



Presentation at CIMA, Chelmsford chapter

Streamlining international trade in a changing world: planning, estimating, logistics, financial and document management

28th March 2019, Chelmsford, Essex

Please visit: http://sli.do/#exabler_cima

Who we are and what we do

Ramin

- Managed financing for international orders from few thousand to \$B
- Managed contract delivery deadlines, supply chain relationships
- Citigroup London moving to the Dubai IFC, commercial finance lead in mid range oil services
- Pivotal roles in transformational cross border deals

Chris

- Started career in technology at Cargill, largest privately owned global trading company
- Spent 10 years at Deloitte on strategic business change cross industry
- Securitisation at Barclays running €B structured finance trades
- Freelance consultant in Treasury, Capital Markets, private equity

In 2015 founded Parkway Logic to develop products and services for international trading, particularly SMEs
Developing Exabler as flagship all-in-one product for SME traders utilising open data sets, machine learning/AI, API integration to run international operations more effectively and compliantly

Objectives

1. International trade bodies/agreements, how businesses conduct trade, basic terminology, planning and estimating in practice
2. Managing the challenges of international trade and cashflow
3. Operational activities of trade which impact finance and collaboration with other functions and service providers

Audience Poll

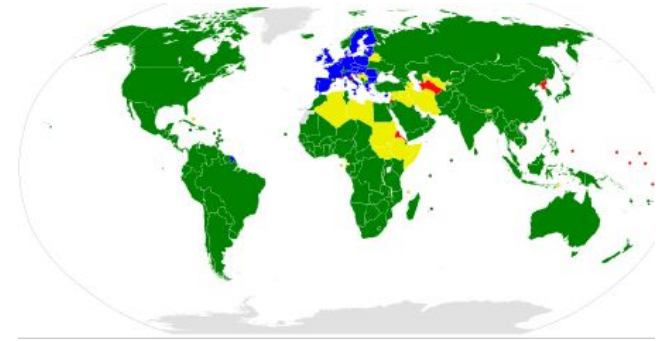
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Your level of experience in cross border trade?

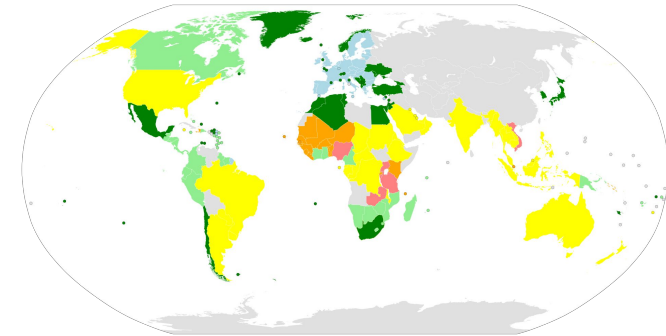
Are you or your clients predominantly in goods or services?

Global trade bodies and agreements

- Agreements to enhance trade - WTO biggest trading bloc - sets rules - Trading blocs standards
- General aim to reduce tariff and non-tariff barriers enhance trade includes rules on FDI, IP protection
- FTAs are complex, more common are RTAs (regional) since 1990 increase from 70 to 300
- Recent are bilateral agreements concluded, e.g. UK-Switzerland Feb 2019, EU-Japan March 2019



WTO members



EU bilateral trade agreements (light green)

Indicators of health

“ WTO monitoring states ..

- Ratio of trade growth to GDP growth fell below 1:1 in 2016, for the first time since 2001.
 - Policy uncertainty is the main risk factor, including imposition of trade restrictive measures and monetary tightening.
 - Govts have been increasing using trade restrictive measures (i.e. non-tariff barriers)
- ”

Negative news

US-China trade dispute

TPP loses US

NAFTA -> USMCA

Brexit

Positive news

CPTPP

EU-Canada

UK new market (post Brexit)

