

# IFF



# THE MECHANICS OF **TRANSACTION BANKING**

## POSTGRADUATE CERTIFICATE

DELIVERED BY DISTANCE LEARNING OVER 20 WEEKS

**Dates:**

**December 2020  
April 2021**

**Contact:**

[www.iff-training.com](http://www.iff-training.com)  
Tel: +44(0)20 7017 7190  
Email: [cs@iff-training.com](mailto:cs@iff-training.com)



In partnership with  
**Middlesex  
University  
London**

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**QuantMinds** **GAD** **SuperReturn**  
**FundForum** **RiskMinds** **INNOVATE EUROPE**

# COURSE INFORMATION

DELIVERED BY DISTANCE LEARNING OVER 20 WEEKS

## WHAT YOU WILL LEARN

This programme will enable you to better understand the challenges banking customers face in the increasingly global market place and should provide the tools for you to devise solutions to those customer challenges.

Transaction banking solutions are helping customers connect with the ever-more complex challenge of managing cash and transactions for their customers and suppliers. Banks will have to embrace increased sophistication of customers, as well as the pressure to develop and adopt technological innovations more quickly than other areas of banking to enhance the business.

Banks must cope with: (1) new challenges related to increased local and global regulation relating to traditional balance sheet and credit products, (2) the risk of inconsistency in regulatory approaches, which could negatively impact the global network and (3) increased competition by new market entrants particularly in the area of money transmission.

Banks will therefore increasingly look at opportunities to diversify away from traditional lending and credit products. Transaction banking represents a scalable diversification opportunity.

## COURSE AT A GLANCE

Unit 1 – Financial Mathematics & Accounting  
Unit 2 – Cash Management & Role of Treasury  
Unit 3 – Working Capital & Liquidity Management  
Unit 4 – Account Services & Correspondent Banking  
Unit 5 – Capital Raising - Debt & Equity Markets  
Unit 6 – Corporate Agency & Security Services  
Unit 7 – Foreign Exchange & Commodity Hedging  
Unit 8 – Introduction to Trade Finance  
Unit 9 – Clean Payments & Documentary Trade Products  
Unit 10 – Contractual & Financial Guarantees

## COURSE LEADER

### STEPHEN COSHAM

Steve has 23 years banking experience, 14 years of which were overseas. He has for the past 17 years been involved in financial training. His banking career began in 1975, at NatWest working both within the branch network and financial control. In 1979, he accepted a RAF commission training as a pilot. Stephen returned to banking in 1982 with the MB Group of Marine Midland Bank, (now HSBC), moving to New York in 1984 to establish a trading desk for syndicated loans. Later as Director assuming responsibility for the liquidation of the EM portfolio for the HSBC group. In 1990, he joined Citibank, on the EM sales desk. He transferred to Hong Kong in 1992 establishing an Asian EM sales desk. Later, as MD, he assumed responsibility for security sales in North Asia. He returned to London in 1998, managing the EM market syndicate desk at Citigroup.

Stephen has 17 years of financial training experience and has trained in 33 countries. He has been responsible for structuring, writing and delivery of training to banks, investment, supranationals, regulators and universities. Short term courses delivered have ranged from introductory sessions to comprehensive programmes attended by back/middle office and technology staff through intermediate and middle management positions and finally to senior management/board positions. He has delivered on multiple graduate programmes (one to five weeks) in each of the 17 years and topics include: financial markets, transaction banking (trade finance and cash management), asset and wealth management, and soft skills.

## HOW YOU WILL LEARN

- A new module is released every two weeks
- You can study the units online, save them to your computer or print them out
- You set the pace for yourself
- No need to travel or take time off work – cost effective
- Apply the knowledge, skills and expertise to your work straight away

## POSTGRADUATE CERTIFICATE

To make your studies more relevant and valuable, the course is validated by the Business School at Middlesex University at a Postgraduate Certificate level. For those wishing to receive a Postgraduate Certificate from Middlesex University, an additional marked assignment of 5000 words will need to be submitted, based on a continuing case study that runs throughout the duration of the course.

