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**Financing international trade: BEA Bank  
Case Study**

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## Dedication

I dedicate this work to my mother, who has always been my greatest support and inspiration. Even when I faced many difficulties, she encouraged me to keep going and pursue my degree.

To my family my father, my sisters, and all those who stood by me and encouraged me this is also for you.

Special thanks to uncle Moussa, who works at an external school library, for his quiet support.

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## Abstract

International trade inherently involves risks, necessitating robust financial mechanisms for secure transactions. This thesis investigates the crucial role of banks in facilitating these exchanges, focusing on **Banque Extérieure d'Algérie (BEA)**. Drawing on internal bank documents, the study details BEA's structure and foreign trade operations, particularly at the agency level. It analyzes the process for financing imports using documentary credit, covering credit assessment (viability, profitability, guarantees) and the detailed documentary credit procedure from opening to document verification (aligned with UCP 600) and regulatory clearance.... Key findings highlight associated risks and BEA's adherence to national and international standards. The mandatory **domiciliation** process is identified as a central control point.... The study demonstrates how banks like BEA serve as vital intermediaries, providing security and contributing to economic integration through structured processes and controls.

تتطوي التجارة الدولية بطبيعتها على مخاطر، مما يستلزم آليات مالية قوية لإجراء معاملات تبحث هذه الأطروحة في الدور الحيوي الذي تلعبه البنوك في تسهيل هذه المبادلات، مع التركيز على البنك الخارجي الجزائري (BEA) بالاعتماد على وثائق داخلية للبنك، تفصل الدراسة هيكل BEA وعمليات التجارة الخارجية، خاصة على مستوى الوكالة. تحلل عملية تمويل الواردات باستخدام الاعتماد المستندي، بما في ذلك تقييم الائتمان (الجدوى، الربحية، الضمانات) وإجراءات الاعتماد المستندي المفصلة من الفتح إلى التحقق من المستندات) وفقاً لـ (UCP 600) والتخليص الرقابي تبرز النتائج الرئيسية المخاطر المرتبطة وامتثال BEA للمعايير الوطنية والدولية. يتم تحديد عملية التوطين الإلزامية كنقطة تحكم أساسية تُظهر الدراسة كيف تعمل البنوك مثل BEA كوسطاء حيويين، مما يوفر الأمان ويساهم في التكامل الاقتصادي من خلال عمليات وضوابط منظمة.

Key words: mandatory, letter of credit, documentary remittance, international trade.

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## Abbreviations

- **e-L/C**: Refers to electronic versions of Letters of Credit.
- **e-B/L**: Refers to electronic versions of Bills of Lading.
- **IMF**: International Monetary Fund.
- **GATT**: General Agreement on Tariffs and Trade.
- **WTO**: World Trade Organization.
- **SMEs**: Small and medium-sized enterprises.
- **B/L**: Bill of Lading.
- **AWB**: Air Waybill.
- **CMR**: International Road Waybill.
- **TWB**: Truck Waybill.
- **NIF**: Tax identification number.
- **KYC**: Know-your-customer.
- **AML**: Anti-money laundering.
- **CTF**: Counter-terrorism financing.
- **BIS**: Bank for International Settlements
- **SWIFT**: Refers to the SWIFT network for international bank transfers.
- **MT 103**: A standard format used in the SWIFT network.
- **URC 522**: Uniform Rules for Collections.
- **UCP600**: Uniform Customs and Practice for Documentary Credits.
- **ISO 31000**: An international standard (mentioned in relation to risk management).
- **COSO**: Committee of Sponsoring Organizations of the Treadway Commission (mentioned in relation to control activity principles).
- **CREDOC**: Crédit Documentaire, also known as Letter of Credit.
- **ICC**: International Chamber of Commerce.
- **REMDOC**: Documentary Collection.
- **BEA**: Banque Extérieure d'Algérie.
- **Commex Service**: Foreign Trade Service.

## Introduction

International trade encompassing the exchange of goods, services, capital, and increasingly digital services remains a foundational pillar of the global economy. From its origins along the Silk Road to the intricate supply chains of the 21st century, trade has evolved alongside technology, transport, and finance. Its growth underscores a basic economic reality: no nation is self-sufficient in all production factors, making international commerce and financial cooperation essential.

However, engaging in global trade involves inherent complexities and risks due to geographic distance and differences in legal systems, culture, and language. Financial institutions play a crucial role in bridging these gaps, facilitating secure and efficient transactions. The financing of foreign exchange operations, in particular, involves a range of instruments letters of credit, documentary collections, pre-financing, factoring, supplier and buyer credit—that are vital to trade execution and risk mitigation.

In the Algerian context, the landscape of foreign trade and exchange financing has undergone significant transformation, particularly since the liberalization reforms of the 1990s. Regulation No. 07-01 of 2007 now governs foreign exchange operations, establishing the principle of convertibility for current international transactions. Within this evolving framework, the Banque Extérieure d'Algérie (BEA) stands

out as a central actor in foreign trade financing, with a wide institutional reach and strategic public role.

While much has been written on the techniques and risks of trade financing, gaps remain. Specifically, many studies conflate payment tools with financing mechanisms and focus narrowly on agency-level operations, neglecting how centralized policies shape frontline practices. This research addresses this gap by exploring how BEA manages trade financing across different institutional levels, with special attention to the distinction between payment and financing instruments.

The main objectives of this thesis are to:

1. Examine BEA's institutional and operational framework in the context of foreign trade finance.
2. Clarify the difference between payment techniques and credit-based financing tools.
3. Map the procedural workflow for import financing via documentary credit.
4. Identify key risks in these operations for all involved stakeholders.

This study is timely and relevant for several reasons. First, it contributes to refining the conceptual clarity between payment and financing techniques. Second, it provides practical insights through a case study of a major Algerian bank, revealing how trade finance

procedures are applied and controlled. Lastly, it supports a better understanding of banking institutions' roles in securing and enabling international trade, especially within the Algerian regulatory and economic context.