Japan-EU

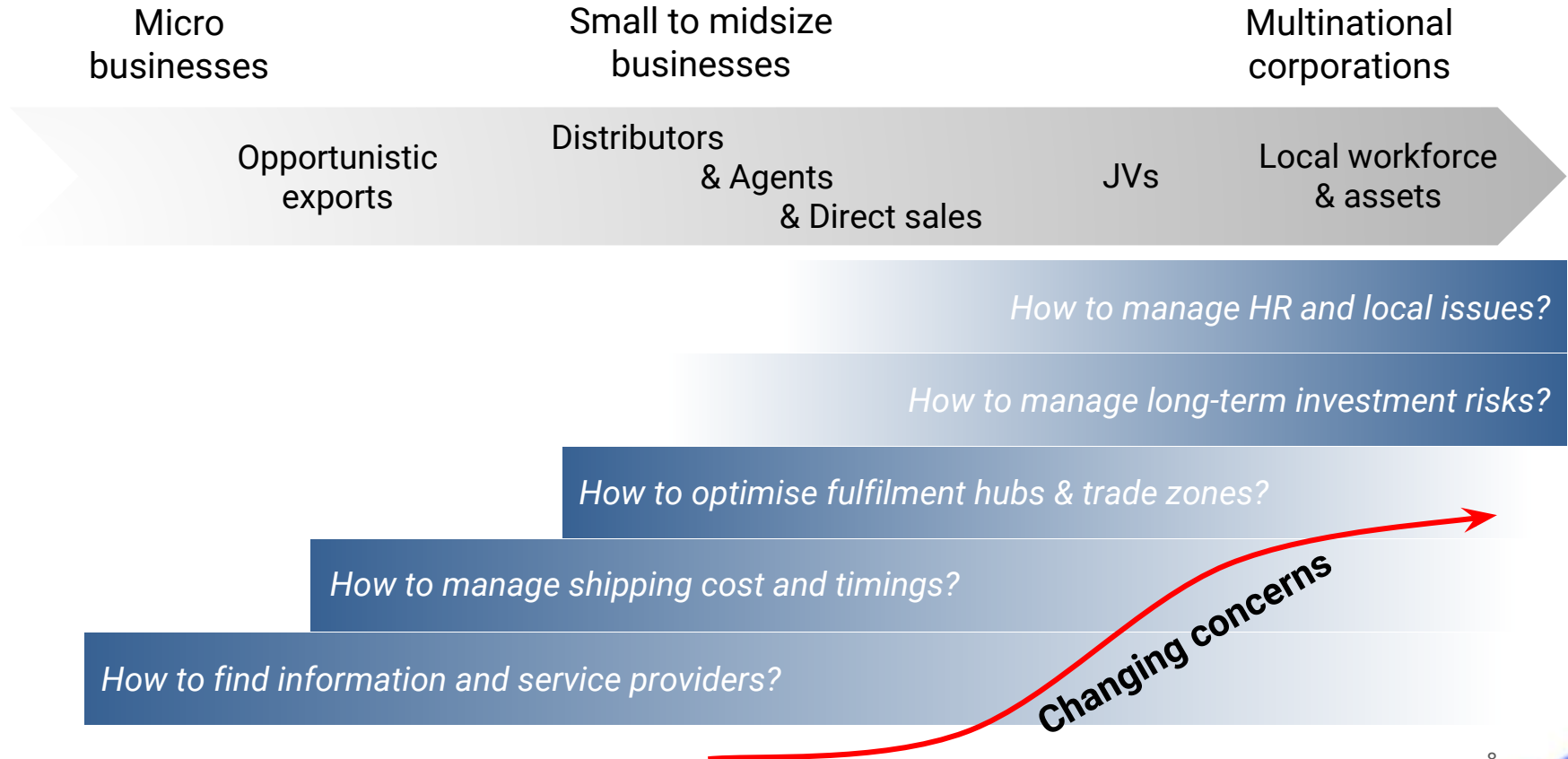
Global snapshot of trade, delivery vs payment

- \$5T services, \$15.5T goods (25% services), 80% is containerised
- Developing economies 46% forecast to grow to 57% by 2030
- E-commerce accounts \$5T, digitised trades growing

