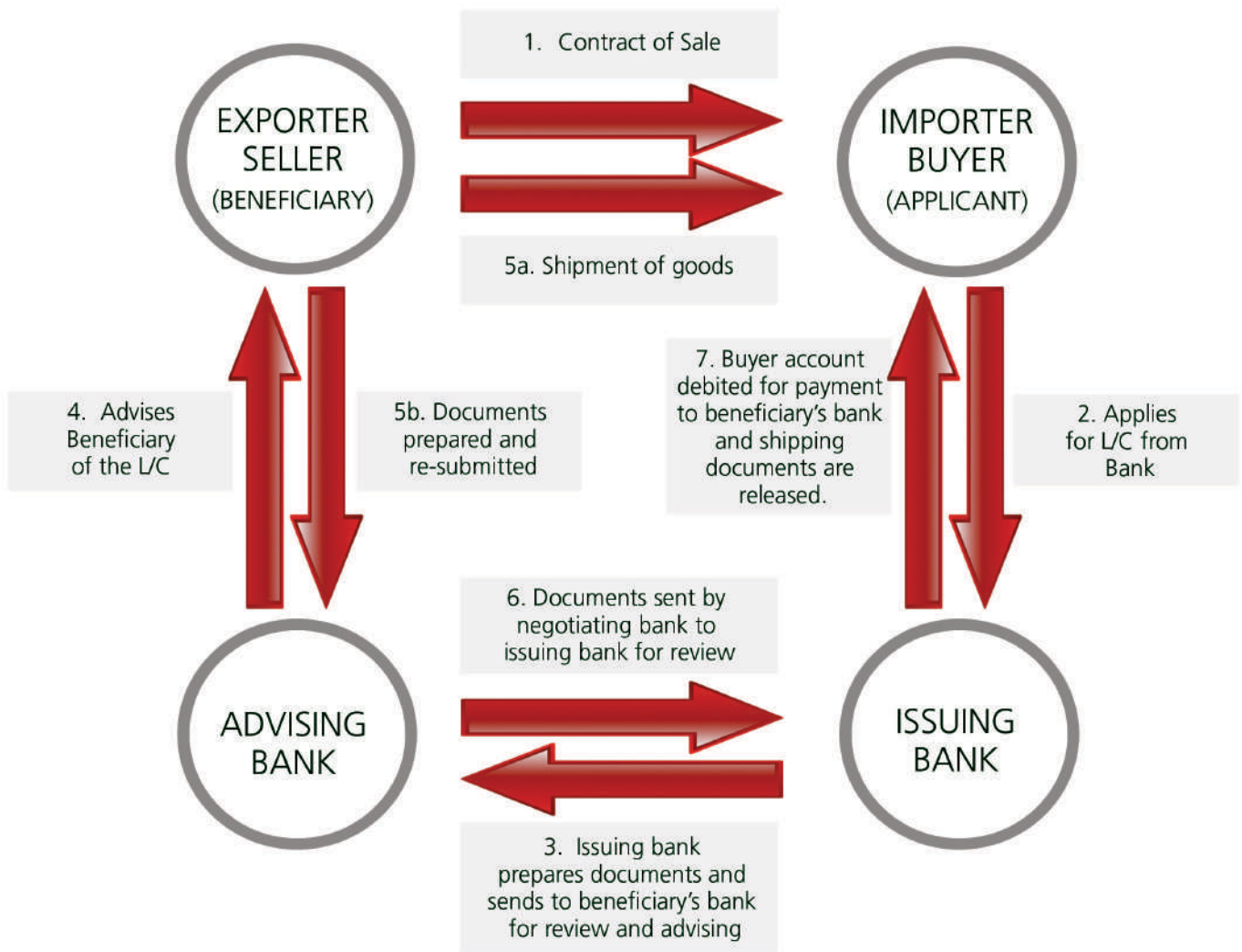
What?	A forward contract is a binding agreement between you and your bank that locks in the exchange rate that exists between the buyer's currency and the currency accepted by your bank, at the time of sale.
Why?	With this agreement the exporter is able to determine today what exchange rate will be used when receiving payments from the buyer/importer on a future date, effectively eliminating FX risk.
Who?	Agreement between exporter and bank, but is contingent on buyer's payment.
How?	Please see example scenario below.
Where?	Currency forward contracts are offered at only the largest banks in Belize. Please see Appendix II for details.
When?	When locally accepted currency is expected to devalue against the foreign currency between date of sale and date of payment. Also, when the exporter is very confident of buyer's ability to pay
Risks?	The risk of financial loss due to FX rate fluctuation is eliminated.

