Finance of International Trade

The FdSc Professional Diploma in Banking Practice and Management is awarded by the University of Kent.

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**MODULE SPECIFICATION**

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<th>1. Title</th>
<th>Finance of International Trade</th>
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<td>2. Start date</td>
<td>Valid for study sessions commencing from 1 November 2011</td>
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| 3. Level of module        | 5 (within QAA Framework for Higher Education)  
|                           | Subject benchmark: General Business & Management |
| 4. Number of credits      | 30 credits |
| 5. Status                 | Option module |
| 6. Recommended prior      | • Organisational Management in Financial Services.  
|   modules                 | • The Commercial Environment. |
| 7. Programmes of study to | Foundation Degree in Banking Practice and Management/Professional Diploma in Banking Practice and Management |
|   which module contributes|                                               |

**8. Purpose/rationale/positioning**

*Finance of International Trade* is an option module within the Foundation Degree programme and is aimed students that are either working in an international environment at present, or aspire to do so.

This module provides students with an understanding of the principles and practices of international trade payments and finance. This includes an appreciation of the importance of international trade, the types of risks involved, including those arising from interest and exchange rate fluctuations, and the range of methods available to manage them. Students will have the opportunity to gain an understanding of the international legal and regulatory framework within which international trade has to be conducted, but the emphasis is on the practical, operational nature of this subject area.

Through the assessment, students will be able to demonstrate their ability to apply their technical knowledge to practical situations, specifically for customers trading internationally in a variety of different circumstances. This will include demonstrating an understanding of customer needs, the ability to compare and contrast the different products available to customers and to explain why a particular product or solution may be appropriate. Students will also be expected to explain the advantages and disadvantages of different options and solutions effectively and with authority in customer-facing situations.
9. Intended subject-specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to:

1. explain the importance of international trade and why it differs from domestic trade;
2. understand the nature of international banking and the correspondent relationships;
3. analyse, identify risks and suggest mitigation techniques appropriate to:
   • interest and exchange rate exposure;
   • relevant legal and regulatory issues;
   • payment methods; and
   • contract bonds and guarantees;
4. explain the determination of interest and exchange rates and understand the implications for foreign trade;
5. explain payment settlement and clearing systems in sterling and foreign currency including chaps, target and the use of nostro and vostro accounts;
6. examine commercial terms, specifically incoterms, used in the delivery of goods;
7. explain a range of foreign currency hedging strategies and mechanisms;
8. discuss methods of payment including letters of credit and documentary collections and the ability to apply underlying international rules governing those methods of payment;
9. explain financial crime and the regulatory environment;
10. discuss finance alternatives including protection against credit and political risks.

These intended module learning outcomes contribute to the following programme learning outcomes: A1, A3, A4, A5, A9, A10, A11 and A13 together with the generic programme skills set out in section B-D of the programme specification.

10. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module students will be able to demonstrate achievement of the following generic learning outcomes:

1. Ability to learn through reflection on practice and experience.
2. Ability to undertake detailed research on a particular area and work with complex material.
3. Ability to analyse problems, identify appropriate solutions and make decisions.
4. Ability to work and study independently and utilise resources effectively.
5. Ability to communicate effectively in a manner appropriate to the context and audience.

These intended generic learning outcomes contribute to the generic programme skills set out in section B-D of the programme specification.
11. Methods of delivery

Students are required to follow an approved course of study that provides them with learning support. There are three distinct modes of study:

1. At approved Academic Centres authorised by ifs to provide tuition for the programme.
2. On a distance learning basis with tutorial support being provided by ifs’ network of academic associates.
3. On a flexible learning basis which is distance learning plus 3 enhancement workshops delivered by your academic associate.

Students will be provided with access to my ifslearning (our secure learning environment) that provides access to relevant materials and support for each module. Links to appropriate readings are available from ifs KnowledgeBank, our e-library.

Students may opt to pursue the module by either of the above modes of study, and will undertake their learning for each module within designated study sessions that will culminate in a final assessment.

Study hours:

The module is the equivalent of 300 notional learning hours. This learning may be acquired in a variety of ways:

- Via the support offered by Academic Centres, ifs distance learning provision or flexible learning provision.
- By private study.
- By completing formative assignments.
- By learning acquired and applied in the work environment.
- By reflecting on and utilising previous learning.
12. Assessment

Achievement of the learning outcomes for each option module is assessed in two ways:

- Via a written examination.
- Via a summative coursework assignment. This assessment uses the underpinning subject knowledge assessed in the examination as the framework within which to assess the achievement of the intellectual, subject-specific and transferable skills summarised in the module specification. It is recommended for each module that the summative assignment should not be submitted for marking until the associated formative assignments have been submitted and tutor feedback has been received.

Examination:

Examination questions will be practical, application-based and be focused at an operational level. According to the nature of the subject matter, a variety of question styles and approaches will be included in the examination. Questions might be based on case study materials and require a discursive answer, a business report or a series of shorter answers. Students will typically be required to explore and compare the technical aspects of an issue or topic or to apply their understanding to, for example, solve a problem or provide a recommended solution for a customer. Feedback will be provided on this component.

The question paper will be structured as follows:

- Two compulsory 20-mark questions; and
- One 10-mark question from a choice of two.

The pass mark for this component is 40%.

Time allowed: Two hours [plus 15 minutes preparation time].