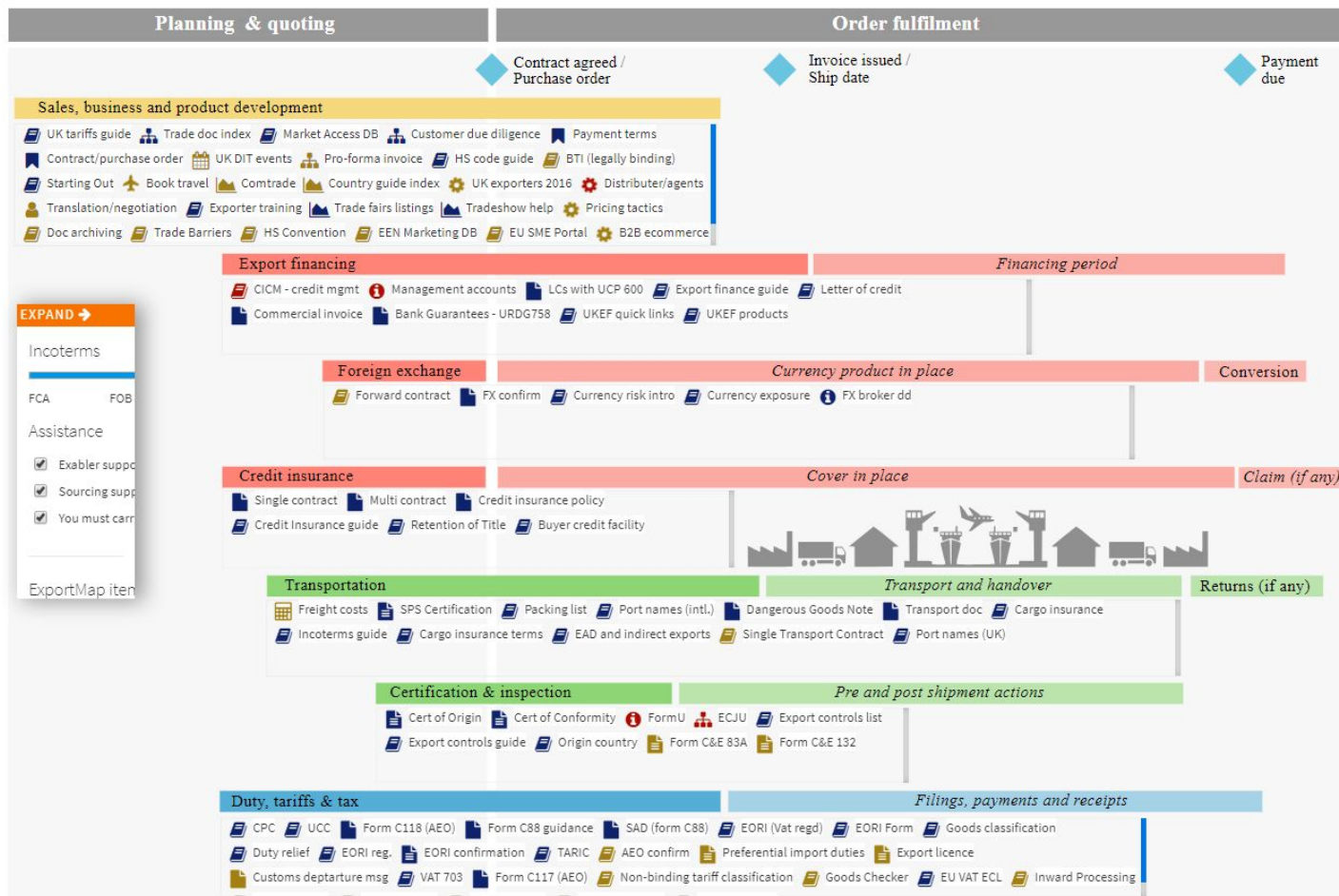


Sources: WTO, IMF estimates, Opus, Observations of Trade Finance 2013-18, CEB analysis

How do businesses trade internationally



Export Map



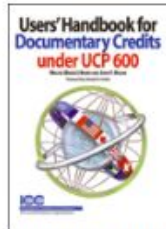
Basic terminology, commercial terms, standards

Incoterms

- Deals with allocation of **Cost Risk and Insurance** between buyer and seller
- Published by International Chamber of Commerce (ICC)
- Incoterms 2010 current iteration, changes 2020 again



Incoterms® 2010



Users' Handbook
for Documentary
Credits under
UCP 600




Drafting and
Negotiating
International
Commercial
Contracts

Agreements, standards and terminology

- Rules of origin, economic value added
- Goods classification - HS codes (harmonised system)
- Tariff vs duty, non-tariff barriers, local content and employment rules
- Export controls & licenses (special & general) and Dual use goods