Additional Key Considerations:

Aside from the increased cost, this currency forward option has only one major difference from the Currency forward contract, which would be the contract holder's option to sell the contract on the spot market and incur financial gain.

Appendix I – Diagrams and Simplified Transaction Examples

Typical Flow of Events for a Simplified L/C Transaction:



1. Buyer (exporter) and seller (importer) agree on terms of contract including price, amount, method of payment and all other details. In this case, the seller has requested a letter of credit be opened via a third party.
2. The importer requests from his bank that a letter of credit be opened in favor of the exporter.
3. The importer's bank prepares the letter of credit, including all instructions for the exporter concerning shipment. The documents are sent to the exporter's bank for review.
4. The exporter's bank chooses to either advise or confirm the credit and becomes the advising or confirming bank accordingly. Regardless, the bank authenticates the L/C and sends it to the exporter, also known as the beneficiary.
5. a) The exporter (beneficiary) fills the order, ships the goods to the importer, and fills out the necessary documents to support the letter of credit
b) The Seller (beneficiary) presents these documents to the advising/confirming bank to be processed for payment.
6. Advising/confirming bank approves documents, debits issuing bank account for payment to the seller, and sends documents to issuing bank for review
7. Once documents are approved, the issuing bank debits the buyers account and releases the shipping documents that the buyer will use to claim the goods upon arrival.

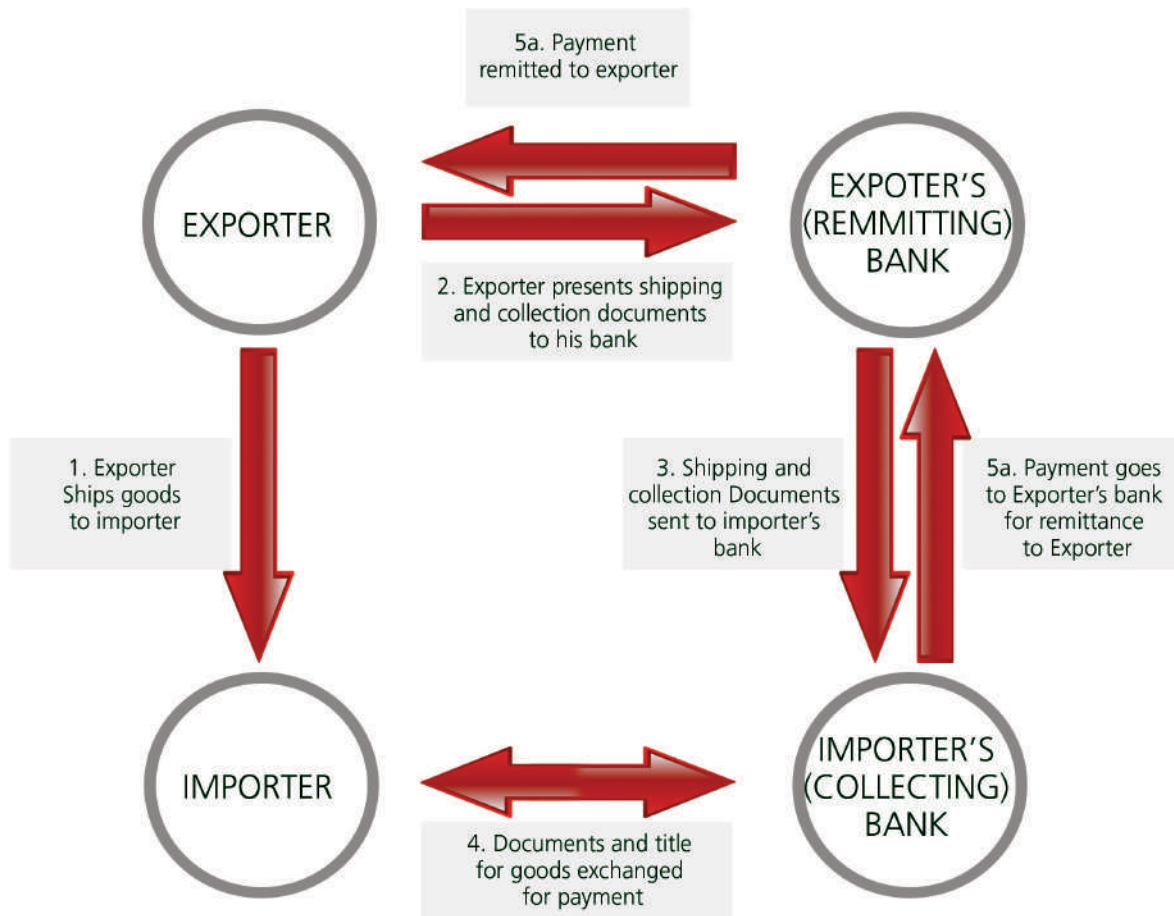
Additional Key Considerations:

