

Export Standby Letter of Credit

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SWITZERLAND, March 31, 2020 /EINPresswire.com/ -- [Standby Letter of Credit](#) (SBLC) is a legal document that guarantees a bank's commitment of payment to a seller in the event that the buyer—or the bank's client—defaults on the agreement. The Standby Letter of Credit (SBLC) helps facilitate international trade between companies that don't know each other and have different laws and regulations. The Standby Letter of Credit can also be abbreviated SBLC.



How a Standby Letter of Credit (SBLC) Works : Standby Letter of Credit (SBLC) is most often sought by a business to help it obtain a contract. The contract is a "standby" agreement because the bank will have to pay only in a worst-case scenario. Although an SBLC guarantees payment to a seller, the agreement must be followed exactly.

There are two main types of Standby Letter of Credit (SBLC):

The [Financial SBLC](#) guarantees payment for goods or services as specified by an agreement. An oil refining company, for example, might arrange for such a letter to reassure a seller of crude oil that it can pay for a huge delivery of crude oil.

The performance SBLC , which is less common, guarantees that the client will complete the project outlined in a contract. The bank agrees to reimburse the third party in the event that its client fails to complete the project.

Benefits Standby Letter of Credit (SBLC):

□ The Standby Letter of Credit (SBLC) is often seen in contracts involving international trade, which tend to involve a large commitment of money and have added risks.

□ Avoid or secure advance payment.

□ Obtain Credit.

□ Secure compensation for non-fulfillment of important obligation.

□ The banks involved will act according to the internationally accepted rules of the International Chamber of Commerce.

Common Use of Standby Letter of Credit (SBLC)- Advance payment guarantees - Payment guarantees - [Performance guarantees](#).

Security in Foreign Trading:

Offer your trading partner a Standby Letter of Credit (SBLC) to secure the fulfillment of your company's obligations under the agreement. This way your trading partner knows that you are a reliable cooperation partner.

□Use Standby Letter of Credit (SBLC) for managing foreign trade risks.

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