

# Guarantees for exports

- improving your international trade



Secure against the unexpected.

Guarantees are commonly used to cover the risk of non-compliance by a contract party to fulfil agreed obligations, e.g. failure to pay or deliver. Guarantees can be used in open account trade as well as a complement to collections and documentary credits.

## Common types of guarantees

- Advance payment guarantee
- Payment guarantee
- Performance guarantee

## On demand or accessory

On demand guarantees are independent of the underlying trade contract and payable directly upon the beneficiary's claim, while accessory guarantees are connected to the underlying contract and payable upon the guaranteed party's actual default under the contract.

## Obtain advance payment

Advance payment is naturally beneficial to you as the seller, but buyers can be reluctant to pay in advance due to the risk of not receiving a refund in case of non-delivery.

By offering the buyer an advance payment guarantee you increase the likelihood of obtaining an advance or partial advance payment, also when you trade under collections or documentary credits.

## Secure the payment

If you trade on an open account basis or use collections, you rely on the buyer being willing and able to pay as agreed. A payment guarantee in your favour securing the buyer's payment obligations will provide you with compensation should the buyer fail to pay.

In order for you to further reduce your risk, if you and your buyer so agree and at the request of your buyer's bank, Nordea can issue\* the payment guarantee in your favour. This way your risk is on Nordea instead of the buyer's bank.

\*) subject to credit approval.

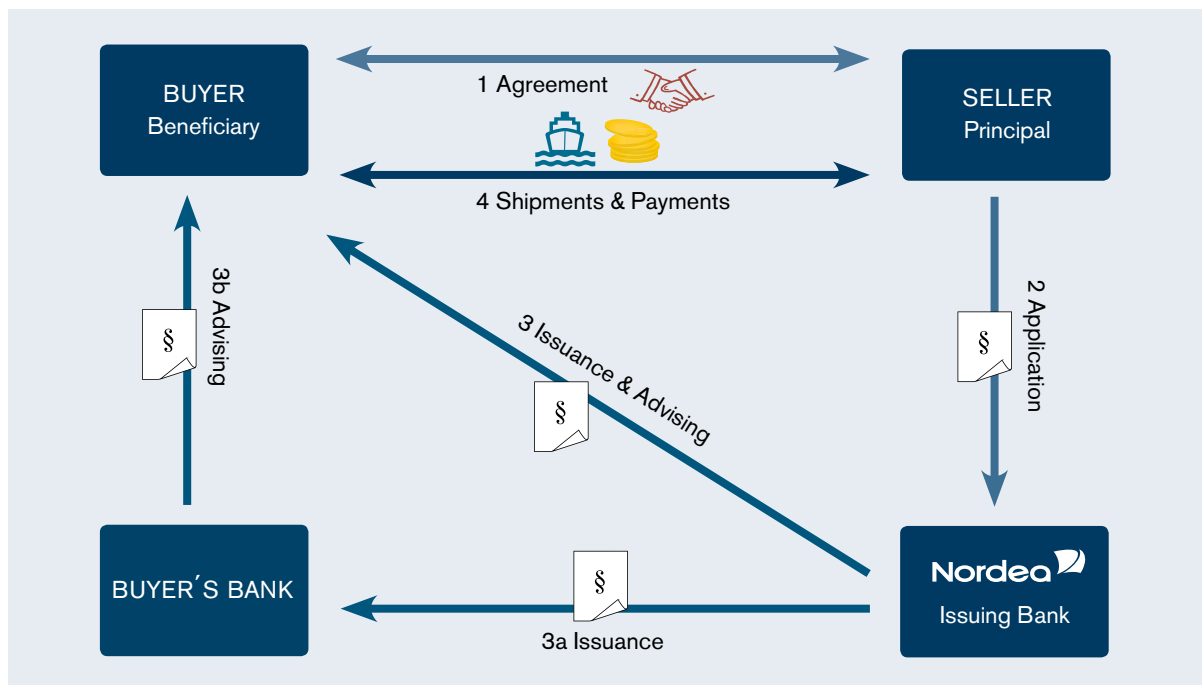
### How it works

First you and the buyer agree on the terms of the contract (1). In this case your buyer agrees to effect advance payment against a direct advance payment guarantee. You will then apply for the guarantee at Nordea (2). Nordea issues the requested guarantee based on the information in the contract between you and your buyer.

The guarantee is then advised to your buyer directly from Nordea as an original paper version (3) or by SWIFT through a correspondent bank as a "post office" (3a & 3b). You are now ready to start the trade (4).

In cases of claims for payment under the guarantee, Nordea will check the claim as well as inform you, depending on the nature of the guarantee, as to whether you should effect payment or possibly refuse until your actual contractual default has been determined.

**Welcome** to contact us and to find out more about how we can assist you with your trade finance transactions. You can also find us on the web [nordea.com/tradefinance](http://nordea.com/tradefinance)



#### Nordea Trade Finance:

- Located in Denmark, Finland, Norway and Sweden as well as in China, Estonia, Latvia, Lithuania, Poland, Russia, Singapore, UK and USA.
- Offers a full range of trade finance services including collections, documentary credits and guarantees as well as trade finance related e-solutions.
- Is the largest Trade Finance Bank in the Nordic region.