When the importer's bank becomes an issuing bank, it is agreeing to extend its own credit on behalf of the importer, and becomes the payer. This means that the issuing bank, not the importer, is now liable to pay the exporter as soon as his advising bank can prove he has complied with both the sales contract and L/C documentation. When the exporter's compliance to the L/C is approved by the advising bank,

the advising bank debits the issuing bank in favor of the beneficiary (exporter), which serves as the payment. The important thing to note here is that the beneficiary has not been paid by the buyer, but rather the importer's, or issuing, bank. Once the issuing bank is able to verify compliance by the beneficiary, it is at this point that the buyer's bank account is debited, making his payment for the purchased goods

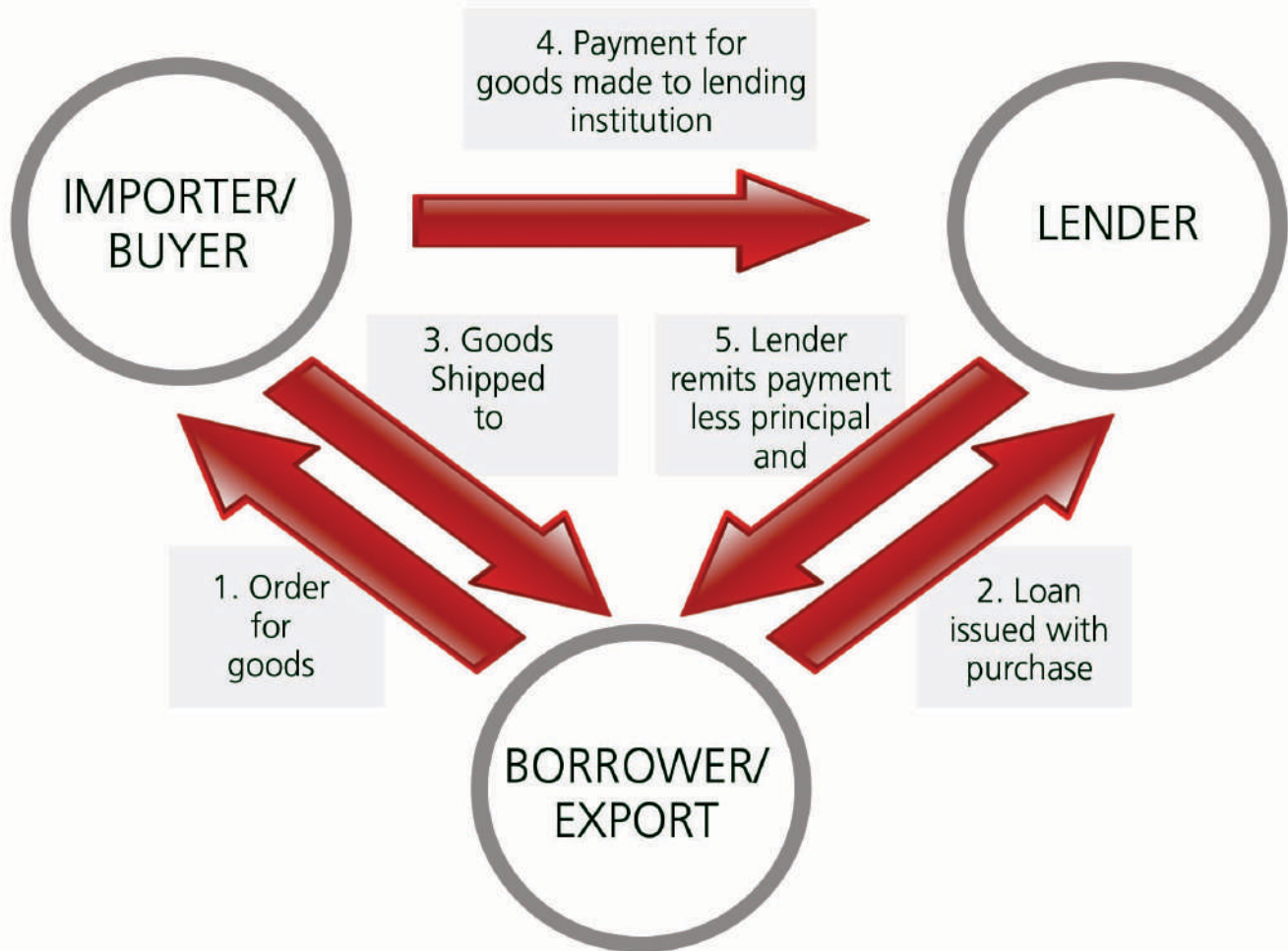
which by now are produced, processed and delivered. Once the importer's account is debited, the issuing bank will release to the importer all documents that the importer will use to claim the shipment upon arrival. Without these official documents from the bank, the goods will not be released. In this way, the importer cannot obtain the goods unless he has paid the issuing bank, which at this point is the owner of the goods in transit.