Incoterms® 2010

<div><div></div></div>												<div><div>COSTS</div><div>RISK</div><div>INSURANCE</div></div>		
DESCRIPTION												FREIGHT/RISK	MORE DETAILS	
EXW <div>Ex Works</div>	SELLER											BUYER	Freight Seller's premises. Risk Seller's premises.	Seller is only responsible for making the goods available at the seller's premises. The buyer bears the full risk from there to the destination.
	SELLER											BUYER		
	SELLER											BUYER		
FCA <div>Free Carrier</div>	SELLER											BUYER	Freight Freight handler. Risk Freight handler.	Seller is responsible for delivery to the custody of the carrier, which is provided by the buyer. Risk is transferred as soon as loading has taken place.
	SELLER											BUYER		
	SELLER											BUYER		
CPT <div>Carriage Paid to</div>												BUYER	Freight Destination. Risk First freight handler.	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport to the destination.
	SELLER											BUYER		
	SELLER											BUYER		
CIP <div>Carriage and Insurance Paid to</div>												BUYER	Freight Destination. Risk First freight handler.	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport and insurance to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport and insurance to the destination.
	SELLER											BUYER		
	SELLER											BUYER		
DAT <div>Delivered at Terminal</div>												BUYER	Freight Destination. Risk Destination.	Seller delivers the goods unloaded at a specified place inside the agreed terminal. Risk is transferred as soon as the goods have been unloaded.
	SELLER											BUYER		
	SELLER											BUYER		
DAP <div>Delivered at Place</div>												BUYER	Freight Place of destination. Risk Arriving means of transport at destination.	Seller delivers the goods to the disposal of the buyer on the arriving means of transport at the agreed place. Seller assumes the risk until the goods are made ready for unloading from the arriving means of transport.
	SELLER											BUYER		
	SELLER											BUYER		
DDP <div>Delivered Duty Paid</div>												BUYER	Freight Destination. Risk Destination.	Seller is responsible for bringing the goods to the destination, paying any duty and making the goods available to the buyer. Risk is transferred as soon as the buyer has access to the goods ready for unloading at the agreed destination.
	SELLER											BUYER		
	SELLER											BUYER		
FAS <div>Free Alongside Ship</div>												BUYER	Freight Shipside in port of departure. Risk Shipside in port of departure.	Seller is responsible for delivery of the goods at the quay alongside the ship. From this point onwards, risk lies with the buyer.
	SELLER											BUYER		
	SELLER											BUYER		
FOB <div>Free on Board</div>												BUYER	Freight On board ship. Risk On board ship.	Seller is responsible for delivery of the goods loaded on board the ship. Risk is transferred as soon as the goods have been set down inside the ship.
	SELLER											BUYER		
	SELLER											BUYER		
CFR <div>Cost and Freight</div>												BUYER	Freight Port of destination. Risk On board ship.	Seller covers cost of freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.
	SELLER											BUYER		
	SELLER											BUYER		
CIF <div>Cost, Insurance and Freight</div>												BUYER	Freight Port of destination. Risk Port of destination.	Seller covers cost of insurance and freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.
	SELLER											BUYER		
	SELLER											BUYER		

■ COSTS ■ RISK ■ INSURANCE
■ All modes of transport ■ Sea and inland waterways

Question

Using your handout - if your buyer wishes to agree CIF with you - which mode of transport are you using?

http://sli.do/#exabler_cima

Case study - International project supply chain strategy

- Bid / no-bid
- Budgeting supply chain costs and estimating timings
- Scenario planning and comparing different procurement routes
- Estimating peak financing requirement

Ramin runs through a case study with accompanying 1-page handout
Project estimating tool - Tender Builder

<https://youtu.be/1MFG03055YA>

Project ID: 3921
Description: Gas tanks in Mauritania - Materials Procurement
Phase: Budgetary Proposal

Date generated: 15-Dec-2017

Summary

Scenario	Local Procurement
Supplier Prices	USD 100,000.00
Transportation Base Cost ¹	USD 75.00
Transportation Contingencies	USD 150.00
Customs Duties & Tariffs	USD 1,000.00
Procured Cost DDP project site	USD 101,225.00
Lead Time (representative)	(scheduling not done)
Installation total (external input)	
Equipment rental (external input)	
Local taxes (external input)	

¹ Estimates include Freight and Surcharges, Handling, Port Clearance

Recommendation (free text)

1. Check alternative sourcing from supplier X (see trade deal). See Alternative Sourcing Options or
2. If not available, quote using cost estimate.

