

Master in Business Economics (MBE)

Course Title: Trade Finance

Semester : IV (2023)

Credits : 3

Faculty: Nabaraj Thapa

Course Objectives

International Trade possesses major operating, financial challenges and risks due to involvement of multiple stakeholders (multiple client across countries, banks, countries with different risk profiles and own set of trade rules & regulations) and foreign currencies.

Trade Finance Course aims to equip participants with basic Trade Finance concepts, Financial Analysis, cross cultural communication, operating procedures, latest development in Trade Finance techniques, Rules/Regulations of International Chamber of Commerce (ICC) & Nepal Rastra Bank.

Further, it aims to equip with latest development in International Trade Finance e.g. Block Chain, Fin-tech, Green Finance, Supply Chain Finance, Legal aspects of global trade, various inherent risk therein and Risk management techniques.

Course Description

After completion of all the learning units and the requirements of the course, students will be able to:

- understand the concept of International trade, trade finance and its uses and implication.
- understand Letter of Credit, various types of L/C and Bank Guarantees.
- understand various trade terms and incoterms.
- various methods to settle International Trade.
- understand the functional/operational knowledge of Trade Finance.
- understand Regulatory frame work as per International Standard and local regulatory requirements in Trade Finance.
- understand emerging trends e.g. Digitization, Block chain and Supply Chain Finance,
- understand NRB & International Trade Finance Rules & Regulations/practices.
- understand possible risks and Risk Management techniques in Trade finance.

References books

- Tarsem Singh Bhogal and Arun Kumar Trivedi, International Trade Finance, Pragmatic Approach Trivedi PALGRAVE MACMILLAN, Newyork (2008 edition),
- Kwai Wing LUK, International Trade Finance, City University of Hongkong (2011, 2nd edition)
- Alexander R. Malaket, Financing Trade and International Supply Chains (2014 edition)
- Other selected publications in relevant topics.

Cases and Exercises

- KUKL's Melamchi Project: Invocation of Bank Guarantees
- Letter of Credit Scam (Nepalese Case): Repatriation of Foreign Currency due to false import
- Review of selected papers
- Other cases and exercises developed by faculty

Course Grading

Internal	65%
<i>Class Participation</i> 10 % *	
<i>Attendance</i> 5 %	
<i>Quizzes</i> 15 % **	
<i>Mid Term</i> 20 %	
<i>Project (group//individual)</i> 15 % ***	
End Term	35%
Total	100%

Note :

* Class participation include quality participation in the class that add value in the subject discussed and answer of Cold Calls. Each student will be given opportunities to answer cold calls during the lecture days (Lecture 1 to Lecture 15).

Peer review will be obtained from all the students for class participation scores.

** Quizzes will be conducted at the lecture days 7th, 14th. Quizzes shall be graded.

*** Comprehensive Individual/group project work will be assigned. Faculty shall assign and communicate in advance.

Grading

Grading shall be as follows ;

80 % plus	:	A
75 % plus to 80 %	:	A-
70% plus to 75%	:	B+
65 % plus to 70 %	:	B
60 % to 65 %	:	B -
Less than 60%	:	Fail. Candidate should re-register for the course

Course Schedule

Tentative course schedule is as follows.

Session	Topic	Readings	Cases
Session 1	Introduction to International Trade 1.1 Importance and benefits of International Trade 1.2 Factors influencing International Trade 1.3 Trade Theories, Comparative Advantages, Absolute Advantages and new Trade theory	Reference books chapter, lectures slides	
Session 2	Introduction to Trade Finance 2.1 Importance and Scope of Trade Finance 2.2 Types of Trade Transactions : Import, Export and re-exports	Reference books chapter, lectures slides	
Session 3	Introduction to Trade Finance 3.1 Trade Finance Instruments : Letter of Credit and 3.2 Various Types of Letter of Credit 3.2 Bills of Exchange	Reference books chapter, lectures slides	Mini Case
Session 4	Trade Finance Instruments 4.1 Bank Guarantee 4.2 Types of Bank Guarantees: Bid bond, Performance Bond, Advance Payment Guarantee. 4.3 Risk in Bank Guarantee	Reference books chapter, lectures slides	Mini Case
Session 5	Bank Guarantees, Types of Bank Guarantees 5.1 International Guidelines for Letter of Credit 5.2 International Guidelines for Bank Guarantee 5.3 Central Bank (NRB) guidelines & Regulations for Letter of Credit and Guarantee	Reference books chapter, lectures slides	
Session 6	International Trade Operations 6.1 Export and Import Procedures 6.2 Role of Banks in International Trade 6.3 Documentary collection and Documentary Credit	Reference books chapter, lectures slides	Mini Case

	6.4 Incoterms and their significance 6.5 LC Issuance Process 6.6 LC Documentation and LC Discrepancies 6.7 LC Negotiation and Confirmation		
Session 7	Trade Finance Techniques 7.1 Pre-shipment and Post-shipment financing 7.2 Packing Credit and Advances 7.3 Computation of Letter of Credit, Bank Guarantee Packing Credit and Trust Receipt Loan limits	Reference books chapter, lectures slides	
Session 8	Risk in Trade and Risk Management in Trade Finance 8.1 Currency and Interest Rate Risk 8.2 Country and Political Risk 8.3 Credit Risk and Credit Analysis 8.4 Mitigating Strategies and Hedging Techniques 8.5 Forward Exchange Rates	Reference books chapter, lectures slides	Mini Case
Session 9	Supply Chain Finance 9.1 Role of Supply Chain in Trade Finance 9.2 Supply Chain models and Stakeholders 9.3 Financing options for suppliers and buyers 9.4 Collaborative Financing and benefits	Reference books chapter, lectures slides	
Session 10	Regulatory and Legal Frame work 10.1 International Trade Regulations & Compliance 10.2 Trade Finance legal agreements	Reference books chapter, lectures slides	
Session 11	Regulatory and Legal Frame work 11.1 Anti money laundering and KYC 11.2 Unified Customs and Practices for Documentary Credit (UCPDC)	Reference books chapter, lectures slides	
Session 12	Regulatory and legal frame work in Trade Finance 12.1 International Rules & Regulations 12.2 Central Bank Rules and Regulations	Reference books chapter, lectures slides	
Session 13	Emerging Trend in Trade Finance 13.1 Introduction 13.2 Digitization and Fin-tech in Trade finance	Reference books chapter, lectures slides	

Session 14	Emerging Trend in Trade Finance 14.1 Block-Chain and Smart Contracts	Reference books chapter, lectures slides	Mini Case
Session 15	Green and Sustainable Trade Finance 15.1 Introduction of Green and Sustainable Trade Finance 15.2 Rationale of Green and Sustainable Trade Finance 15.3 Industry Outlook and Nepal in particular in regard to Green and Sustainable Finance Simulation- Real world case studies of Trade Finance	Reference books chapter, lectures slides	
Session 16	End of Sessions – Course Summary and take away from the sessions. Insights from Industry Professionals	Reference books chapter, lectures slides	Group or Individual Comprehensive Case
48 hours	<i>Including Assessment/ Project Presentation</i>		
	End- Term Exam		