Typical Flow of Events for a Simplified D/C Transaction:



1. Exporter ships goods to importer and receives the documents in exchange
2. The exporter presents the shipping and collection documents to his bank, which becomes the *remitting bank*.
3. The shipping and collection documents are sent to its correspondent's bank in the importer's country, which becomes the *collecting bank*.
4. The *collecting bank* gives the shipping documents as well as the title of the goods to the importer in exchange for payment.
 - a. The payments can be made on site (documents against payment) or the payment can be arranged for a specific future date (documents against acceptance)
5. When the funds are received from the importer the *collecting bank* sends payment to the exporter through the *remitting bank*.

Export-Receivable-Backed Financing Flow Chart



1. Order is placed by importer to exporting enterprise. The purchase order is large enough that the exporter requires a working capital loan to produce, process, and deliver the product to the importer.
2. A loan is granted from financial institutions with the international purchase order as collateral.
3. The loan is used by the exporter/borrower to fill the order and deliver the goods to the importer
4. The importer makes payment for the received goods to not the exporter, but the lending institution that financed this specific purchase order

Appendix II – Service Providers and Contact Information

Atlantic Bank

- Letters of Credit
- Documentary Collections
- Foreign Exchange Services
- International Credit Card Payment
- Revolving Lines of Credit
- International Wire Transfers
- Marine Cargo Insurance
- Performance Bonds

Contact Information

Corner Freetown Road /
Cleghorn Street
Belize City
Telephone: +501-223-4123
Fax: + (501) 223-3907
Email: momgr@atlabank.com
Website:
<http://www.atlabank.com/>

Belize Bank

- Letters of Credit
- Performance Bonds and Guarantees
- Revolving Lines of Credit
- Documentary collections

Contact Information

60 Market Square

Belize City
Tel: (501) 227-7132 / 227-7082
Fax: (501) 227-2712
Email: bblbz@belizebank.com
Website:
<http://www.belizebank.com/corp-orate-banking/foreign-business/>

Development Finance Corporation

- Working Capital Loans
- Revolving Lines of Credit

Contact Information

P.O. Box 40
Bliss Parade
City of Belmopan
Telephone Numbers: +501-822-2360, +501-822-2350
Fax Number: +501-822-3096
Email: info@dfcbelize.org

First Caribbean Bank

- Cash Advance
- Foreign Exchange (FX) Risk Mitigation
- Currency Forward Contracts
- Foreign Currency Option

Contact Information
21 Albert Street
Belize City
Tel: (501) 223-2425
Fax: (501) 227-0875
Email:
shaeleen.castillo@cibfcib.com
Website:
<http://www.cibfcib.com>

Heritage Bank

- Cash Advance
- Open Account
- Letter of Credit
- Wire Transfers
- E-commerce
- Revolving Lines of Credit
- Fluctuating Overdrafts
- Performance Bonds

Contact Information

106 Princess Margaret Drive
Belize City
Tel: (501) 223-6784
fax: (501) 223-6785
email: services@banking.bz
Website:
<http://www.heritageibt.com>

