

ISQ Examination (Summer-2012)

Finance of International Trade & Related Treasury Operations – Stage-III

- Q. A) What is the purpose any of the Export Finance Scheme of the State Bank of Pakistan?
- Q. B) List any FIVE salient features of State Bank of Pakistan's Export Finance Scheme?
- Q. A) Describe the purpose for obtaining a shipping guarantee by the consignee.
- Q. B) How does the issuing bank mitigate the risks against shipping guarantees?
- Q. C) What is the redemption process of a shipping guarantee?
- Q. International Trade on the back of technological innovations in communication and transport has transcended geographical boundaries and has become an integral part of the modern day business. In a day and age where product quality and efficiency is of primary importance, second only to its price, geographical boundaries have become less important.
- A. What are the interdependencies which have been created by international trade for nations.
- B. Explain how the interdependencies can be
- i) beneficial for a national growth,
 - ii) detrimental for a national growth.
- Q. Essentially correct documentation is the bedrock of smooth negotiations under documentary credit operations, however generally it is not the case because mistakes do occur at the exporter's end, which cause extra work for the exporter as well as the bank(s).
- A. List any FOUR discrepancies that can occur in export documents presented for negotiation.
- B. Discuss the process of correction of discrepancies in export documents presented for negotiation.

Q. Under ordinary course of international trade, traders are required to trade in one or more foreign currencies which bring in the element of exchange risks either to one or both parties in the transaction.

- A. Describe currency risk with the perspective of the following.
 - i) An importer
 - ii) An exporter
- B. List ways and means to mitigate the same.

Q. A) Define a bill of lading.

Q. B) Describe any THREE different types of bill of lading.

Q. M/s Bank 'X' Ltd., an Authorized Dealer in Pakistan has the undernoted foreign currency assets and liabilities at the close of business on 15th April, 2012:

USD	1,500,000 (Long)
GBP	500,000 (Short)
EUR	3,200,000 (Long)
JPY	250,000,000 (Short)

- A. To what risks Bank 'X' is exposed due to open position determined as above.
- B. What are the possible ways in which the risk exposure can be avoided?

Q. Discuss the role of Correspondent Bank network and list the credit and non-credit services offered under correspondent banking.

Q. M/s Aslam Traders in Pakistan received a letter of credit issued by Bank 'X' in USA through an advising bank in Pakistan. Some key terms of the credit are detailed below:

- A. Date of issue: 20th January, 2012
- B. Amount of Letter of Credit: US \$ 45,000 C&F London
- C. Description of Goods: 15,000 gents shirts Model 123 @ US 3 per shirt as per contract No. JPY/185/2011 dated 15th January, 2012.
- D. Partial Shipment: Not Allowed
- E. Expiry: 30th April, 2012

On 31st January, 2012 M/s Aslam Traders received the following amendment through the advising bank:

- i) Amount of letter of Credit reduced to US \$36,000 C&F London.
- ii) Quantity reduced to 12,000 gents shirts
- iii) Expiry extended to 15th May 2012.
- iv) All other terms and conditions remained unchanged.

M/s Aslam Traders submitted documents for negotiation at the counter of the nominated Bank for US \$ 45,000 on 10th May, 2012.

Answer the following assuming that the beneficiary neither conveyed acceptance nor rejected the amendment.

- A) Whether these documents are in compliance with the terms of the credit? Specify reasons in support of rejection or acceptance.**
- B) List the discrepancies in the documents on the basis of information given above.**
- C) List the steps which the nominated bank must undertake in terms of UCP 600 if the documents are considered as discrepant.**