## DATES & PRICE

23 September 2020  
14 April 2021

Standard Price – £1999  
With Postgraduate Certificate- £2359

\* VAT may be payable depending on your location – see [online booking page](#) for details

## HOW TO APPLY

Tel: +44 (0)20 7017 7190

Email: [cs@iff-training.com](mailto:cs@iff-training.com)

[APPLY ONLINE HERE](#)

## CUSTOMISED TRAINING

IFF's bespoke digital training solutions will help you address your specific key business challenges. The programme is designed for you, with content focusing on the issues you and your teams are facing. The fully branded digital course will be hosted by us, and unlike other online courses, your employees will receive a specialist qualification at the end of the programme from a London University.

- Tailored content - 100% targeted to cover your business needs
- No travel or time out of the office – 100% Distance Learning
- Value for money – train teams of staff at the same time
- Risk free – we've been doing this for 30 years

We will meet you anywhere in the world. If you would like one of our consultants to talk about your needs in more detail or if you would like more information on our customised training solutions, please contact Jeff Hearn (Managing Director) on +44 (0)20 7017 7190 or email: [Jeff.Hearn@informa.com](mailto:Jeff.Hearn@informa.com)

# COURSE SYLLABUS



## UNIT 1

### FINANCIAL MATHEMATICS & ACCOUNTING

#### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Understand the individual components of an interest rate
- ★ Define which instruments are quoted on an accrual basis and which are quoted on a discount basis
- ★ Understand the impact of the following accounting principles on company accounts
  - Prudence, accruals, consistency, going concern, materiality
- ★ Understand the format of the statement of comprehensive income (income statement) – revenue, operating profit and interest and tax
- ★ Recognise the format of the statement of financial position (balance sheet) and the dual effect of accounting entries
- ★ Understand the statement of cash flow (cash flow statement)

#### SKILLS

This unit will call for the successful participant to:

- ★ Calculate the interest on coupon-bearing instruments, e.g. deposits
- ★ Calculate the price and yield of discount instruments
- ★ Calculate gross margin, operating margin, pre-tax margin and net margin
- ★ Build a basic set of financial accounts
- ★ Differentiate the purpose of each financial statement

#### UNIT CONTENT

##### What is Transaction Banking?

- Simple definition, future growth and opportunities
- Benefits of core values and long term relationships

##### Essential Maths and Conventions

- What is interest?
- Interest rate components, interest rate references and where to obtain the rates
- Day-count conventions explored
  - why are they important?
- Frequency and periodicity and how to transform interest rates
  - effective vs. nominal rates
- Time value of money
  - future value and present value
  - the assumptions behind the generic TVM formula
- Reinvestment risk and the “real” present value
  - reinvestment risk explored
  - coupon vs. zero rates

##### Fundamentals of Accounting

- What is accounting?
  - which stakeholders are interested
  - what is contained in the reports
  - what does each statement tell us
  - the key interrelations in the accounts

##### Key Accounting Concepts

- Harmonising international standards
- The accruals concept
- Profit vs. cash flow

#### Statement of Comprehensive Income

- Above the line: the Operating Business
  - expensed costs
  - COGS – inventory effects
  - inventory valuation choice
  - depreciation and amortisation

#### Statement of Financial Position

- Financial position presentation – liquidity
- Item classification

#### The Statement of Cash Flows

- The importance of cash flows
- Building cash flow statements

#### Building up Simple Accounts

- Everything is interrelated

## UNIT 2:

### CASH MANAGEMENT & ROLE OF TREASURY

#### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Describe the role, and structure of a corporate treasury function
- ★ Outline the advantages of an efficient cash management process
- ★ Understand the importance of working capital to a corporation
- ★ Examine the risks associated with inventory, receivables and payables
- ★ Understand the banking products available to assist corporate clients in improving working capital efficiency

