

Module Outline

Module Title:	Financial of International Trade
QF Level:	Reference is being taken and pitched to HKQF Level 5
QF Credit:	30 credits for Professional Diploma of Certified Banker (15 contact hours and 3 examination hours)
Teaching/Training & Learning Activities:	Training Class
Pre-requisite:	N/A

Module Objective:

This module contributes to the achievement of the Programme Intended Learning Outcomes by providing the learners a very important background on the international trade environment today, in which not only importing and exporting corporations operate alone but also financiers aid to offer their package of financing solutions. Leveraging on the above essential knowledge on the settings, learners would extend their analytical skills to the more technical side of international trade financing activities. Learners would also explore and assess other areas of import/export trade such as trade promotions and support programmes, and also the related risks involved in international trade-financing, in order to achieve a complete discussion of this specialist banking area.

Module Intended Learning Outcome (MILO) & Unit of Competencies (UoCs)

Upon completion of the module, learners should be able to:

MILO1:	Attain enhancement of specialised knowledge in international trade terms and internationally accepted code of practice which serve as a solid ground of communications with a range of audiences including international trade finance customers, peers and internal operation units within banks;	BCSDTF501A BCSDTF502A BCSDTF503A
MILO2:	Analyse critically the financing needs of trade borrowers and design tailored-made financing solutions to meet clients' needs;	
MILO3:	Diagnose the key risk issues in trade financing transactions and mitigate the risks involved.	

Assessment Activity

Type of Assessment Activity	MILOs	Weighting (%)
Examination	MILO 1-3	100

Examination Format and Duration

Time allowed: 3 hours

The examination consists of 50-60 multiple choice questions and 2 out of 3 essay questions

Passing mark for this subject is 60%

Syllabus

Chapter 1: Introduction to International Trade Finance	
1	What is International Trade Finance?
1.1	- Meaning and importance of international trade finance
1.2	- Types of customers in Hong Kong and abroad; their needs and the opportunities for banks and other bodies that these present
1.3	- Various roles of banks in facilitating international trade; growth of world trade and changes in its commodity and geographical composition;
1.4	- Importance of services in international trade;
1.5	- Basic understanding of logistic management and trade finance; non-bank trade service providers, e.g. Bolero (Bolero.net), Tradecard (Tradecard.com), upscapital.com
Chapter 2: International Trading Practice	
1	Methods of Payment in International Trade
1.1	- Collection; documentary credit; advanced payment; counter trade; barter/compensation trade; bilateral payment agreement/arrangement and forfaiting
2	Methods of Payment in International Trade
2.1	- Payment settlement and clearing; cheques, drafts, mail and telegraphic payment orders (including express money transfers); SWIFT; nostro and vostro accounts and procedures (in general terms); general concept and procedures of Real Time Gross Settlement (RTGS)
2.2	- Electronic banking services including payment and credit cards, giro transfers and means of making regular payments
2.3	- Payment and collection services available from correspondent banks abroad
2.4	- Settlement in Foreign Currencies (Rates of exchange; factors affecting the movement of rates; protection against exchange risks; mechanics of forward contracts)
3	Commercial and Shipping Terms
3.1	- Common shipping terms and meaning
3.2	- Purpose of the relevant Incoterms; risks and responsibilities of the parties involved, Incoterms 2010 (ICC Publication 715)
4	Documents Used in International Trade
4.1	- Types and uses of bills of exchange; features and functions of basic, shipping, transport and insurance documents;
4.2	- Control and transfer of ownership of goods and insurance;

4.3	- Implications of Electronic Data Interchange (EDI) on international trade
Chapter 3: Documentary Collections & Documentary Credits	
1	Documentary Collections
1.1	- Collection of cheques and bills of exchange, both clean and documentary. Terminology and procedures
1.2	- Actions to be taken in the event of dishonour; protection of goods; avalisation of inward bills.
1.3	- A detailed knowledge of Uniform Rules for Collections ICC publication 522 and the relevant features of Bills of Exchange Ordinance
2	Documentary Credits
2.1	- Main types of documentary letters of credit and their documentary requirements and procedures namely, opening, advising, confirmation, negotiation, payment and reimbursement;
2.2	- Liabilities and responsibilities of the parties;
2.3	- Examination of documents and treatment of discrepancies.
2.4	- Uses of credits including acceptance/deferred payment credits, red clause letters of credit, revolving credits, standby credits, transferable and back-to-back credits
2.5	- A detailed knowledge of Uniform Customs and Practice for Documentary Credits UCP600 and Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credit, ICC publication 725, International Standby Practice ISP 98, ISBP and eUCP
Chapter 4: Trade Finance Services and Trade Related Risk	
1	Import and Export Finance
1.1	- Import financing, including produce/ merchandise advances against security of goods and trust receipt
1.2	- Export financing, including purchasing, negotiating, accepting and discounting bills under documentary credits or documentary collections; packing loan; factoring; invoice discounting; advance under ECIC policies; banker's acceptance
1.3	- Risks involved in granting trade finance facilities to importers and exporters. Difference between foreign L/C and local L/C
2	Trade Promotion and Supporting Services
2.1	- Trade promotion services from banks, official and semi-official bodies (e.g. Trade and Industry Department, Trade Development Council, Export Credit Insurance Corporation, Chambers of Commerce) to develop trade and investment
2.2	- Letters of introduction; sources of information/advice; using correspondent banks including status reports, economic conditions, entry to overseas markets
2.3	- Types and procedures of bank guarantees and bonds in facilitating international trade; risks and responsibilities of issuers; ways to minimize risks; Uniform Rules for Demand Guarantees, etc.
2.4	- Other government involvement in export credit arrangement; need for export credit; export promotion schemes and facilities in other countries such as UK – ECGD and other EC countries, USA – EXIM bank, China – Import Export Bank (general basic understanding)

2.5	- WTO and GATT and other agencies involved in international trade
3	Trade Fraud
3.1	- Type of trade fraud
3.2	- Fake goods
3.3	- Forged documents
3.4	- Money laundering
3.5	- Prevention measures
4	Risk and Risk Management in International Trade
4.1	- Types of risk: political and economic risk, credit risk, performance risk, documentary risk, foreign exchange risk, transfer risk, interest rate risk
4.2	- Fraud
4.3	- Risk Management, including protection against above risks
4.4	- Rules and regulations governing fraud and money laundering

Essential Readings:

- Luk Kwai Wing. (2011). International Trade Finance: A Practical Guide (2nd ed.). City University of HongKong

Supplementary Readings:

- Paul Cowdell & Derek Hyde. (2004). Finance of International Trade (8th ed.). Financial World Publishing
- ICC Guide to Incoterms 2010. (2010). ICC Publication 715. International Chamber of Commerce
- ICC Guide to the eUCP. ICC Publication 639. International Chamber of Commerce

Further Readings:

- ICC Uniform Customs and Practice for Documentary Credits. ICC Publication 600 + eUCP. International Chamber of Commerce
- ICC Uniform Rules for Bank-to-Bank Reimbursements - A Commentary. ICC Publication 725. International Chamber of Commerce
- ICC Uniform Rules for Collections. ICC Publication 522. International Chamber of Commerce. ISBP - International Standard Banking Practice for Examination of L/C. ICC Publication 745. International Chamber of Commerce
- ISP 98 - International Standby Practice - The Commentary. ICC Publication 947. International Chamber of Commerce
- ISP 98 - International Standby Practice - The Rules. ICC Publication 590. International Chamber of Commerce.

For more details, please refer to further reading session at end of each chapter