

Trade Finance Guide for Importers and Exporters

How businesses trading with the UAE, the GCC, Africa and the Philippines use letters of credit, guarantees and collections to get paid and reduce risk.

Why trade through the UAE?

The UAE is a major re-export and logistics hub linking the GCC, Africa, South Asia and Southeast Asia. Many importers and exporters use UAE banks and UAE-based structuring to manage payment risk with counterparties in other markets.

Choose the right instrument

Instrument	What it does	Typical use	Main rules
Letter of Credit (LC)	Bank undertakes to pay against compliant documents	Importer and exporter don't know each other well; new markets	ICC UCP 600
Confirmed LC	A second bank (often in the exporter's country) adds its own payment undertaking	Exporter wants protection from issuing-bank or country risk	UCP 600
Usance LC	Payment at a future date after presentation	Buyer needs credit time to sell the goods	UCP 600
Documentary Collection	Banks exchange documents for payment or acceptance; no bank payment undertaking	Trusted trading partners; lower cost than an LC	ICC URC 522
Bank Guarantee (BG)	Bank pays if the applicant fails to perform	Contract bids, performance, advance payments	Often ICC URDG 758
Standby LC (SBLC)	Back-up payment undertaking if the buyer does not pay	Open-account trade, credit support	ISP98 or UCP 600

How an import LC works

1. Buyer and seller agree the sale contract, Incoterms, shipment dates and documents required.
2. The buyer applies to its bank, which issues the LC (subject to a credit line or cash margin).
3. The LC is advised to the seller through a bank in the seller's country.
4. The seller ships and presents the documents (invoice, transport document, packing list, certificates).
5. Banks check the documents against the LC; a compliant presentation is paid or accepted.
6. The buyer pays its bank and receives the documents to collect the goods.

Documents to prepare

- ☐ Sale contract or pro forma invoice with Incoterms
- ☐ Commercial invoice and packing list
- ☐ Bill of lading or airway bill
- ☐ Certificate of origin and any inspection, quality or insurance certificates

- ☐ Trade licence, company documents and bank KYC information
- ☐ For guarantees: the underlying contract or tender documents

Market notes

Market	What to watch
UAE	Strong bank network and free zones; banks will assess your trade licence, turnover and trading history.
GCC	Large project and government contracts often require bid, performance and advance payment guarantees.
Africa	Currency availability and country risk can make confirmed LCs and SBLCs important for exporters selling into the region.
Philippines	Importers trading with UAE suppliers can use LCs or collections; plan for currency conversion and document timelines.

Ten mistakes that delay payment

- Shipment or expiry dates that are too tight
- Names and addresses that differ between documents
- Goods descriptions that don't match the LC wording
- Missing or late certificates
- Unclear Incoterms or insurance responsibility
- Ignoring confirmation when country risk is high
- Not budgeting for bank charges and confirmation fees
- Presenting documents after the deadline
- No sanctions or trade-restriction check on goods, ports and parties
- Choosing an instrument before agreeing the sale contract

Get your transaction reviewed

National Finance advises importers and exporters on the right instrument, document readiness and bank coordination for UAE, GCC, African and Philippine trade.

Request a free consultation: thenationalfinance.ae/request-consultation

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