Freight and Customs Details

Scenario	Local Procurement
No. of separate POs	
No. of suppliers	
Goods value for us to move/handle	USD
Freight firm Quote - Estimate ratio	
Longest Time Shipment	
Overall duties / dutiable value (%)	

User: ASMITHE

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TENDER BUILDER

Project ID: 3921
Description: Gas tanks in Mauritania - Materials Procurement
Phase: Budgetary Proposal

Date generated: 15-Dec-2017

Payment Terms, Cashflow, and Financing

Overall payment terms used for cashflow forecast

Scenario	Local Procurement
> 90 days before shipments	
90 - 1 day before shipments	
On shipments	
1 - 90 days after shipments	
> 90 days after shipments	
Total	

Cash flow forecast:
(scheduling not done)

Foreign Currency Exposures:

USD	Low / M
EUR	Low / M
GBP	Low / M

Financing:
(request code)

Project ID: 3921
Description: Gas tanks in Mauritania - Materials Procurement
Phase: Budgetary Proposal

Date generated: 15-Dec-2017

Goods Classification

USD 50,000,000 (49% by value) of supplies may have multiple customs classifications

- USD 40,000,000 with no impact on duty rates
- USD 10,000,000 with potential impact on duty rates.

Customs classification survey available for fixed fee. Customs binding tariff ruling can be requested for certain goods. Please allow plenty of time to prepare documentation and for receiving responses.

Alternative Sourcing Options

Might save USD 75,000 on USD 650,000 of dutiable value by sourcing from following countries with free trade deals, lower duty rates, or advantageous origin rules:

Supplier / Country of Origin	Dutiable Value	Potential Duty Saving	Alternate Countries with Trade Deal
ABC Valves & Soms / UK	USD 500,000.00	USD 50,000.00	India, Australia
PLC Systemco. Ltd / China	USD 150,000.00	USD 25,000.00	Singapore, Mercosur, Chile, ...

Quotes and Estimates Audit Trail

Freight estimates are indicative, not committed.
Freight quotes valid for 15 days unless stated otherwise.
Estimates and quotes (sources and time log available on request).

Local operating taxes:

To be investigated by corporate accounting and finance team.
Input goes here.

User: ASMITHE

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Document control: INT-REV-01

TENDER BUILDER

EXabler

International trade and cashflow - Challenges

Characteristic challenges:

Delivery risk: longer lead times, more layers

Payment risk: FX rates, credit info, timing mismatch

Operational risk: customs borders, language, “errors & omissions”, culture

Market risk: proprietary vendor relationships, reacting to distant market dynamics

Financial aims affected:

AP/AR visibility and transparency

Cash management efficiency

Forecast finance requirements

Cultivate financing relationships

Harder for international operations to be as bankable as domestic

Companies and regulators respond with customs & goods regulations, payment terms, guarantees & LCs (UCP & ISBP), Incoterms ®, inspections ... documentation

International trade and cashflow - Manage and Optimise

First step: make the risks 'tangible'

Identify & document risks e.g.

1. *Customer/Supplier financial strength*
2. *Customer/Supplier criticality*
3. *Other risks e.g. organized crime, environmental risks, political & social risks, cyber risks and so on ...*

Assess:

What is the Board's risk appetite?

Which risks are insurable vs. uninsurable?

Prepare for unknown risks with clear processes, training, corporate culture and tone from the top

Second step: resources and procedures

Digitise & Collaborate: internal & external

Trade preparation

- List documentary requirements
- Classify products for customs
- Export controls & licenses
- Map locations, transport routes

Screening and execution

- Sanctions, PEPs & denied parties
- Existence, ownership, track record
- Credit searches - Experian, D&B, etc.

Good practices coincide with requirements of financing, credit insurance and fx

Win contracts

Optimise ongoing financing

Asset finance:

- Finance leases & vendor finance
- Mortgage finance
- Inventory & warehouse finance
- Working capital facilities

Buyer credit:

