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## MEXA'S STAY AT HOME VIRTUAL COURSE

"14 hours of Interactive Online Session"

14 CPD Points offered by MEXA

ON

# HOW TO MAKE FULL USE OF THE BANKS' TRADE FINANCING PRODUCTS TO BENEFIT YOUR COMPANY

6 & 7 October 2021, Wed - Thurs | 9.00 am – 1.00 pm & 2.00 pm – 5.00 pm

[Join us from your home / office and be trained in our Virtual Classroom]

## COURSE OBJECTIVES / BENEFITS

Upon completion of this Module, participants will be able to:

1. Explain and discuss the mechanics, features, benefits and risks associated with the various Traditional Trade Financing products offered by Banks in Malaysia.

2. Know the interest, fee and FX income contributions of each of these Traditional Trade Financing instruments and the spin-off business that can be generated for the other Business Units in the Banks.

3. Learn the "secrets and punch points" on how to promote, market and sell Trade Financing products and their hybrids, with emphasis on incremental income and trade lines utilisation.

4. Apply the knowledge and skills acquired to correctly price these Trade Financing products and to appropriately structure the relevant Trade Lines and Bank and Country Limits to accommodate the Banks' trade bills business and income targets.

5. Use documentation, appropriate controls, operating procedures and the "crucial information" provided in the applications forms to ring-fence and mitigate the inherent risks and exposures associated with these Trade Financing instruments

6. Illustrate and explain to the Marketing and Sales Origination Officers the best selling point of these Traditional Trade Financing products and how, when and what to sell during their sales pitch.

7. Define the roles and responsibilities of the Trade Operations Department and Trade Sales Team and how they interact with the RMs, Branch Managers and Credit Administration Department

8. Understand the operating procedures, controls, documentation, rules and regulations and the due diligence required when financing these traditional trade financing instruments.

9. Learn the funding and pricing mechanisms of these Trade financing instruments and how banks book these trade loans and income.

## METHODOLOGY

Remote online learning – interactive and participative virtual classroom with discussions and case study

## TARGET PARTICIPANT

- Junior & Senior Officers, Assistant Managers & Managers in Finance, Business Development, Sales & Marketing, Purchasing, Shipping, Treasury & Investment
- Officers, Assistant Managers & Managers in Branches and related companies.
- Regional Centres' Officers, Assistant Managers & Managers
- Risk Management, Audit, Compliance and Documentation Officers, Assistant Managers & Managers.

## COURSE OUTLINES

### **1. Introduction to Your Bank's Traditional Trade Financing Products**

Trade Financing is provided by Commercial Banks, both local and foreign banks. Trade Financing may be denominated in Local or Foreign currency and interest rates may be pegged against Bank's own COF, Interbank COF, LIBOR, FIXED Rate, Government's Preferential rate, etc. Trade financing for imports and exports maybe up to one year. No limit on the Trade financing amount for each transaction but subject to availability of customers' Trade Lines and the Bank's FIs and Country limits

## **2. Bankers Acceptances (BAs):**

Basically, a Bill of Exchange drawn on and accepted by a Bank to facilitate the financing of either International or Domestic trade transactions. The characteristics, features and benefits and the “punch points” will be explained together with BAs’ financing cost and bank charges when creating, discounting and investing in BAs. BA financing is extremely popular with local buyers and sellers as they need to produce invoices and delivery documents to the BA financing banks only. The inherent risks associated with BAs will be discussed including, how to mitigate them.

## **3. Invoice Financing (eg. Open Account Trading):**

The objective of offering Invoice financing to customers is to provide them with an alternative trade financing mechanism that will cater for open account trading and transactions that do not qualify for other means of financing. A Bill of Exchange or Promissory Note will be used to facilitate Invoice financing, to serve as a legal instrument of demand and to facilitate their sale in the Secondary Market. However, Invoice financing may be subject to misuse and abuse and as such, due diligence, documentation and operating controls must be strictly enforced by Banks.

## **4. Trust Receipt (TR) Advances or Foreign Currency Trade Loan (FCTL)**

TR or FCTL advances is one of the favourite trade financing products widely used by Trade customers to finance their imports and local purchases whether against Import LCs or Collection Bills. The financing interest rates will be based on the currency involved. Banks must enforce strict controls and conditions for access, to avoid a compromise in the Bank’s security. Trade customers have to execute a Trust Receipt document and a Bill of Exchange to support each TR or FCTL financing.

## **5. Letters of Credit (LC) Negotiations:**

LC Negotiations is widely marketed and offered by Banks in Malaysia, as it is a lucrative trade financing business. The features, “punch-points” and income benefits of LC Negotiations and the spin-off business opportunities will be explained. LC Negotiation loans may be booked in the LC Issuing Banks’ or Customers’ name and may be on a “with or without recourse” basis (each Bank’s risk appetite). The inherent risks associated with LC Negotiations will be discussed, including the controls, documentation and operating procedures to mitigate and ring-fence them. Occasionally, LC confirmations are requested by the Export LC Beneficiaries.

## **6. Pres-Shipment Financing or Advances:**

This is an export financing arrangement, against Export LCs, Purchase Orders and Sales Contracts submitted by Exporter-Customers. The purpose and benefits of Pre-Shipment financing will be explained and illustrated. Pre-Shipment advances are offered by most Commercial Banks. Risk profile of Pre-Shipment advances is higher than Post-Shipment financing and as such, the financing rates by Banks are higher. Documentation, conditions precedent, interest rates, tenor and percentage of financing for Pre-Shipment advances are different between the Banks in Malaysia.