The scope of the research is limited to financing mechanisms for import operations handled by BEA. It relies primarily on available internal documentation and focuses on descriptive and qualitative analysis. The case study centers on the BEA Amirouche Agency 012 and its coordination with the bank's International Directorate.

Limitations include restricted access to strategic decision-making processes and a narrow focus on documentary credit rather than the full range of trade finance instruments.

Methodologically, the thesis combines a bibliographic review of trade finance theories with a practical case study drawn from internal bank documentation. The approach is qualitative and descriptive, reflecting actual procedures rather than proposing normative evaluations.

The thesis is structured in three main parts. Chapter One outlines the theoretical framework, including the evolution of trade finance and key concepts. A subsequent literature review surveys previous work on trade financing in Algeria. Chapter Three presents the case study of BEA, detailing the institutional setup and procedures for financing an import operation via documentary credit. This structure allows for a comprehensive yet focused investigation of how banks, particularly BEA, manage the complexities of international trade finance.

## Chapter one : theoretical framework

The theory section on *Financing Foreign Exchange* lays the groundwork for understanding how financial tools, institutions, and regulatory frameworks facilitate and control cross-border trade transactions. By tracing the evolution of international trade finance—from the early instruments of merchant credit on the Silk Road to modern digital platforms such as e-L/C and e-B/L this chapter demonstrates the critical role that financing mechanisms play in mitigating risks, ensuring liquidity, and promoting economic integration. It further examines how Algeria's unique historical, legal, and institutional environment shapes domestic foreign exchange operations, from the legacy of centrally planned subsidies to the structural reforms of the 1990s and the electronic pre-domiciliation systems of today.

Throughout this section, emphasis is placed on the interplay between commercial documents (e.g., letters of credit, bills of exchange), payment techniques (documentary collection, free transfer), and financing instruments (pre-financing, factoring, supplier and buyer credit, leasing). These components not only underpin operational control within banks and trading firms but also influence broader policy objectives such as currency stability, anti-money laundering compliance, and support for small and medium-sized enterprises. By the end of this chapter, readers will appreciate both the theoretical

foundations and practical considerations that inform effective foreign exchange financing in a globalized economy.

### **International trade history**

The term “**international trade**” encompasses the cross-border exchange of goods and services including tangible merchandise and intangible products along with capital movements and the internationalization of service activities. (Introducing International Trade: Boundless Economics, 2020) This expansion reflects the fact that no single country possesses all factors of production, and trade thus enables nations to specialize and reap mutual gains.

The earliest major phase of long-distance trade arose with the Silk Road, a constellation of overland and maritime routes that, from the 2nd century BCE, linked China to Central Asia, the Middle East and Europe. Initially under Han imperial protection, these corridors carried silks, spices, metals and ideas, and fostered the first credit and bill-of-exchange instruments to facilitate merchants operating far from their home financial centers.

From the 1500s to the late 1700s, European states embraced **mercantilism**, whereby national wealth was measured by bullion accumulation and export surpluses, enforced through tariffs, monopolies and navigation acts. Chartered enterprises the Dutch East India Company, British East India Company emerged as proto-

multinationals, pioneering joint-stock finance and marine insurance to underwrite risky voyages and overseas trade.

Mechanization in Britain textile mills powered by steam, ironworks, railways and steamships slashed production and transport costs, enabling output to flood global markets. As industrial and transport revolutions converged, countries began specializing not only by industry but by production stage, giving rise to early global value chains; trade and industrialization reinforced each other, laying the basis for modern complex supply networks.

In July 1944, delegates from 44 nations met at Bretton Woods, New Hampshire, to create the **International Monetary Fund (IMF)** and the **International Bank for Reconstruction and Development (now part of the World Bank Group)**. Charged with stabilizing exchange rates through a U.S.-dollar-backed fixed system (US\$35/oz. gold) and financing post-war reconstruction, these institutions provided the financial infrastructure and confidence necessary for predictable cross-border payments.

The **General Agreement on Tariffs and Trade (GATT)** came into force on 1 January 1948 as a provisional treaty among 23 “contracting parties,” promoting successive rounds of tariff reductions and most-favoured-nation commitments. Over eight negotiation rounds culminating in the 1986-94 Uruguay Round GATT lowered average customs duties from over 40 percent to around 5 percent. On 1 January 1995, the **World Trade Organization (WTO)** formally

succeeded GATT, broadening its mandate to cover services and intellectual property and establishing a binding dispute-settlement mechanism.

Since the advent of the WTO system, global trade has expanded sharply: merchandise exports rose from under 10 percent of world GDP in 1870 to about 25 percent today, and services now constitute over one-third of total trade flows. The past two decades have seen the rise of **digital trade** electronic marketplaces, e-documentation (e-B/L, e-L/C), blockchain pilots, and online payment systems which have reduced transaction costs, broadened access for SMEs, and given birth to new regulatory challenges. WTO and IMF studies highlight that digital trade services have grown nearly four-fold since 2005, accounting for over half of services exports by 2022.

*table 1 international trade history established by me*

Stage	Period	Trade-Finance Legacy
<b>Silk Road &amp; Early Routes</b>	2nd c. BCE – 15th c. CE	Bills of exchange, merchant credit
<b>Mercantilism &amp; Chartered Companies</b>	16th – 18th c.	Joint-stock finance, marine insurance
<b>Industrial Revolution</b>	Late 18th – 19th c.	Scale finance, transport under-writing
<b>Bretton Woods</b>	1944 – 1948	IMF/World Bank frameworks, currency risk
<b>GATT → WTO</b>	1948 – 1995 → present	Multilateral L/C norms, dispute rules
<b>Globalization &amp; Digitalization</b>	1995 – present	e-L/C, e-B/L, digital supply-chain finance

## **International trade in Algeria**

In the decades following independence, Algeria pursued a socialist, inward-looking growth model financed by hydrocarbon export

revenues. The economy operated under a centrally managed system: the Treasury funded loss-making enterprises through direct credit allocations (the Encyclopedia Britannica online, 2025).

