

# Guarantees for imports

- 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 a credit from seller

The seller's usual main concern is to receive

payment ASAP. By offering the seller a payment guarantee issued by Nordea\* you are better positioned to negotiate a deferred payment, a buyer's credit. The payment guarantee can be issued for a single payment/delivery or for regular payments/deliveries over time, i.e. as a security for a purchase account.

## Secure your seller's obligations

In your commercial contract with the seller there are several terms for the seller to fulfil in order for you to receive the right goods, at the right time and at the right place. Consequently, you rely on the seller's willingness to fulfil his obligations. A performance guarantee issued by the seller's bank in your favour, securing the seller's obligations, will provide you with compensation should the seller fail.

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

\*) subject to credit approval.

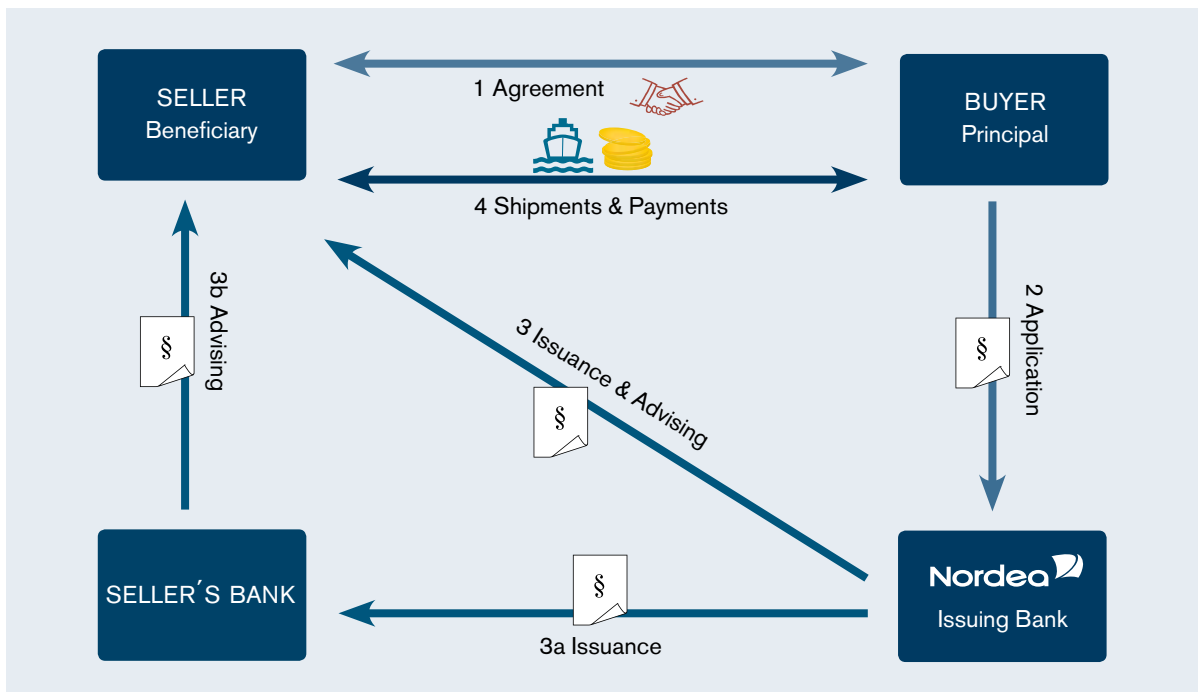
### How it works

First you and the seller agree on the terms of the contract (1). In this case you agree to provide the seller with a direct payment guarantee to secure your payment. You will then apply for the guarantee from Nordea (2). Nordea issues the requested guarantee based on the information on the contract between you and the seller.

The guarantee is then advised to the seller 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 case of a claim 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.