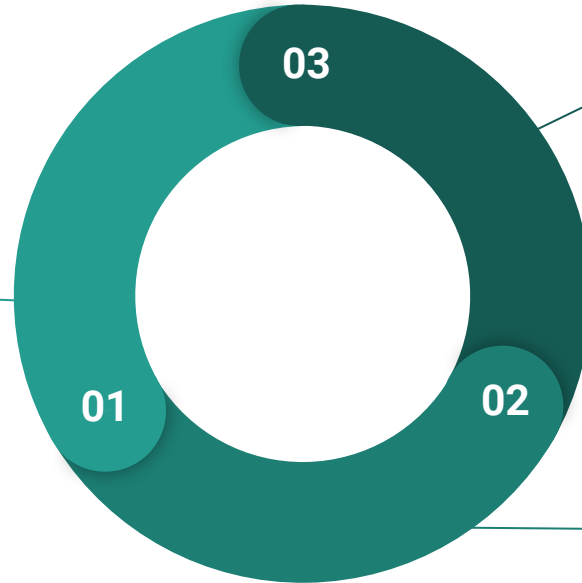
- Approved payables finance
- Dynamic discounting
- Payment / procurement cards

Supplier credit:

- Receivables purchase
- Factoring & Forfaiting

General business finance:

- Term loans
- Bonds
- Overdrafts
- Retained profits and equity
- Credit cards!



Get paid

Payments and Insurance

- Cross-border payments
- FX hedges
- Credit insurance
- Documentary trade LCs & stand-by
- Bank payment obligation & Escrow
- Bond insurance
- Investment insurance