By the early 1980s, the shortcomings of this development strategy had become obvious. Heavy subsidies on consumer goods and the slow pace of large-scale industrial projects led to long periods of tied-up capital with no economic return. The situation worsened dramatically after the 1986 oil shock, which slashed Algeria's terms of trade by half and sharply reduced budgetary income from hydrocarbons.

It was only in 1994 that Algeria shifted to a growth and balance model based on liberalizing foreign trade and payment systems, as part of a sweeping structural adjustment program backed by the IMF. A landmark reform was freeing the central bank from the Finance Ministry's control, thus granting it full authority over monetary policy. This change was initiated by the 1990 Currency and Credit Law and most recently updated by Ordinance No.10-04 of August 26, 2010.

Algeria's exchange-rate policy aimed to restore external competitiveness and was supported by complementary financial measures: (Sidi Mohammed Chekouri, 2022)

- In 1994, the dinar was devalued by 50 percent against the US dollar.

- That same year, a managed-float regime was introduced, with regular fixing sessions between the Central Bank of Algeria and commercial banks. In 1995, these sessions evolved into a formal interbank foreign-exchange market.
- In 1996, private bureaux de change were authorized.

Between 1997 and 2000, the state granted import rights directly to certain public enterprises; all other companies had to obtain payment authorizations for imported goods and services from the central bank.

International trade in Algeria has undergone considerable transformation over the past decades, shaped by various economic and financial reforms. The regulatory foundations of Algeria's foreign trade trace back to Decree No. 62-125, which initially established a state monopoly over import and export activities.

In July 1971, a sector-based monopoly system was introduced, whereby import licenses were granted exclusively to companies holding such monopolies. However, this approach was short-lived. By 1974, it was replaced by the General Import/Export Program (PGI/PGE), under which General Authorizations for Import/Export (AGI/AGE) were issued, further reinforced by Law No. 78-02.

The establishment of the State Secretariat for Foreign Trade (SECE) in 1980 introduced some liberalization measures to the management of PGI/PGE. A significant shift occurred with the enactment of Law No. 90-10 of April 14, 1990, on money and credit, which marked a

definitive departure from the old centralized system. Several key regulatory instruments followed, including:

- **Decree No. 91-37 of February 3, 1991**, detailing conditions for foreign trade operations.
- **Regulation No. 91-03 of February 20, 1991**, regarding the importation of goods and related financing mechanisms.
- **Instruction No. 625 of August 18, 1992**, on foreign trade financing.
- **Instruction No. 20-94 of April 12, 1994**, later amended by **Instruction No. 29/95 of April 22, 1995**, setting financial conditions for imports.

Currently, the legal foundation of foreign trade operations is governed by **Regulation No. 07-01 of February 3, 2007**, which stipulates rules on current transactions with foreign countries and foreign currency accounts. This regulation establishes the principle of convertibility of the national currency for international current transactions, sets out the rules for currency transfers related to these operations, and defines the roles and obligations of foreign trade operators and authorized intermediaries.

Importantly, Regulation 07-01 confirms that payments and transfers relating to current international transactions are **free**, provided the operations comply with existing financial laws and the financial standing of the client is deemed sufficient.

This regulation is rooted in the following legal instruments:

- **Ordinance No. 03-11 of August 26, 2003**, on money and credit.
- The **Commercial Code**.
- Ordinances addressing violations of exchange regulations.
- The law against **money laundering**.
- International uniform customs such as **UCP 600**, which replaced UCP 500 in 2007.

It emphasizes the delineation of responsibilities among various stakeholders:

- The **company's governing bodies** (General Assembly, Board of Directors, CEO/manager, auditor or certified accountant) are responsible for verifying the legitimacy, economic relevance, and legality of each transaction.
- The **authorized intermediary (typically a bank)** must ensure:
  - The client's identity and financial soundness.
  - The legitimacy of the transaction under exchange regulations.
  - The authenticity of supporting commercial documents.
- **Customs authorities** oversee declaration accuracy (quality, quantity, customs value).
- **Tax authorities** ensure appropriate tax collection.
- **Relevant ministries** (e.g., health, agriculture, transport) issue sector-specific approvals.

- The **Bank of Algeria's exchange control services** verify that commercial banks have conducted adequate due diligence in line with current regulations and international practices.

As of 2025, the legal framework continues to evolve, notably in the context of growing digitalization of trade documentation and recent compliance updates aligned with international anti-money laundering (AML) and counter-terrorism financing (CTF) standards. **Draft amendments to Regulation 07-01 are under discussion**, aiming to increase transparency, simplify procedures for SMEs, and integrate e-platforms for trade transaction monitoring.

### **INCOTERMS: Standardizing Responsibilities and Risk Allocation in International Trade**

**Definition.** Incoterms (International Commercial Terms) are a set of standardized trade rules published by the ICC that define sellers' and buyers' responsibilities for the delivery of goods, allocation of costs, and transfer of risk.

**Purpose.** Their primary aim is to eliminate interpretative ambiguity in international sales contracts by specifying which party arranges and pays for transport, insurance, export/import formalities, and where risk passes from seller to buyer Origin. First issued in 1936, Incoterms have been revised in 1953, 1967, 1976, 1980, 1990, 2000, 2010, and

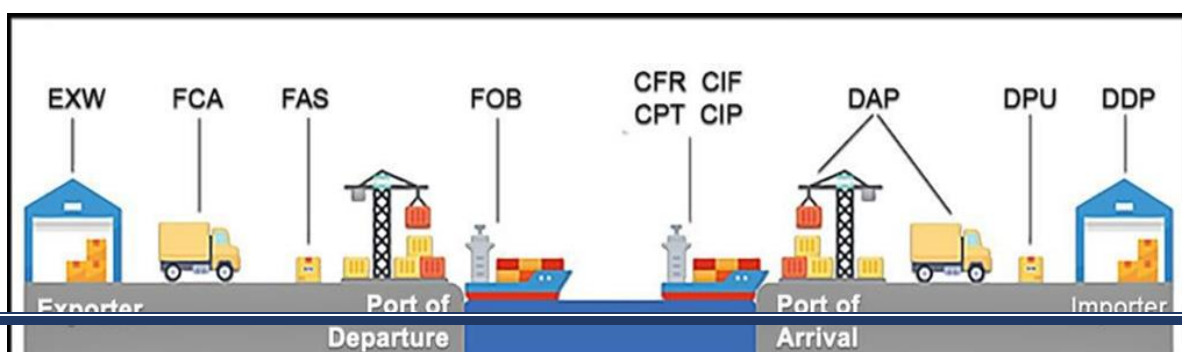


Figure 1 INCOTERMS FROM LINKEDIN

2020 to keep pace with evolving trade practices and transport modes (ICC, 2020).