#### SKILLS

This unit will call for the successful participant to:

- ★ Calculate DSO, DIO and DPO
- ★ Interpret the results of the DSO, DIO and DPO calculations
- ★ Calculate the cash conversion period
- ★ Discuss the importance of working capital management
- ★ Identify opportunities to improve working capital efficiency

#### UNIT CONTENT

##### Introduction to Cash Management

- What is the treasury function and the treasurer responsible for?
- The corporate objectives of cash management
- Why cash management is attractive to the bank
- The benefits of good cash management to both the corporate and the bank
- Examine the business and corporate operating cycle

##### Cash Management Policy and Procedures

- Forecasting, short term (operational), medium term (tactical) and long term (strategic)
- Cash management, minimise the need of funding, maximise the return on excess cash positions, and an early warning system for potential problems
- Handling of payments and receipts
- Moving money between accounts both domestically and internationally
- Defining ‘float’ and how to manage it



# COURSE SYLLABUS



## Importance of Working Capital

- Recognising why working capital matters and why does it need to be managed?
- Customers objectives in managing working capital
- Working capital vs. operating working capital
- What are positive and negative working capital and the implications of both
- Defining the cash conversion cycle (CCC)
- What are working capital metrics and how are they used?
- Recognise how a corporate might improve the efficiency of working capital
- The dangers of overtrading

## Corporate Operating Cycle

- The business/operating cycle
- The corporate operating cycle
  - payables cycle (P2P)
  - cash conversion cycle (C2C)
  - the forecast to fulfil process (F2F)

## Working Capital Metrics

- Calculating and interpreting receivable days, payable days and inventory days
- Calculating and interpreting DSO, DIO and DPO
- Using sales based ratios
- Working capital effects of changes to receivables, inventory or payables
- Understanding corporate KPIs

## UNIT 3: WORKING CAPITAL & LIQUIDITY MANAGEMENT

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Understand the methods of working capital finance available to a corporate
- ★ Define the risks for a bank associated with working capital finance
- ★ Understand the rationale for supply chain financing services and the benefits to both the anchors and spokes
- ★ Understand the mechanics of physical and notional pooling and cash concentration
- ★ Define the issues and benefits associated with investment of cash surpluses

### SKILLS

This unit will call for the successful participant to:

- ★ Identify opportunities for the use of working capital financing
- ★ Contrast different short term investment opportunities and identify the risks associated with each option
- ★ Demonstrate the advantages and disadvantages of pooling products
- ★ Evaluate the differences between invoice discounting and factoring
- ★ Analyse the risks to a bank of providing working capital financing

### UNIT CONTENT

#### Working Capital Financing

- Identifying the methods of financing working capital
- Describe receivables management, use of trade discounts

- Examine payable management and advantages of improving payables
- Define inventory optimisation and EOQ
- Outline the traditional methods of working capital finance
- Show the use of bank overdrafts, revolving credit facilities and commercial paper

## Invoice Discounting and Factoring

- Recognise alternative methods of working capital finance
- Recognise the issues of working capital and accounts receivable
- Outline key features and the structure of invoice discounting
- Define factoring and how it differs from invoice discounting
- List the risks to the bank and benefits to the client of invoice discounting and factoring

## Supply Chain Financing

- Discuss the use and operational structure of supply chain finance
- Explore the risks and benefits at both ends of the physical supply chain
- Structuring elements and how it works
- The practical implications and technology of supply chain finance

## Liquidity Management

- Define the role and benefits for liquidity management
- State the aims of cash sweeping, cash pooling
- Define the mechanics, benefits and risks of cash sweeping and cash pooling
- Define the mechanics, benefits and risks of notional pooling
- Outline the mechanics of interest optimisation and aggregation
- Show the options available for investing a cash surplus
- State the risks vs. returns on investing a cash surplus