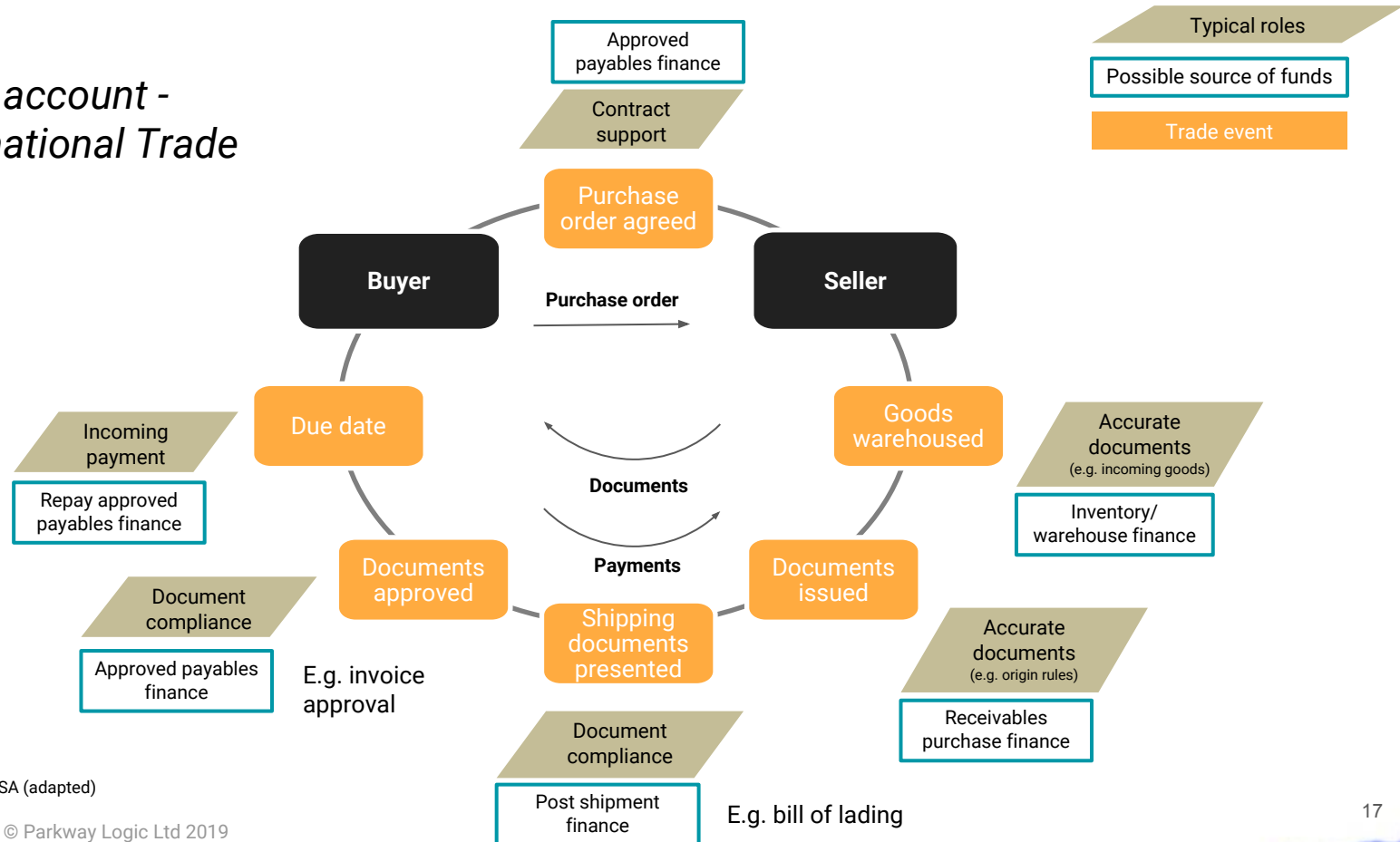
Fulfil contracts

Contract-specific finance

- Pre-shipment or Purchase-order based finance
- Working capital facilities
- Bank guarantees and Surety bonds
- Single invoice discounting
- LC discounting

Managing documents and/or financing choices

Open account - International Trade



Source: BAFT / IFSA (adapted)

Case study - managing and completing documentation / collaboration

View demo on <https://www.youtube.com/playlist?list=PL-bofKyf2KT4L0Bu5Ma0OgUzq8Xyt0hK9>

Shipping documents (5 key ones)

- Commercial invoice
- Certificate of origin
- Bill of lading
- Certificate of conformity / Inspection certificate
- Insurance certificate

Finance

- L/C credit
- Invoice approval
- (Buyer/Seller due diligence docs)

Internal collaborators

- C-level - reporting
- Sales, commercial teams - cashflow appraisal
- Treasury, tax, other finance - hedging,
- Warehouse/logistics - packing lists, bills of lading
- Legal - import / export controls, licences, insurance
- Technology - documentation management, compliance, trade booking

Concluding remarks - Balance automation vs. collaboration

Keep up with changing regulations, market requirements, technological innovation

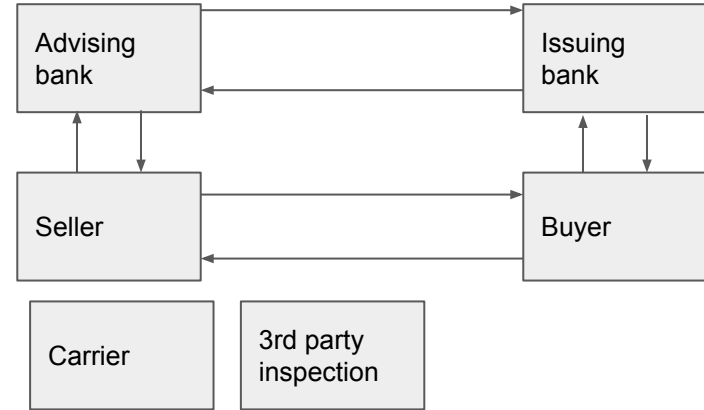
Translate your business needs to a form that finance providers understand

Clearly set out parties' responsibilities (incl. but not limited to Incoterms)

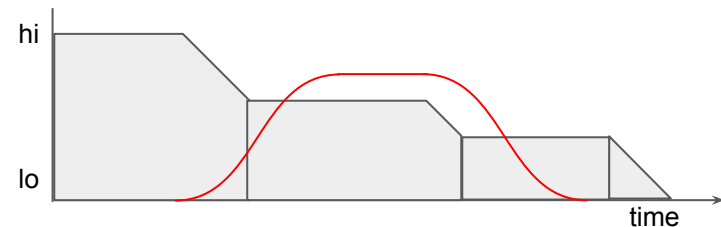
Transparency of transaction progress - enhance the digital footprint of your business to make it more bankable

Transaction structure

Box diagram incl. service providers



Estimated payment & risk profile timeline



Further resources

Exabler.com - <http://www.exabler.com> - Export Map, and GEx explorer <https://youtu.be/VgVhTU6043Q>

World Bank - Doing business guides <http://www.doingbusiness.org/>

Chambers of Commerce, DIT, UK Export Finance

Institute of Export and International Trade - training courses, accreditations
<https://www.export.org.uk/>

Freight forwarders (increasingly with digital presence) and Customs brokers

Banks' transaction services; Law firms; Your industry's UK government department

No-deal Brexit resources: <https://www.gov.uk/business-uk-leaving-eu> and www.exabler.uk/ukimports
<https://www.gov.uk/government/collections/providing-services-to-eea-and-efta-countries-after-eu-exit>

Q&A