The following table summarizes the eleven Incoterms 2020 rules, indicating their meaning, applicable transport modes, primary seller and buyer obligations, and the precise point at which risk transfers

*TABLE 2 INCOTERMS ESTABLISHED BY ME*

Term	Meaning	Mode of Transport	Seller Responsibilities	Buyer Responsibilities	Risk Transfer Point
<b>EXW – Ex Works</b>	Seller makes goods available at their premises.	Any mode	Makes goods available at their premises; minimal export assistance.	Loading, export clearance, main carriage, import formalities.	When goods are made available at the seller’s premises.
<b>FCA – Free Carrier</b>	Seller delivers goods, cleared for export, to the carrier or agreed location.	Any mode	Export clearance; delivers and loads onto buyer’s carrier or agreed location.	Main carriage, import formalities, unloading.	When goods are handed to the carrier at the named place.
<b>CPT – Carriage Paid To</b>	Seller pays for carriage to destination; risk transfers on delivery to carrier.	Any mode	Export clearance; arranges and pays for main carriage.	Import formalities; bears risk after goods are delivered to first carrier.	When goods are delivered to the first carrier.
<b>CIP – Carriage and Insurance Paid To</b>	Seller pays for carriage and insurance to destination; risk transfers on delivery to carrier.	Any mode	Export clearance; arranges and pays for carriage and insurance (minimum 110% coverage).	Import formalities; bears risk after goods are delivered to first carrier.	When goods are delivered to the first carrier.
<b>DAP – Delivered At Place</b>	Seller delivers goods to named place; buyer unloads.	Any mode	Export clearance; carriage to named place.	Import clearance; unloading at destination.	When goods are available for unloading at the named place.
<b>DPU – Delivered at Place Unloaded</b>	Seller delivers and unloads goods at named place.	Any mode	Export clearance; carriage and unloading at destination.	Import clearance.	After goods are unloaded at the named place.

<b>DDP – Delivered Duty Paid</b>	Seller delivers goods, duties paid, to named place.	Any mode	All costs and responsibilities, including export/import clearance, duties, and carriage.	Unloading.	When goods are made available at buyer's premises.
<b>FAS – Free Alongside Ship</b>	Seller places goods alongside the vessel at port of departure.	Sea & inland waterway	Export clearance; delivers goods alongside ship.	Main carriage, import formalities, unloading.	When goods are placed alongside the ship at the port of departure.
<b>FOB – Free On Board</b>	Seller loads goods onto the vessel.	Sea & inland waterway	Export clearance; loads goods on board the vessel.	Main carriage, import formalities, unloading.	When goods are on board the vessel.
<b>CFR – Cost and Freight</b>	Seller pays freight to destination port; risk transfers once goods are on board.	Sea & inland waterway	Export clearance; pays freight to destination port.	Import clearance, unloading, onward carriage.	When goods are on board the vessel.
<b>CIF – Cost, Insurance &amp; Freight</b>	Seller pays freight and insurance to destination port; risk transfers on board.	Sea & inland waterway	Export clearance; pays freight and minimum insurance to destination port.	Import clearance, unloading, onward carriage.	When goods are on board the vessel.

By codifying each party's precise obligations and risk-transfer points, Incoterms 2020 create a solid foundation for internal control procedures such as document verification, compliance checks, and contingency planning in banks and trading firms, thereby reducing operational and legal uncertainties in international trade

### **Documents used in trade finance**

A “document” refers to any statement, title, slip, letter, certificate, acknowledgment, or attestation issued by an exporter or a third party related to the goods involved in a documentary operation. We can distinguish the following:

## I. Price Documents:

1. *Commercial Invoice*: It includes the name or business name of the buyer and seller, unit price, quantity, description of the goods, weight, sales conditions, shipping and payment terms, and the dates of issuance and payment.
2. *Pro Forma Invoice*: This document outlines the characteristics of the goods and provides information on their nature and price.
3. *Consular Invoice*: This is an invoice validated by the consulate of the importing country in the exporter's country. It is prepared to authenticate the information contained in the final invoice.
4. *Statement of Charges*: It reflects the costs incurred by the seller that are included in the commercial invoice.

## II. Transport Documents:

1. *Bill of Lading (B/L)*:  
Nearly 90% of international trade in goods is carried out by sea transport; hence, a particularly valuable document is used, called the *Bill of Lading*. It is the oldest transport document. It is issued by a shipping company or any other organization responsible for transporting the goods from the port of shipment to the agreed destination port.

The Bill of Lading serves as:

- A **shipment receipt** for the shipper
- A **transport contract** between the shipper and the carrier

- A **title of ownership**, transferable by endorsement

The Bill of Lading can be issued:

- **To bearer:** Whoever holds the document owns the goods.
- **To a named person:** It nominatively indicates the person to whom the goods must be delivered.
- **To order:** Issued to the order of the importer or their bank, and transferable by endorsement. This is the most common form.

It must include:

- The name of the shipper
- The name of the consignee (except for bearer B/Ls)
- Port of loading and unloading
- Description of the goods
- Number of original B/Ls
- Name of the vessel (the shipping company)
- Payment terms and sales terms (Incoterms)

In **Algeria**, the B/L must carry the statement "**clean on board**" (cargo loaded without reservations), while the statement "**received for shipment**" (received for loading), which does not prove shipment, is strictly prohibited.

