



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

As we approach the peak shopping period of the year we shift our focus this week and take a look at a term which plays a major role in banking and international trade. Our term for this week: **Letter of Credit**.

A **Letter of Credit** or LC, as it is sometimes called is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase. Letters of credit are used primarily in international trade transactions of significant value, for deals between a supplier in one country and a customer in another.

What does this mean for you?

International trade provides a number of complex issues including distance between buyers and sellers, differing laws and legislation in each country and difficulty in knowing each party personally. The use of **Letters of Credit** has become a very important aspect of international trade in that it has allowed banks to act as intermediaries between buyers and sellers. Thus, ensuring that buyers receive their goods and sellers/suppliers receive payment. For more information on Letters of Credit call the Bank Services Department of Bank of Saint Lucia at 456-6000.