## UNIT 4: ACCOUNT SERVICES & CORRESPONDENT BANKING

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Define the importance of KYC and AML procedures in protecting a bank
- ★ Recognise the role of a correspondent bank and correspondent banking services
- ★ Show an understanding of the mechanics of global payment systems
- ★ Understand the role and use of SWIFT and ISO messaging
- ★ Recognise the risks associated with offering card services
- ★ Describe a bank's client access services and current developments within this field



# COURSE SYLLABUS



## SKILLS

This unit will call for the successful participant to:

- ★ Highlight the dangers of ineffective KYC and AML procedures
- ★ Identify cross-selling opportunities for a bank in the area of payments and collections
- ★ Diagram the process for card payment services
- ★ Demonstrate the risks and how to control the risks inherent with card services
- ★ Compare content and the use of different SWIFT messages

## UNIT CONTENT

### Account Services

- What are corporate accounts and account services?
- The importance of "Know Your Customer" (KYC) and Anti-Money Laundering (AML)
- The role and nature of Basel III changes on a bank's capital and funding structure
- What are "sticky deposits", Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
- Operational vs. non-operational corporate relationships
- Electronic Banking – IBAN and Bank Identifier Code (BIC)

### Correspondent Banking Services

- The need for correspondent banking and the role of correspondent banks
- The use of Nostro and Vostro accounts
- What are the benefits to a bank of offering clearing services?
- The central bank's role in the international payment system
- The fundamentals of: Real Time Gross Settlement (RTGS), Net Settlement Systems (NSS) and Single European Payment Area (SEPA)

### Payment and Collection Services

- The nature of payment operations both domestic and international
- Outline multiple collection types, multi delivery channels and geographical challenges
- The nature of collection operations
- What are the issues with domestic vs. cross-border collections?
- Why use virtual accounts and lock-box services?
- Listing potential clients for payment and collection services

### Card Services

- What are the individual and corporate card services available through a bank?
- The mechanics of credit card transactions
- Corporate linking and card association
- The risks associated with cards and card risk management
- What are card acquiring services and the risks associated with the service?

### SWIFT Services

- Introduction to SWIFT and SWIFT message standards
- The need for and the use of SWIFT messages
- Message types and formats, standardisation of messages
- What are SWIFT for corporates services?
- Objective of ISO messages

### Client Access

- Current and future developments in client access
- Individual and corporate electronic banking services
- Outline innovations in electronic banking
- Reporting, data management and data enrichment services
- What are treasury to bank communications?

## UNIT 5:

## CAPITAL RAISING – DEBT AND EQUITY MARKETS

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Define the key features of: T-bills, deposits, Certificates of Deposit and Commercial Paper
- ★ Describe the conventions, terminology and regulation of differing bonds types
- ★ Demonstrate how price and yield are calculated and the shortcomings of YTM
- ★ Understand the bond issuance processes – auctions vs. syndication and the role of investors in the issuance process
- ★ Define key terms associated with the equity markets Understand the IPO, its rationale and process – research, pricing, book-building, syndication, underwriting, and the "greenshoe"
- ★ Define pre-emption rights: rights issues, nil-paid rights, theoretical ex-rights price

## SKILLS

This unit will call for the successful participant to:

- ★ Differentiate between the different forms of corporate funding and the appropriate use of each form of funding
- ★ Calculate the interest on coupon-bearing and discount instruments
- ★ How accrued interest is calculated and explain clean and dirty prices
- ★ Illustrate why a corporate treasurer channels available for capital raising
- ★ Compare similarities and differences in debt and equity issuance
- ★ Discuss the advantages and disadvantages of equity exit strategies
- ★ Calculate the "TERP"

## UNIT CONTENT

### Corporate Financing Alternatives

- Short term capital funding
- Medium and long term capital funding

### Money Markets

- Why do we need short term financing?
- Commercial paper
  - who uses commercial paper?
  - US CP vs. ECP and asset backed commercial paper