2. *Air* *Waybill* *(AWB):*

This is an air transport document issued by the airline or an

authorized agent, based on the shipper's instructions and under their responsibility. It is a simple shipment receipt, nominative and non-negotiable. To collect the goods at the airport, the owner must present a document called a “**notice of arrival**”, prepared and sent by the airline to the consignee.

The AWB is issued in three copies:

- First copy: For the carrier
- Second copy: For the consignee
- Third copy: For the shipper

3. *International Road Waybill (CMR):*

This is a nominative and non-negotiable shipping receipt that certifies road transport of the goods by truck.

4. *Truck Waybill (TWB):*

The TWB is a road transport document issued by the shipper, usually the carrier, who commits to delivering the goods at the agreed destination point. It is non-negotiable and does not serve as a title of ownership. Like the AWB, it certifies that the goods were received in good condition and were effectively dispatched upon the carrier's signature.

5. *Railway Consignment Note:*

A document used for rail transport that serves as proof of shipment, but is non-negotiable and not a title of ownership.

6. *Postal Receipt (Shipping Bulletin):*

A document issued by the postal service to a named person. It applies to goods shipments not exceeding twenty (20) kilograms.

III. Insurance Documents:

An insurance contract is a document that certifies the goods are insured. It allows the rightful owner of the goods to be compensated in case of damage or loss, according to the terms stated in the contract. In **Algeria**, it is the Algerian importer who must insure the goods being imported through an Algerian insurance company.

The **insurance policy**, which binds the insurer to the insured, sets the rights and obligations of each party.

1. *Insurance Policy:*

This is a contract between the insurer and the insured, detailing the obligations of each party.

Types of insurance policies:

- **Voyage policy**
- **Open policy**
- **Floating policy**
- **Third-party shipper policy**

Commonly covered risks include:

- Accidents during transport (shipwreck, road accidents, etc.)

- Damage to the goods (theft, loss, etc.)
- Handling operations

2. *Insurance*

*Certificate:*

A document certifying the existence of an insurance policy for the specified goods.

3. *Endorsement:*

A document issued, if necessary, to record any changes made to the subscribed insurance policy.

IV. Other Documents:

These are documents concerning the **quality, origin, and compliance** of the goods. They include:

1. *Customs*

*Documents:*

These involve customs declarations made on specific forms, approved by the customs authority, whether for import or export, certifying that the goods were shipped under agreed conditions.

2. *Certificate*

*of*

*Origin:*

A document issued by the customs authority, a chamber of commerce, or agreed experts, to certify the country of origin of the goods, i.e., the country where they were produced.

3. *Sanitary*

*Certificate:*

Certifies the healthiness of goods of animal origin. It is issued by a veterinarian or an official health authority.

4. *Packing*

*and*

*Weight*

*Lists:*

Provide details about the various characteristics of the packages

making up the shipment, notably the number, content of each package, and weight.

5. *Analysis or Quality Certificate:*

Certifies the quality of a product. Issued by a laboratory, and primarily used for precious metals and cosmetic products.

### **Mandatory Procedures Bank Domiciliation**

In the context of international trade, especially in countries with controlled foreign exchange systems, mandatory procedures serve as critical control points. These procedures ensure that trade operations comply with national regulations and international norms, while also providing traceability, transparency, and risk mitigation mechanisms. In Algeria, the procedures of bank domiciliation (*domiciliation bancaire*) and pre-domiciliation (*pré- domiciliation*) are essential regulatory steps required for the legal and financial execution of both import and export transactions. These processes not only validate the legitimacy of cross-border commercial operations but also form an integral part of the internal control system in financial institutions that facilitate international trade.

#### **Pre-Domiciliation: The Initial Mandatory Step**

As of March 15, 2016, all import and export operations in Algeria are subject to a mandatory electronic pre-domiciliation procedure. This digital system requires every economic operator engaging in foreign trade to pre-register their intended operation via their bank's online

platform. The operator must create an account and complete a detailed form that includes

legal and commercial information such as the company's statutes, trade register number, tax identification number (NIF), and business activity code.

Upon submission, the system generates an electronic notification granting the operator access to the pre-domiciliation interface. Here, the trader inputs specific transaction data, including the nature of goods or services, invoice number and amount, payment terms, and relevant licenses. Supporting documents such as the commercial invoice or contract must be uploaded for verification.

This phase serves as the first layer of control, ensuring that only registered, traceable entities are allowed to initiate cross-border trade activities, and that all documentation is available before the bank proceeds to formal domiciliation.

### Bank Domiciliation and Transaction Processing

Following successful pre-domiciliation, the bank receives an electronic alert and initiates the formal domiciliation process. This step involves assigning a domiciliation number, which is legally required for all subsequent steps in the trade transaction.

The domiciliation process is governed by strict regulations. For importers, it entails selecting an approved intermediary bank and

committing to process all related transactions and formalities through that institution. For banks, it involves conducting compliance and risk assessments, verifying the legitimacy of the goods or services being traded, and ensuring that the transaction aligns with both the operator's business activity and Algeria's foreign trade policy.

They also help banks meet their know-your-customer (KYC) and anti-money laundering (AML) obligations, as every transaction is linked to a validated economic operator and pre-approved commercial documentation

## **Trade Finance techniques and instruments**

### **Trade finance instruments**

International payment instruments are contractual or statutory devices such as cheques, bank transfers, bills of exchange, and promissory notes that formalize the debtor's obligation to pay a specified sum to a creditor in trade transactions (UN Trade Finance Guide, 2017). Legally, they operate under uniform laws (e.g., the 1930 Geneva Convention on Bills and Notes) and domestic codes to confer negotiability and enforceability; financially, they facilitate liquidity, credit extension, and risk allocation by allowing payment deferral, transfer of claims, or immediate settlement (BIS, 2012)

#### *Cheque:*

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A cheque is a negotiable instrument drawn by a bank on itself, payable on demand to the bearer or specified payee (Code French Monetary). Functionally, it combines payment order and guarantee: the bank debits the drawer's account upon issuance and ensures funds are available when presented.



