



# **Trade Financing for SMEs through Paperless Trade Platform**

**: Experience of Republic of Korea**

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Sung Heun HA (Rama)





# **I . Trade Finance System of Republic of Korea**

# 1. Trade Finance in Korea

## Trade Finance in Korea

- In a larger sense, Trade Finance means activities related to raising funds for international trade (Pre/Post-shipment Finance)
- In a narrow sense, Trade Finance means a system - mechanism which mandates **the financial support of central bank** (the Bank of Korea) to exporters or parts/raw materials suppliers by 'the rules of trade financing operation in relation to the total loan ceiling' of the Bank of Korea to promote export

⇒ Allocation of funds for trade financing with prime rate for SMEs and mandated trade finance services of all foreign exchange banks

## 2. Trade Finance by Criteria

Criteria	Contents		
<p align="center"><b>By financing condition</b></p>	<p align="center">L/C based or other contract proof based</p>	<ul style="list-style-type: none"> <li>- Production Fund</li> <li>- Raw materials fund</li> <li>- Inclusive financing fund</li> <li>- Finished goods purchasing fund</li> </ul>	
	<p align="center">Export record based</p>		
<p align="center"><b>By manufacturing capacity</b></p>	<p align="center">Manufacturer</p>	<p align="center">By purpose</p>	<p align="center">Production Fund</p>
			<p align="center">Raw materials Fund</p>
	<p align="center">Non-manufacturer</p>	<p align="center">Inclusive financing fund</p> <p align="center">Finished goods purchasing fund</p>	

# 2. Trade Finance by Criteria

## Trade Finance Loan types

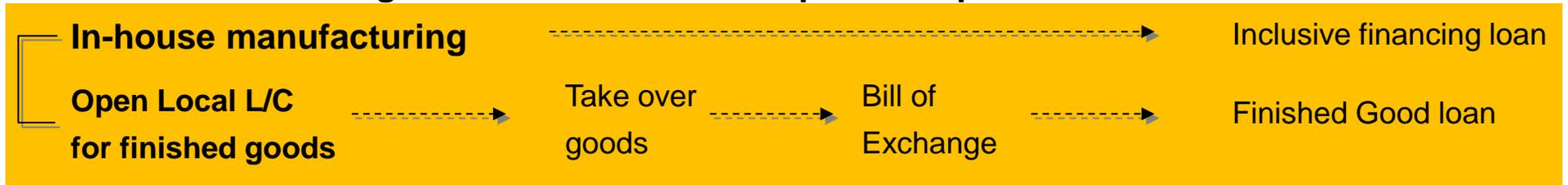
- **Production fund loan: Financing for development or production of goods**
- **Raw materials fund loan: Financing for raw materials production**
- **Inclusive financing fund loan: total financing to SMEs who's export value in under 10 million dollars / year**
- **Finished goods purchasing fund loan**

# 3. Trade Finance Process

1. Contract for export of goods

2. Arrival of L/C

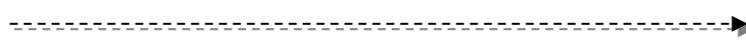
3. Purchas finished goods or in-house development of parts/raw materials



4. Secure required raw materials



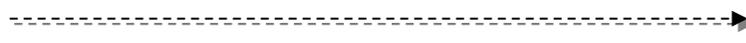
5. Production / Processing



Production fund

6. Shipping

Negotiation



Loan repayment

# 4. Pre-condition for Trade Finance

## Pre-condition of exporter for Trade Finance

- Appointment of Foreign Exchange Transaction Bank
  - ⇒ Beneficiary shall appoint one or more 'Foreign Exchange Transaction Bank's for trade financing service
  - ⇒ Inclusive financing beneficiary shall appoint a 'Main Foreign Exchange Transaction Bank' to prove total trade volume
- Appointed Foreign Exchange Transaction Bank shall **keep the record of each export amount of a beneficiary** and the accumulated export record amount shall determine the total ceiling of a loan



## II. Trade Finance Services through Paperless Trade Platform

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_6398](https://www.yunbaogao.cn/report/index/report?reportId=5_6398)