### Fixed Income Products

- Basic of fixed income terminology
- Clean vs. dirty pricing – using Bloomberg screens
- Price as discounted sum of cash flows
- What are GMTNs and EMTNs?
- The bond new issue launch process
- Assessing the optimal strategy
- The role of the bank syndicate desk
  - pricing process & relevant benchmarks
- The main stages of bond issuance
- The secondary markets



# COURSE SYLLABUS



## EQUITY MARKETS AND EQUITY CAPITAL MARKETS

### Equity Markets

- The equity vs. debt decision
- Equity finance the key features
- The role on equity indices
- Factors affecting equity prices – economic, corporate actions and common themes
- Role of equity research

### Equity Capital Markets

- Selling existing shares – exit routes
- Multi track process
- Going public and the structure of an IPO
- Key company considerations for the IPO
- Understanding the “Greenshoe” process
- Rights issues and other secondary market offerings
- The TERP and the value of nil-paid rights

## UNIT 6: CORPORATE AGENCY & SECURITY SERVICES

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Recognise the role and structure of the Securities Service, Custody and Trust Services function
- ★ Describe how a trade or transaction is created and the rationale for the transaction
- ★ Understand the role of the bank in the process of clearing, settling and safekeeping bank and client trades
- ★ Understand the process of inventory management through repo and stock borrowing and lending structures
- ★ Define the nature and scope of corporate actions
- ★ Identify different types of investors and their specific motivations

### SKILLS

This unit will call for the successful participant to:

- ★ Demonstrate the impact of various corporate actions on a customer's account
- ★ Contrast the different settlement procedures dependent of the asset class
- ★ Illustrate the mechanics of both repo and stock borrowing and lending transactions
- ★ Demonstrate an understanding of asset management and to differentiate investors

### UNIT CONTENT

#### WHAT ARE SECURITIES SERVICES, CUSTODY AND TRUST SERVICES?

#### Overview of Trading and a Transaction

- Define a trade, the process of trade creation and the market participants
- Show forms of trade execution – OTC and exchange traded
- List pre-trade checks – legal and compliance

#### Operational Overview

- Define the Straight Through Processing (STP)
- Recording static data, what it is and why is it important?
- Describe trade capture, identification, validation, enrichment and conformation
- Recognise trade reporting – MiFID and OTC reporting practical

considerations

#### Clearing, Settlement Process and Safekeeping

- Define clearing, settlement and safekeeping and time line for each activity
- Outline both the Delivery vs. Payment (DVP) and Delivery free of Payment (DFoP)
- Describe the process of central clearing and what are the advantages
- Examine settlement instructions and Standard Settlement Instructions (SSI)

#### Inventory Management

- Recognise the need for and process of Stock Borrow and Lending (SBL) and Sale & Repurchase Agreement (Repo)

#### Corporate Actions

- Describe the nature of corporate action, voluntary and involuntary
- Examine each of:
  - dividend and coupon payments
  - stock splits and consolidations
  - stock buy-backs

#### Operational Risk

- Understanding the nature of operational risk

#### Fund Services

- Fund accounting, compliance monitoring, transfer agency, trustee services, performance measurement and financial reporting

#### Investor Segment Overview

- Why invest, investment basics and investment process
- Understanding risk tolerance
- Understanding portfolio structure
- Benchmarking
  - passive management vs. active management

#### Investor Profiling

- Insurance companies, pension funds and mutual funds
- Asset managers – Local asset managers and global funds
- Alternative funds – hedge funds

## UNIT 7: FOREIGN EXCHANGE AND COMMODITY HEDGING

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Explain what factors influence foreign exchange rates
- ★ Define how spot rates are quoted: the base and quoted currencies
- ★ Understand what a forward rate is and how forward rates are quoted
- ★ Explain what a non-deliverable forward is, why there are nondeliverable forwards and how they are settled
- ★ Understand what the major commodities are and who the major market participant in the commodities market
- ★ Explain the factors that drive commodity prices
- ★ What influences the shape of the forward curve – the rationale for backwardation, and contango



