

A PRACTICAL GUIDE

International Trade, Risk & Trade Finance.

The opportunities, the risks, and the financial instruments that make cross-border trade work — without keeping you up at night.

AUDIENCE
UK IMPORTERS & EXPORTERS

EDITION
2026

READING TIME
~ 8 MINUTES



New markets. New margins. **New resilience.**

International trade drives growth, sharpens competition, and spreads risk. For UK businesses, three benefits show up again and again.

01

Reach & revenue

Access a far larger customer base. Specialised products often face less competition abroad — and command better margins.

TOP-LINE GROWTH

02

Cost & quality

Source materials and labour where they're best priced. Operating across markets pushes quality and efficiency upward.

MARGIN & CAPABILITY

03

Diversified risk

Trading in more than one economy reduces dependence on any single market. A bad quarter in one country needn't sink the year.

RESILIENCE

Five risk categories worth pricing in.

Every cross-border deal carries the same families of risk. Plan for them, mitigate where you can, and price the rest into the contract.

01

Trade barriers

Tariffs, quotas, customs. Costs and delays you can't control.

02

Financial

FX volatility, payment delays, credit risk on the buyer.

03

Logistical

Longer routes, more handlers, supply-chain disruption.

04

Cultural

Language, business customs, contract interpretation.

05

Political & IP

Geopolitics, sanctions, weak IP enforcement, ethics.

WHO CARRIES THE RISK?

Payment terms **shift the risk.**

The same deal feels very different depending on when money changes hands. The two extremes mirror each other — what's safest for one party is riskiest for the other.

EXPORTER

Selling abroad

i. Payment in advance LOW RISK

ii. Letter of Credit LOW RISK

iii. Documentary collection MEDIUM

iv. Open account / payment in arrears HIGH RISK

IMPORTER

Buying abroad

i. Payment in arrears LOW RISK

ii. Documentary collection MEDIUM

iii. Letter of Credit MEDIUM

iv. Payment in advance HIGH RISK

Two ways banks sit between **buyer and seller.**

	LETTER OF CREDIT	DOCUMENTARY COLLECTION
WHAT IT IS	<p>Conditional bank guarantee. Issuing bank pays the exporter once compliant documents are presented.</p>	<p>Document handling, no guarantee. Bank releases shipping documents to the importer against payment or acceptance.</p>
BEST FOR	<p>Higher-value transactions where the exporter needs certainty of payment before shipping.</p>	<p>Established relationships and lower-value transactions where cost matters more than guarantee.</p>
PROS	<p>De-risks the deal. Bank-backed. Clear documentary & time parameters. Can be confirmed by exporter's bank.</p>	<p>Cheaper & simpler. Exporter retains legal control of the goods until release.</p>
CONS	<p>Costly. High discrepancy rates — documentation must be 100% right at first presentation. Uses importer's credit lines.</p>	<p>No guarantee. Importer may refuse the goods, or lack funds at the future payment date.</p>

A bank's promise **to step in.**

Useful for winning contracts — but once issued, the advantage rests with the beneficiary. Best avoided unless necessary, and always with a finite end date.

2-5% Bid bond

Separates serious bidders from speculative ones. Covers part of the cost of re-tendering if the winner pulls out.

~10% Performance bond

Pre-completion guarantee that the contractor will perform. Imposes a penalty if they fall short.

~10% Warranty bond

Covers defects after commissioning, for a specified period.

var. Retention monies bond

Replaces a withheld portion of contract value, freeing cashflow for the contractor.

var. Advance payment guarantee

Lets the contractor draw an advance, with the buyer protected until value is delivered.