Figure 2 cheque

### *international bank transfer:*

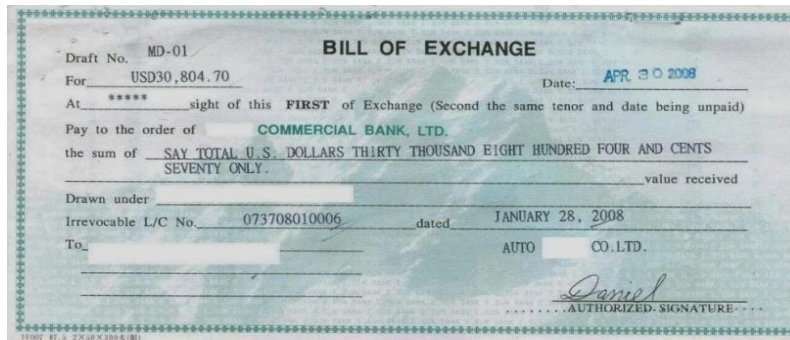
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An international bank transfer is an irrevocable bank credit transfer, typically executed via the SWIFT network (MT 103 standard), by which funds are debited from the ordering customer's account and credited to a beneficiary at another institution.

### *Bill of Exchange:*

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A bill of exchange is a written, unconditional order by the drawer instructing the drawee to pay a fixed sum to a payee at sight or a future date (OCC Comptroller's Handbook, 2017). Governed internationally by URC 522 for collections and UCP 600 in credits, it enables payment deferral and negotiability.



**Figure 3 bill of exchange**

*Promissory Note:*

A promissory note is an issuer's unconditional promise to pay a sum to a payee on demand or at a fixed maturity (Academy, 2020). As a negotiable instrument, it transfers credit risk along the chain of endorsement.

**Promissory Note**

\_\_\_\_\_ Date \_\_\_\_\_

Place of residence \_\_\_\_\_

I, \_\_\_\_\_ (Maker's name) \_\_\_\_\_ agree and promise to pay \_\_\_\_\_ (Payee's name) \_\_\_\_\_, or order the sum of (€ \_\_\_\_\_). Euros for value received, with interest at the annual rate of \_\_\_\_\_% payable on/after \_\_\_\_\_ (Date) \_\_\_\_\_

\_\_\_\_\_ (Maker's signature)

**Figure 4 promissory note**

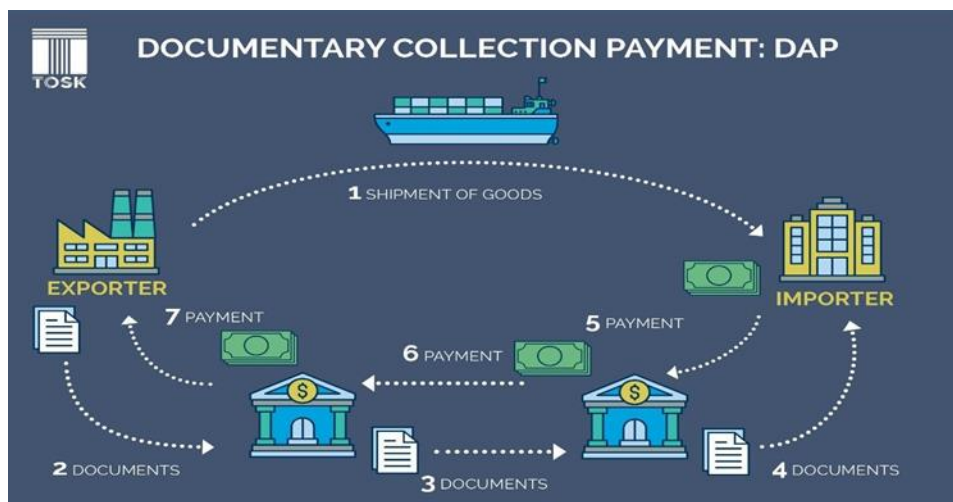
Secure and controlled use of international payment instruments underpins sound trade-finance operations. By codifying payment obligations and embedding robust internal controls positive pay for cheques, dual authorization and SWIFT checks for virements, documentary verification and avalisation for bills of exchange, and KYC and endorsement controls for promissory

notes banks can mitigate fraud, default, and operational errors. These mechanisms align with ISO 31000's treatment and COSO's control activity principles, ensuring that cross-border transactions are executed reliably and compliantly.

Payment techniques :

### Documentary Collection (Remise Documentaire)

Documentary collection, also known as Remise Documentaire, is a payment technique where the exporter entrusts their bank with commercial and financial documents. The exporter's bank then transmits these documents to the importer's bank. The importer receives these documents, which are typically required to take possession of the goods, either against immediate payment or against acceptance of a draft, where the importer



accepts the draft and the bank provides its guarantee (aval).

Figure 5 source : tosk

## *Letter of Credit*

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A Letter of Credit (Crédit Documentaire or CREDOC) is defined as a written undertaking by the importer's bank to pay for goods upon presentation of specific documents. Although the process may seem complex, it provides security for both parties involved in international trade. It guarantees payment to the seller (exporter) as soon as they present the relevant documents to their bank, confirming that the goods meet the agreed requirements. Conversely, it assures the buyer (importer) that the seller will only be paid if the presented documents confirm that the merchandise complies with the agreed specifications. Furthermore, a letter of credit can enable the seller to obtain advance payment and the buyer to secure a line of credit until the goods arrive. The processing of Letters of Credit is governed by the Uniform Customs and Practice for Documentary Credits (UCP), which are codified procedures issued by the ICC.