# COURSE SYLLABUS



## SKILLS

This unit will call for the successful participant to:

- ★ Calculate spot FX cross rates
- ★ Calculate a forward FX rate using both a formula and forward points
- ★ Demonstrate the use of NDFs and how the settlement amount is determined
- ★ Illustrate why both contango and backwardation occur within the commodity markets
- ★ Explain the influences on both FX spot rates and commodity prices and how they might be linked
- ★ Discuss "The China Effect" on commodity prices

## UNIT CONTENT

### Foreign Exchange Products

- History of foreign exchange markets
- Influences on and drivers of foreign exchange (FX) rates
- The risks to a corporate in FX exposures, the effects of importers and exporters

### Spot FX Markets

- FX quotations and conventions of the FX markets
- Cross rates
- How corporate clients are exposed to FX risk, transaction and translation risk

### Forward FX Markets

- The use of FX forward rates for a corporate customer
- Mechanics of forward prices
  - market forces vs. economic theory
  - cost of carry concept
  - basic of FX swaps and NDFs

### Introduction to Commodity Markets

- The nature of commodities
- Market structure
- Classifications of commodities
- Commodity returns and indices
- Trading instruments terminology
- Commodity seasonality
- Commodity forward prices
- Contango or backwardation

### Understanding the Oil Markets

- Factors that affect crude oil prices
  - crude oil grades
- Inside the oil barrel
- Oil futures contract

### Trading Metals Markets

- Types of metals
- Metal consumption & uses of precious and base metals
- Trading considerations
- Copper market fundamentals
- Gold Markets

## UNIT 8:

## INTRODUCTION TO TRADE FINANCE

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Understand the additional risks associated with trade finance transactions

- ★ Recognise the role of the importer's and exporter's bank in trade finance transactions
- ★ Define the separation of risk and the self-liquidating nature of trade finance transactions
- ★ Recognise the components of trade finance and the role of each component
- ★ Outline the range of documents necessary to trade finance and their individual uses

## SKILLS

This unit will call for the successful participant to:

- ★ Illustrate how trade finance solutions mitigate risk for the importer and exporter
- ★ Differentiate between the array of documents required to complete a trade transaction and understand the specific need for each document
- ★ Analyse the need for clear KYC and AML procedures when looking at trade finance transactions
- ★ Diagram the players and their role in a trade finance transaction

## UNIT CONTENT

### Why Trade Overseas and Why Banks Offer Trade Finance?

- Background to trade finance, leading exporting and importing countries, and world commodity profiles
- Review of WTO statistics
- How global trade flows are shifting from their traditional routes
- Why a customer should look at exporting and how it could lead to increased sales?
- The changing regulatory environment and why trade finance may look attractive to a bank.
- How trade finance transaction can lower the risk profile from conventional lending
- The bank's view on risk mitigation, financing, settlement and balance sheet management
- Current market conditions

### Risk Assessment for Trade Finance

- Potential risks associated with international trade from the perspective of:
  - negotiation product, production and transportation risks
  - commercial risks
  - country and political risks
  - foreign exchange risk
  - financial risks
  - bank risk
- What is the meaning of adverse business risk?
- The importance of Know Your Customer (KYC) and Anti-Money Laundering (AML)
- Examine how to mitigate potential risks

### The Players and Components of a Trade Finance Transaction

- The exporter, the importer, exporter's bank, importer's bank
- The goods, the cash, and the document flow International Trade Documents

### International Trade Documents

- Why documents are important?
- The essential trade finance related documents
- The role and inter-connectivity of trade documents -
- Commercial documents - Sales contract, invoice (commercial, tax, customs and consular)