Appendix II – Service Providers and Contact Information

Scotia Bank

- Letters of Credit
- Export Receivable-backed Financing
- Documentary Collection
- Currency Forward Contracts
- Currency Forward Contract Options
- International Wire Payments (wire transfers)
- International Credit Card payment options
- Revolving Lines of Credit

Contact information

P.O. Box 708
4A Albert Street
Belize City
Phone: + (501) 227-7027
Phone: + (501) 227-7028
Fax: + (501) 227-7416
Email:
belize.scotia@scotiabank.com
Website:
<http://www.scotiabank.com/bz>

RF & G Insurance

- Performance Bonds

Contact Information

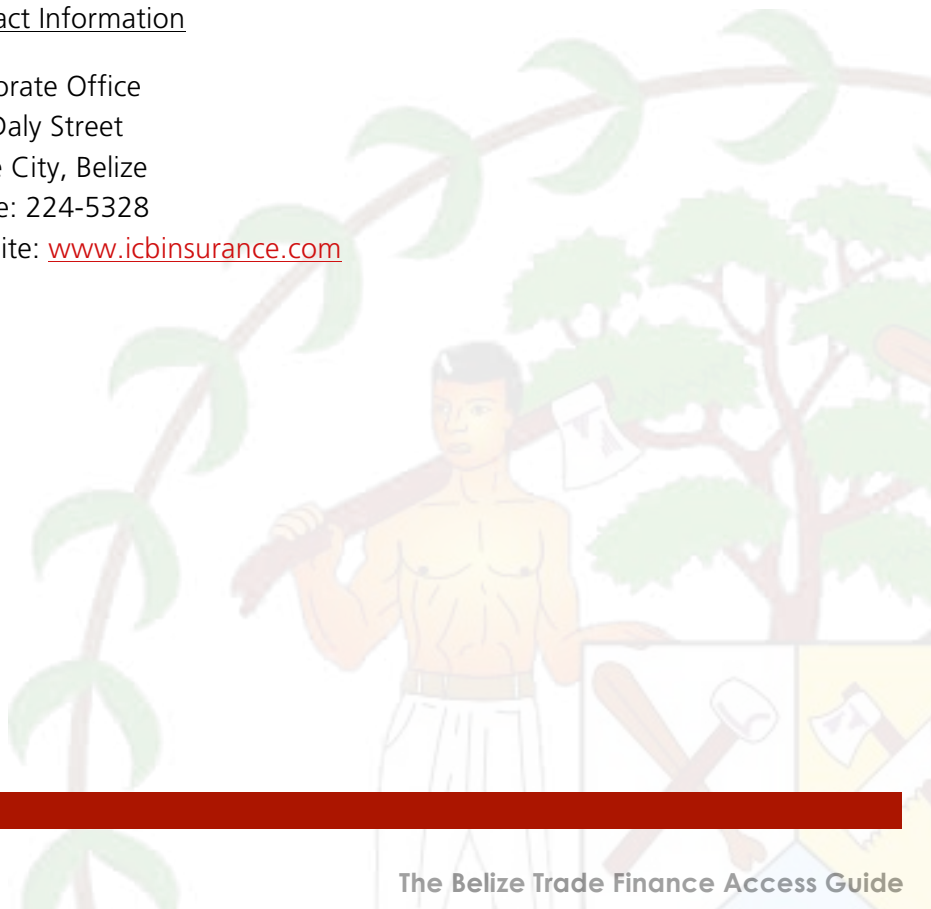
One Coney Drive | PO Box 661 |
Belize City, Belize
Tel: 501-223-5734 | Fax: 501-
223-6734
info@rfginsurancebelize.com

Insurance Corporation of Belize

- Cargo Insurance
 - Air Transit
 - Land Transit
 - Domestic Transit
 - Overseas Transit

Contact Information

Corporate Office
#16 Daly Street
Belize City, Belize
Phone: 224-5328
Website: www.icbinsurance.com



Glossary of Key Terms

Receivables – monetary obligation of the customer to the seller for items that have already been shipped

Liquidity – the availability of cash as an asset

Beneficiary – The person or entity in whose favor some credit has been issued, for example, the exporter.

Spot Market – commodities are traded and paid for immediately as opposed to on a future date.

Non-compliance – When one side of the party does not meet their obligations in accordance with the contract.



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