Letters of Credit can take various forms based on the timing of payment Letters of Credit also differ in their level of security

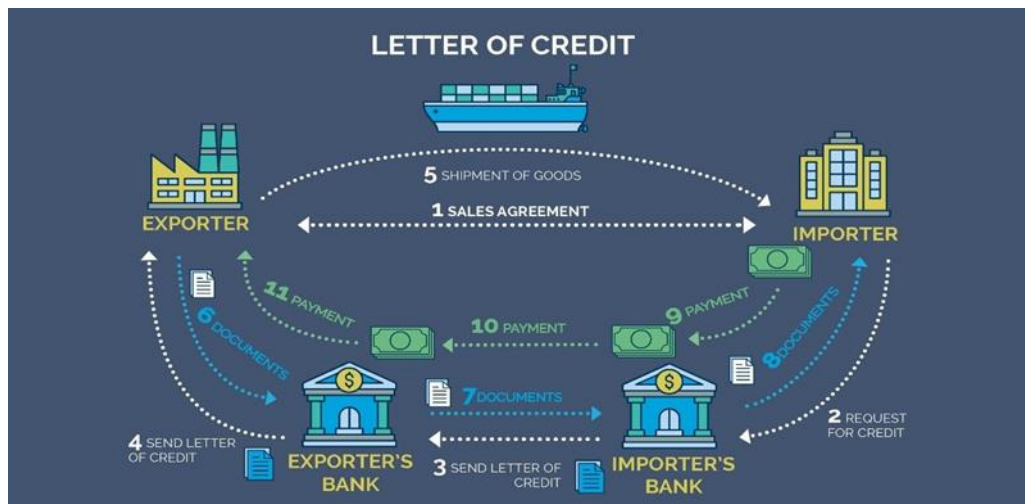


Figure 6 source : tosk

### *Free Transfer (Transfert Libre)*

Free transfer, is a non-documentary payment method where the importer instructs their bank to transfer funds directly to the exporter's account, the exporter ships and invoices the goods to the importer, who is expected to pay within a stipulated period, typically 30 days after delivery. Importantly, only financial documents are sent to the bank, while the commercial documents are directly remitted to the buyer. This method is often used when there is a high degree of confidence between the trading partners.

In conclusion, Documentary Collection, Letter of Credit, and Free Transfer represent distinct methods for settling international trade transactions, each with its own level of security

### Financing Techniques

To remain competitive in international trade, the exporter must offer better conditions to the client regarding product quality, price, delivery and payment terms, and other commercial advantages.

Due to sales conditions, the exporter may face cash flow difficulties.

To address these problems and finance their needs, the exporter turns to their bank, which determines the most appropriate financing technique depending on the nature of the product, the amount, and the credit terms related to the operation.

There are two types:

- **Short-term financing techniques**
- **Medium and long-term financing techniques**

### *I. Short-term financing techniques:*

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Banks offer short-term financing when it involves the export of consumer goods or goods and services necessary for operations that do not exceed two years. This type of financing is used to rebalance the exporter's cash flow.

#### *1. Pre-financing credits:*

##### *A. Definition:*

Pre-financing credits are treasury loans granted to an exporter to finance their needs related to export activity before the shipment

of goods. These are granted in exchange for the presentation of bills that can be mobilized with the central bank.

### *B. Characteristics:*

- The exporter benefits from a pre-financing credit between the date of receiving the order and the shipment date of the goods.
- It is granted to companies that directly export their goods or services.
- The credit amount is determined based on a financing plan (cash flow needs).
- The credit duration is aligned with the time required to manufacture the goods and can extend until the receivable is created.
- Repayment is done either through cash payment by the foreign buyer or by setting up a receivables mobilization credit.
- The cost is linked to the bank base rate at the date of the contract signature, plus banking fees.
- There are several forms: pre-financing credit at a stabilized rate, specialized pre-financing credit, etc.

## 2. Credits for the mobilization of receivables from abroad:

### *A. Definition:*

If the exporter's receivable does not exceed 18 months, it is considered short-term. It arises from the shipment of goods or the delivery of services. In this case, the exporter can mobilize all receivables by negotiating a commercial bill with the bank.

## *B. Characteristics:*

- Mobilization can cover all receivables.
- The interest rate for this type of credit is based on the bank's base rate plus commissions.
- Export financing is provided as soon as the receivable is created.
- The exporter grants a payment delay to the importer, then mobilizes this receivable with the bank in return for credit granted by the bank. At maturity, the exporter's bank will receive the receivable amount through the importer's bank.

## 3. International factoring:

### *A. Definition:*

Factoring is a financing and collection procedure. It involves the transfer of due receivables from an exporter to a specialized credit institution called a **factor** or **factoring company**. The exporter thus receives payment for their receivables through this company, which also assumes the non-payment risk.

Factoring is governed by the Algerian Commercial Code, Articles 543bis 14, 15, 16, 17, and 18:

*"Factoring is an act under which a specialized company, called the factor, is subrogated to the rights of its client, called the adherent, by paying the full amount of an invoice with a fixed maturity resulting from a contract and, in return for remuneration, assumes the risks of non-repayment."*

### *B. Characteristics:*

- It involves the transfer of an exporter's invoices concerning foreign clients to a factoring company.
- The exporter who chooses factoring entrusts the entire administrative management of receivables to the factor (management of client accounts, receivables collection, etc.).
- The non-payment risk is covered at 100%.
- The factor ensures the successful completion of the operation.
- The factoring company is compensated through commissions and interest (agios

## *II. Medium- and Long-Term Financing Techniques*

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Banks offer medium- and long-term financing, generally for the export of equipment. This allows the exporter to offer deferred payments to clients whose cash flow cannot support immediate payments and enhances their sales capacity in the face of intense international competition.

### *1. Supplier Credit*

#### *A. Definition:*

This is a loan granted by the bank to an exporter (the supplier), allowing the exporter to grant deferred payments to importers. The credit enables the exporter to receive payment at the time of delivery for the amounts owed by the importer at a future date, by discounting the receivables.

## *B. Characteristics:*

- The loan duration is:
  - Between 18 months and 7 years for medium-term credit.
  - More than 7 years for long-term credit.
- The risk of non-payment is borne by the exporter. Supplier credit involves a "**without recourse**" discount of bills. The exporter must obtain insurance against credit risk.
- This type of credit is mainly used for exports of capital goods and related services.
- The commercial contract is the basic document and includes:
  - The technical and financial relationships between the exporter and importer.
  - The relationships between the exporter, the insurance company, and the bank that sets up the credit.