# COURSE SYLLABUS



- Transportation documents – Marine/ocean Bill of Lading, Charter-party Bill of Lading, multimodal transport documents, road, rail and inland waterways documents, air transportation/air waybills Insurance and financial documents - Insurance policy, bill of exchange, promissory note
- Official documents - Certificates of origin, certificates of inspection, analysis certificate and health certificate
- Other documents – packing lists

## UNIT 9: CLEAN PAYMENTS AND DOCUMENTARY TRADE PRODUCTS

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Outline Incoterms and the conditions of each term
- ★ Define the “risk ladder” and methods of payment available within trade finance
- ★ Understand the banking solutions available to a corporate customer to assist in risk mitigation such as documentary collections and letters of credit
- ★ Recognise the structure and role of the bank within a documentary collection and letters of credit

### SKILLS

This unit will call for the successful participant to:

- ★ Calculate the costs of different delivery options under Incoterm
- ★ Diagram the flow of goods, documents and payment for a documentary collection
- ★ Diagram the flow of goods, documents and payment for a letter of credit
- ★ Differentiate between the risks for the exporter, importer and banks within both a documentary collection and letter of credit
- ★ Discuss the role and obligations of the parties to a letter of credit

### UNIT CONTENT

#### Terms of Delivery

- What are the uses and scope of Incoterms 2010?
- Incoterms 2010
  - departure – EXW
  - main carriage unpaid – FCA, FAS, FOB
  - main carriage paid – CFR, CIF, CPT, CIP
  - arrival – DAP, DAT, DDP
- Diagram the charges relating to the delivery of goods
- The advantages/disadvantages to the importer/exporter in the use of Incoterms 2010
- Calculate alternative pricing examples for different delivery definitions

#### Methods of Payment

- What is the risk ladder?
- Review of the methods of payment from open account through to payment in advance
- What is the role of the exporter, importer and bank under different methods of payment?
- When does an exporter or importer use the differing methods of payment
- Risk analysis for clean payments - open account vs. payment in advance

#### Documentary Collections

- The key elements of documentary collections and when they are used

### Delivery Against Acceptance (D/A), Delivery Against Payment (D/P)

- Role and risks relating to the Remitting and Collecting banks
- The act of avalisation and the meaning of “delivery against acceptance pour aval”
- What are the duties of the banks involved with documentary collections?
- Conditions relating to the release of documents
- Exporter's risks when comparing D/A and D/P
- The Uniform Rules for Collections published by ICC - URC 522

### Letters of Credit

- The bank/customer relationship and how it differs from documentary collections
- What are the roles and obligations of the parties to a letter of credit
  - Irrevocable, irrevocable and confirmed
- The risks and benefits to the exporter and importer of a letter of credit
- International Chamber of Commerce UCP 600 Rules

## UNIT 10: CONTRACTUAL & FINANCIAL GUARANTEES

### UNIT LEARNING AIMS AND OBJECTIVES

On completion of this unit, the successful participant will be able to:

- ★ Understand the risk to the bank between the terms of the letter of credit, the SWIFT message and the actual transaction documents
- ★ Define the used and application of guarantees and bonds
- ★ Understand the timeline for the use of individual guarantee and bond solutions

### SKILLS

This unit will call for the successful participant to:

- ★ Demonstrate the risks and risk mitigation in accepting a letter of credit as the payment method
- ★ Differentiate between the mechanics of standby letters of credit, guarantees and bonds

### UNIT CONTENT

#### Exporter's Checklist for Letters of Credit

- What the exporter should check before committing to both a commercial contract and letter of credit?
- Risk to the bank between the terms of the letter of credit, the SWIFT message and the actual transaction documents

#### Financing Associated with a Letter of Credit

- The use of post-shipment financing associated with a letter of credit
  - negotiation
  - discount

