

POINT-OF-DESTINATION DOCUMENT PROCESSING IN CHINA CAN DELIVER SIGNIFICANT SAVINGS FOR EXPORTERS

Exporters know that dealing with ANZ at export destinations can cut payment time and the cost of capital.

Australian companies exporting bulk commodities such as iron ore, coal, wheat, barley and other commodities in large quantities to Chinese buyers face potentially costly risks. ANZ's letter of credit payment confirmations, on-the-ground presence and a new approach to speeding up document processing can save these customers millions of dollars.

GLOBAL CLIENTS WITH PAYMENT AT RISK

Some of ANZ's global clients are resource exporters whose annual shipments to multiple Chinese buyers are typically well in excess of US\$100 million. Considering the cost of capital tied up in these shipments, it's vital for these companies to manage their working capital cycle with optimal efficiency and free up cash flow.

REDUCING PAYMENT CYCLES

These resource exporters' main risks include:

- > Not getting paid. This is associated with non payment by Chinese banks or sudden changes in China's foreign currency regulations.

FOR COMMODITIES EXPORTERS
SELLING TO CHINA, BIG VOLUMES
BRING BIG PAYMENT RISKS

- > Along with a requirement to maximise cash flow, the need to use letter of credit payment confirmations as a source of funding by negotiating the letter of credit at sight. (This can free up working capital and credit lines, and allow payments to be made sooner.)
- > Delays in the shipping document process where the buyer's goods arrive at the destination before the documents, resulting in delayed payment.

THE SOLUTION – PAYMENT CONFIRMATIONS PLUS A NEW APPROACH

"In managing these issues ANZ can make a huge difference on behalf of exporting clients", says Head of Trade and Supply Chain China, Ben Lam. One of the benefits of having a large team on the ground in China and strong relationships with Chinese banks is that the payment process can be sped up. Yet clients get the same quality of service and benefit from the same credit rating of ANZ locally.

With our confirmation service comes peace of mind. If a Chinese bank is late in paying, for example, ANZ can deal with it directly. Exporter clients know that dealing with ANZ at destinations can cut payment time and the cost of capital.

ANZ's 'point-of-destination processing' approach to export documentation is especially appreciated by large commodity exporters who can have a quarter of their annual turnover held up by payments due on shipments they've already made.

How does this approach work? Traditionally clients delivered shipping documents to the bank's branch in Australia, which check them and courier them to the Letter of Credit issuing bank overseas. It could take several days for them to arrive in China. The buyer's bank would then make the international payment, which could mean further delays before the money reached the exporter's account.

Now the exporter can have third-party documents like bills of lading cut in China and prepare or email their own documents directly via an agent or representative office in China for collation and submission to one of three ANZ China branches on the same day.

Once ANZ has checked the documents, we can forward them to the Chinese bank domestically.

**ANZ'S PAYMENT GUARANTEES,
COUPLED WITH OUR
ON-THE-GROUND PRESENCE
IN CHINA AND AUSTRALIA
CAN OFFER CUSTOMERS
INVALUABLE PEACE OF MIND.**

THE BENEFITS – BIG SAVINGS, FASTER PAYMENTS

The benefits of this process are that documents for exported goods arrive sooner, payment is received sooner and buyers are not left waiting at ports with no documents. Clients can benefit from equally efficient processing support in Australia and China.

"Our Chinese and English speaking team in China will contact local banks and buyers to work through issues in local time zones while our global systems ensure uniformity of service," says Ben Lam.

There are other benefits to be gained through point-of destination processing. "Shorter confirmation periods can create confirmation charge savings in the thousands," says Ben. "If letters-of-credit discounting is used as part of a structural solution, it can also create a significant interest saving in the same year."

There are additional benefits to be gained from dealing directly with a bank in the market you're selling to, he points out. It can give better, more current advice on what's happening in that market. Where issues arise, as they inevitably do, local staff can deal in the local language.

HOW TO CONTACT US

To find out more about how to enhance your trade and supply chain management call our Trade Finance Desk on 1300 ANZ 4 TRADE (1300 269 487), contact your ANZ Relationship Manager or visit anz.com/tradeasia.

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