## **7. Bills Purchased (BP) Vs Bills Discounting (BD)**

The definition and difference between bill discounting and bill purchase will be explained and illustrated together with situations and reasons why bills discounting or purchase are requested. Participants will know the characteristics, mechanics and benefits of using BP and BD. Accounting and documentation requirements will be highlighted, including how interest is to be accrued or amortized monthly.

## **8. Vendors Financing Scheme (VFS)**

The purpose, structures and financing concepts related to Vendors Financing will be explained together with the income sharing and risk allocation agreements. The financing methodology and income treatment will be highlighted together with the controls and due diligence required to contain the inherent risks associated with Vendors financing. While the mechanics and financing principles are “quite similar” to Supply Chain financing, the accounting and income treatment, customer liability profile and supporting documents are different between the banks in Malaysia.

## **9. Financing Cross-Border Transactions (including Inter-Company)**

Cross Border financing in foreign currencies are more favoured these days, taking advantage of interest differentials between the borrowing and financing countries. Currency depreciation and weak economic conditions have encouraged Customers to pursue such trade financing arrangements. The financing of imports and exports by overseas Financial Institutions will be explained and discussed in details. Since these are “off-balance items”, the documentation, financing arrangements, controls and booking of loans overseas must be stringent and complete.

## 10. Supporting Documents

The commercial and financial documents, application forms and indemnities to support each Trade financing transaction will be highlighted and explained. Facilitator will also explain how application forms should be completed and authorized by customer and how they should be vetted and processed by Trade Operations

## 11. Crucial Information in Application Forms

Each Trade Services product offered by the Bank requires an Application form for each transaction. The critical fields in these Application forms will be explained together with the risks and impact on Trade Operations. Incomplete or insufficient information provided by Customers may increase the Bank's risk-exposure while the Facilitator will highlight the ways to mitigate them.

## 12. Case Study

### TRAINER'S PROFILE

#### **PHUA POH SENG, Senior Speaker & Consultant**

Phua, currently sits on the panel of Speakers and Consultants at DocCredits Singapore, Finet Consulting Cambodia, Finet Associates Sdn Bhd, Malaysian Export Academy, Amity Diversified Thoth Capital Sdn Bhd, Intrafin Advisory, Australia And New Zealand Institute (ANZI), Australia and as trainer for Asian Banking School, Malaysia.

His last employment was with OCBC Bank Malaysia Berhad, as Trade Advisor (Vice President). He played an active advisory role on all aspects of OCBC Bank's import and export Trade Operations and Trade financing instruments. His job functions included the review, re-aligning and re-engineering of the Bank's Trade operations and processes, besides training staff (including pipeline interns) on all trade financing products and services. Phua was also instrumental in the Bank's introduction of new Trade products and services and some "Structured Trade Financing" arrangements

Phua started his banking career with Malayan Banking Berhad as a new Graduate Trainee before moving to The Chase Manhattan Bank N.A (now JP Morgan Chase) to head Trade Finance and Services (AVP). Positions which Phua has held before joining OCBC Malaysia Berhad were as Trade Advisor (VP) for AmBank (M) Berhad, Trade Advisor (VP) for EXIM Bank Malaysia Berhad, General Manager of Trade Finance for Alliance Bank Malaysia Berhad, Head of Trade Services (VP) for Deutsche Bank (M) Berhad and Head of International Trade Finance (AGM) for Kwong Yik Bank Berhad (now RHB Bank).

Phua has more than 30 years of practical Trade Banking experience where he had specific responsibilities for Trade Finance operations and marketing, structuring of Trade Finance deals and conducting Trade Finance training programs for staff (including Relationship Managers) and customers. He was also responsible for the Banks' trade fee and interest income budgets and trade lines utilization. He has conducted numerous seminars and workshops on Malaysia's Trade Financing products, Letters of Credit, Bank Guarantees and Auditing Trade Finance for Institute of Banks Malaysia (ABS), Bank Negara Malaysia, Local Banks and Special Purpose Banks, ICC Malaysia and Public Training Providers.

Phua was a member of EXIM Bank Malaysia's Export Credit Refinancing Working Committee, Bank Negara Malaysia's New Trade Products Working Committees (on Bankers Acceptance And the Strategic Trade Act) and ICC Malaysia Banking Committee and Task Group. He has been invited to present specific papers on Trade Financing, Trade Risks And Frauds, in several Trade Conferences and Workshops.

Phua has just completed his engagement as a Trade Advisor with Meridian Diversified (M) Sdn Bhd, a Trade Finance System Development Company, since June 2018, to provide his inputs, guidance and experience in the development of a Trade Finance System for a Special Purpose Government Bank.

Phua is currently working for a Malaysian subsidiary of a Public listed Australian Company, as Advisor – Banking & Trade Finance, since June 2020, providing his experience, knowledge and new ideas on Trade Financing. He is currently reorganizing the Company's operations, planning, production and warehousing functions and responsibilities through a wide spectrum of re-alignment and re-engineering initiatives and automation of reports and workflow processes.

### PRE-REQUISITE

- Good Internet / wifi connectivity
- Laptop / smartphone with audio/visual
- Virtual platform - ZOOM

### PARTICIPATING FEE (SBL-KHAS Claimable)

**RM1,300 per person for 2 days + 6% SST  
(RM1,378 per person)**

# Fee inclusive of Course Notes and Digital Certificate of Participation

#### **For registration:**

1. Please email us a copy of your registration form;  
2. (HRDCorp member only) Please apply via HRDCorp e-TRiS for SBL-Khas scheme before training date (subject to approval),

**Training fee claiming = RM1,378 per person**; and  
3. (HRDCorp member only) Upon training completion, please fill up form **PSMB/SBL-Khas/JD/14** and return it to us immediately. The delay in returning the form will result in delay of the employer's submission of claims.

### ORGANIZER (MyCoID: 791613A)

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