#### Standby Letters of Credit, Guarantees and Bonds

- Product summary – client & bank value proposition
  - standby Letter of Credit transaction flows
- Guarantees and bonds
- Key features
- Types of Guarantees and bonds - bid/tender bonds, performance bonds, advance payment bonds, retention bonds, warranty/maintenance bonds custom bonds, shipping guarantee
- Mechanics of guarantee transactions



# OPTION OF A POSTGRADUATE CERTIFICATE WITH MIDDLESEX UNIVERSITY



**You have the unique opportunity to choose a validated option for this course and receive a postgraduate certificate on completion. This programme is quality assured by Middlesex University and you will receive a Middlesex award on successful completion. However, if university validation isn't important to you there is still the opportunity to take the standard non-validated course.**

## WHAT DOES THE CERTIFICATE ENTAIL?

In addition to studying all the units and passing the short self assessment tests after each unit, you will need to submit a 5000 word assignment at the end of the course which will be assessed. The assignment will be a cumulative project that you will work through and build upon during each stage of the course.

If you wish to book on the certification course there will be an assessment fee of £360.

## ENTRY REQUIREMENTS

Participants wishing to undertake the Postgraduate Certificate are required to have a degree or equivalent qualification (or relevant work experience).

Participants wishing to undertake the course but not receive the Postgraduate Certificate are not required to have any formal qualifications.

## ABOUT OUR PARTNER MIDDLESEX UNIVERSITY

### History

Middlesex University is a large London based university with a history in higher education dating from 1878. In 1992 it was granted the Royal Charter making it a university. The university offers a broad range of courses through four academic schools of Arts and Education; Business; Engineering and Information Sciences; Health and Social Sciences and their Institute for Work Based Learning.

Middlesex University has over 34,000 students studying on its courses worldwide, both at its own campuses and also with partner institutions, making it one of the largest providers of British university education to international students. Middlesex University has a long history of successful collaborations with the corporate sector. It was the first academic institution to develop industry specific MBA programmes (Shipping & Logistics and Oil & Gas) delivered 100% by distance learning.

## INTERNATIONAL REACH

Middlesex University is committed to meeting the needs and ambitions of a culturally and internationally diverse range of students by providing challenging academic programmes. It has a major international business school based in London with overseas campuses in Dubai and Mauritius and a global portfolio of partnerships delivering high quality validated programmes in business and management.

Staff and students come from a wide spectrum of cultures and backgrounds with a common interest in executive education that is world class, modern and applicable. Middlesex University Business School is proud of its dedicated teachers and its rich range of learning resources including distance learning and virtual learning environments.

## BENEFITS OF STUDYING FOR A POSTGRADUATE CERTIFICATE WITH US

### A MIDDLESEX POSTGRADUATE CERTIFICATE:

- Is project based and practical
- Offers networking opportunities during and after the course
- Provides exceptional teaching staff
- Delivers applied learning experiences
- Combines academic rigour with individual support

### HOW IS THE COURSE VALIDATED?

This programme is quality assured by Middlesex University and after successfully completing your studies you will receive a Postgraduate Certificate from Middlesex University. Middlesex Certificates are recognised worldwide.

### QUALITY

The Quality Assurance Agency (QAA) visited Middlesex in 2015 and noted in its report that its auditors had confidence in the University's current and likely future management of its academic standards and of the learning opportunities available to students.

**THE UNIVERSITY IS A MAJOR PROVIDER OF BUSINESS AND MANAGEMENT EDUCATION, WITH AN IMPRESSIVE TRACK RECORD OF WORKING IN PARTNERSHIP WITH THE PUBLIC AND THE PRIVATE SECTOR, AS WELL AS INTERNATIONAL ORGANISATIONS**



# THE MECHANICS OF **TRANSACTION BANKING**

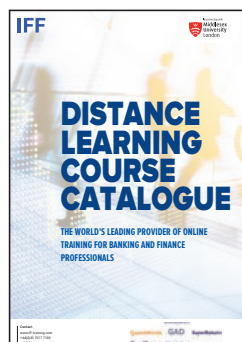
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