You may use a scientific calculator but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

Summative coursework assignment:

This component will contribute 50% of the overall assessment and will be based upon the submission of one assignment at the end of the course but prior to the examination. The assignment may take the form of case study or questions based on stimulus material, which will relate to issues and topics contained within the module syllabus. Students will be expected to collect information, undertake research, etc, and the assignment will allow the opportunity to reflect on or analyse comparative perspectives, eg different cultures, countries, organisations, etc. Feedback will be provided on this component.

At regular intervals during the course of study, students will be expected to submit three short formative assignments. These assignments will take the form of
developmental learning activities towards the assessed coursework and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their tutor on their progress through the course of study.

The pass mark for this component is 40%.

13. Syllabus overview

This module has been designed to provide students with a knowledge and appreciation of the many aspects of providing financial services to customers trading, or based overseas.

Students are firstly provided with a background introduction to the growth and importance of international trade and finance. The module especially focuses upon the additional risks that need to be taken into consideration by customers when trading internationally and by financial institutions when providing payment services and finance, together with the methods that can be used to mitigate or reduce the potential impact of these risks.

Students will then have the opportunity to explore the importance and influence of interest and exchange rates, how they are determined and to what extent they are interdependent. The module then examines in detail the methods of payment, performance bonds, guarantees and financing options that are used and the legal and regulatory framework within which they have to operate. This includes international rules and commercial terms governing various aspects of international trade.

14. Syllabus

1. The continuing growth, context and importance of international trade and finance, and international banking

This section of the syllabus has been designed to provide students with a background understanding of the nature and importance of international trade, the role of financial institutions in financing such trade and the workings of correspondent banking relationships.

Its focus is learning outcomes 1 and 2 covers the following issues:

- Nature of trade.
- Nature of international banking.
- The importance of correspondent relationships: bank support generally:
  - Advice and support.
  - Trade promotion.
2. Risk

In many ways, one of the key differentiators between international and domestic trade and banking can be seen as substantially increased risk in various forms. This section of the syllabus has been designed to provide students with the opportunity to focus on the sorts of risks inherent in trading across borders.

Its focus is learning outcomes 3, 7 and 10 and covers the following issues:

- Credit risks.
- Financial risks.
- Legal risks.
- Country risks.
- Interest and exchange rate exposure risks.
- Payment risks.

3. Interest and Exchange Rates

Understanding the role that interest rates play within a financial system is critical to this module. They influence the dynamics of financial flows in the economy and the profitability of particular groups of financial institutions. This section of the syllabus has therefore been designed to help students recognise that there are a range of interest rates that exist within the economy and to be able to explain the relationships between, and determinants of, such rates. In an era of globalisation, a significant amount of financial risk comes from exchange rate uncertainty. This section therefore also helps students to understand some of the principle determinants of exchange rates and the different types of exchange rate systems.

Its focus is learning outcomes 4 and 7 and covers the following issues:

- Determination.
- Exchange rate systems, eg fixed, floating, adjustable peg.
- Euro.
- Parity relationships.

4. Risk mitigation

Once the risks have been identified, as in Section 2 above, these risks need to be mitigated or reduced in some way. This section of the syllabus has been designed to provide students with an insight into the methods that financial institutions can use to reduce their own risks or introduce them to their customers for their use. (Note: this section is concerned with general awareness of the types of instrument and basic calculations only.)

Its focus is learning outcomes 7 and 10 and covers the following issues:

- Hedging strategies.
- Forwards and options.
- Currency accounts and borrowing.
- SWAPS and derivatives (general overview only).
5. **Legal and Regulatory Framework**

When dealing in an international context, it is absolutely crucial that both the customer and the service provider are aware of the legal context within which they are operating. This section of the syllabus enables the student to study the rationale behind the law applicable to the contract and the country where any actions will be taken on default. The international aspect of regulation is also covered.

Its focus is learning outcomes 6, 8 and 9 and covers the following issues:

- Choice of law.
- Jurisdiction.
- Exchange controls.
- Fraud.
- Money laundering.
- Terrorist financing.

6. **Methods of payment**

Companies involved in international trade need to understand the range of products available to be able to select the most appropriate payment method considering, amongst other things, speed, security and cost both to remitter and the beneficiary. This section of the syllabus enables students to be able to explain the features of each payment method and recommend the most appropriate to meet customers needs.

Its focus is learning outcomes 3, 5 and 8 and covers the following issues:

- Open account/clean payments, payment settlement systems, eg nostro/vostro, euro.
- Collections URC.
- Credits UCP.
- INCOTERMS.
- Credit insurance.
- e-banking.

7. **Contract bonds and guarantees**

This section of the syllabuses focuses upon the several types of bonds and guarantees that a domestic seller may be called upon to provide for a foreign buyer. A third party gives these security undertakings so that the buyer has an undertaking, in the case of non-performance or fraud, giving him a right of recall without resorting to the courts. Students will also gain an understanding of the rights and obligations under contract bonds and guarantees.

Its focus is learning outcomes 3 and 8 and covers the following issues:

- Performance bonds/guarantees.
- Standby letters of credit.
- Rights and obligations.
8. Financing

This section of the syllabus focuses upon methods of providing short to medium-term finance (longer-term and specialist finance, such as syndicate loans, are not included in this module). The terms and conditions contained within a facility letter and events of default are also covered in this section.

Its focus is learning outcomes 8 and 10 and covers the following issues:

- Overdraft/Loans.
- Bill finance/forfaiting.
- Factoring.
- Invoice discounting.
- Buyer and supplier credit – Government supported export credit schemes.
- Facility letters and loan agreements.
- Events of default.