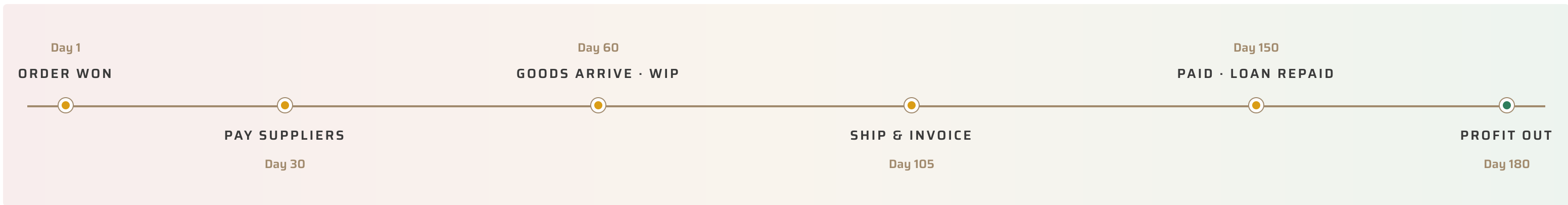
var. Trade debt guarantee

Less common — gives the contractor comfort that they will be paid.

THE WORKING-CAPITAL CYCLE

Trade finance fills the gap.

Between paying suppliers and being paid by customers, working capital is locked up in stock, in transit, or in receivables. Trade finance is transaction-specific — drawn at the moment the gap opens, repaid when the deal closes.



PHASE 01 · DAY 1-105

Trade finance

Funds the supplier invoice. Drawn against the deal itself, not the balance sheet. Repaid when the customer pays.

PHASE 02 · DAY 105-150

Invoice finance

Once shipped & invoiced, the receivable can be discounted — releasing cash before the customer's payment terms expire.

PHASE 03 · DAY 150+

Profit released

Loan repaid in full, working capital freed, margin retained. Cycle ready to repeat on the next deal.

THE GAP

~120 days

From paying the supplier to being paid by the customer. Trade finance bridges that gap on a per-deal basis — and pairs naturally with invoice finance once the invoice is issued.

You don't have to work this out alone.

The UK government and a handful of private players exist precisely to help businesses trade abroad. Use them.

01

Government

Business.gov.uk — online guidance.

Department for Business & Trade — advisers, embassies, missions.

UK Export Finance — can guarantee up to 80% of a lender's risk on an export deal.

FREE OR SUBSIDISED

02

Banks & specialist lenders

Trade services desks for day-to-day transactions. Trade sales teams for risk mitigation. Treasury teams for FX. Specialist lenders for stand-alone trade finance facilities.

TRANSACTIONAL + ADVISORY

03

Brokers & chambers

Whole-of-market brokers (like **PathFinder-FX**) for FX and finance solutions. Overseas agents for market knowledge. Chambers of Commerce for trade missions and certification.

INDEPENDENT · WHOLE-OF-MARKET

THREE REAL SITUATIONS

What this looks like **in the real world.**

UK → WEST AFRICA

Closing a 30-day funding gap

SITUATION

UK exporter held a 60-day Letter of Credit. Their Indian supplier needed paying in 30.

SOLUTION

Bank confirmed the LC and discounted it — releasing funds against the confirming bank's underwriting.

Cashflow gap bridged. Order delivered.

UK → CHINA

Releasing an advance payment

SITUATION

Chinese buyer paid 25% up front but wanted a guarantee. The bank initially ring-fenced the advance — defeating the point.

SOLUTION

UK Export Finance underwrote 80% of the bank's risk. Advance was released to fund production.

Working capital unlocked. Contract delivered.

UK → FAR EAST

Five-year payment term, made workable

SITUATION

Government buyer wanted to pay over 5 years — impossible for a recently-loss-making UK supplier.

SOLUTION

Buyer Finance: a UK bank funded the buyer, backed by a UK Government sovereign guarantee with mandated UK content.

Up to 250 UK jobs created.

YOUR NEXT STEP

Trade abroad **without trading away your peace of mind.**

Whether you're a first-time exporter or running a £25m+ trading business, the right combination of risk mitigation, trade finance and FX strategy turns international growth from a gamble into a plan. Talk to us.

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Corporation