## *C. Operation Process:*

1. A commercial contract is drawn up between importer and exporter, accompanied by an international bill of exchange.
2. The supplier submits the bills to their bank for discounting.
3. The bank pays for the bills "subject to collection" or offers a non-recourse discount.
4. At the due date, the buyer pays the supplier, and the supplier reimburses the bank. (MARTINI)

## *2. Buyer Credit*

### *A. Definition:*

Unlike supplier credit, buyer credit is a loan granted by the exporter's (supplier's) bank to a foreign buyer (importer) to enable them to pay the seller in cash.

### *B. Characteristics:*

- It is based on two legally independent contracts:
  - A commercial contract between the importer and the exporter.
  - A financial contract (loan agreement) by which the bank agrees, under certain conditions, to make the necessary funds available to the borrower (who may be the buyer or their bank) to fulfill payment obligations to the seller.
- The credit does not finance 100% of the contract. A portion remains the responsibility of the importer, usually around **85%**.
- In addition to interest, the borrower must pay two commissions:
  - **Management fee:** to cover administration and monitoring of the buyer credit.
  - **Commitment fee:** to compensate the bank for committing to provide the funds.
- **Preliminary period and repayment period:**  
The supplier incurs significant early expenses and needs funds from the lender to ease their cash flow. The buyer only starts repayment once the transaction is fully completed.

The bank sets up credit for use during the implementation period, and the buyer begins repayment at the end of the transaction. (MARTINI)

- During the **preliminary period**, the borrower makes no repayments; only **interim interest** (interest on the amount used) is paid. This is also called the **progressive payment period**.
- During the **repayment period**, the borrower pays the principal and interest on the remaining balance.
- There are **two types of buyer credits**:
  - **Direct buyer credit**: (no preliminary period) applies to exports of immediately usable goods like capital goods or raw materials.
  - **Indirect buyer credit**: the bank gradually releases funds during the preliminary period, through various methods. Common cases include:
    - **Progressive payments based on internal performance**: payments occur regardless of actual progress, based on calendar dates or technical milestones.
    - **Progressive payments based on external performance (also called false progressive payments)**: payments are made as the operation progresses, in proportion to the percentage attributed to each delivery.

### 3. International Leasing (Credit-Lease)

#### *A. Definition:*

Leasing is a financial operation in which a specialized institution acquires a good and leases it by contract to a company. The company uses the good for a fixed period and can acquire it for a pre-agreed price at the end.

In international leasing, the supplier (exporter) and the lessee (importer) are in different countries. (MARTINI)

#### *B. Characteristics:*

- International leasing generally involves large contracts such as:
  - Transport equipment,
  - Oil industry equipment,
  - Construction equipment used by public works companies.
- The operation includes **three contracts**:
  - A **technical contract** between the lessee and the supplier.
  - A **supply contract** between the supplier and the lessor.
  - A **leasing contract** between the lessor and the lessee.

The theory section on *Financing Foreign Exchange* lays the groundwork for understanding how financial tools, institutions, and regulatory frameworks facilitate and control cross-border trade transactions. By tracing the evolution of international trade finance—from the early instruments of merchant credit on the Silk Road to modern digital platforms such as e-L/C and e-B/L—this chapter

demonstrates the critical role that financing mechanisms play in mitigating risks, ensuring liquidity, and promoting economic integration. It further examines how Algeria's unique historical, legal, and institutional environment shapes domestic foreign exchange operations, from the legacy of centrally planned subsidies to the structural reforms of the 1990s and the electronic pre-domiciliation systems of today.

Throughout this section, emphasis is placed on the interplay between commercial documents (e.g., letters of credit, bills of exchange), payment techniques (documentary collection, free transfer), and financing instruments (pre-financing, factoring, supplier and buyer credit, leasing). These components not only underpin operational control within banks and trading firms but also influence broader policy objectives such as currency stability, anti-money laundering compliance, and support for small and medium-sized enterprises. By the end of this chapter, readers will appreciate both the theoretical foundations and practical considerations that inform effective foreign exchange financing in a globalized economy.

## **Chapter two : previous studies**

The present study delves into the critical area of **financing international trade**. The literature review chapter serves a vital purpose in academic research by providing a comprehensive overview of existing knowledge, theories, and practices within this domain. Its function is to contextualize the current research by synthesizing

findings from previous works, identifying key concepts, and highlighting areas of consensus or debate. By drawing upon the information presented in the provided sources, this chapter aims to establish a foundation for the current thesis, demonstrating an understanding of the fundamental elements, financing techniques, associated risks, and the significant role played by financial institutions in facilitating international economic exchanges.

This chapter supports and justifies the current thesis by providing a detailed exploration of the theoretical and practical aspects of financing international trade, as documented in the selected literature. It highlights the necessity of secure payment and financing methods due to the inherent risks in cross-border transactions. The review will particularly focus on the techniques and means of payment, their advantages and disadvantages, and the mechanisms employed by banks to facilitate and secure these operations. By examining the perspectives and findings presented across the varied sources, this literature review establishes the background against which the specific research objectives and methodology of the current thesis are defined. The aim is to provide an insightful understanding of the current state of knowledge regarding the intervention of banks in international economic exchanges and the techniques used to finance and secure these transactions.

## Review of Individual Studies

**1. Author and Title: HASSAINI Nadjat et OUARET Linda.** The title relates to an " **Financement des opérations de Commerce extÉrieur Cas : CPA Agence 156** ". The broader document structure suggests an analysis of the fundamentals of foreign trade and financing methods.

- **Research Problem or Question:** The study aims to provide a comparative study of documentary credit and documentary collection at the CPA bank.
- **Methodology Used:** The theoretical part relied on **bibliographic research and consultation of specialized documents**. The practical part involved an **internship at CPA, Agence 156 les Hammadites** to collect information related to the problem of financing foreign trade operations. The study structure confirms a comparative study based on practical cases at CPA. A comparison table between documentary credit (CREDOC) and documentary collection (REMDOC) based on various criteria is mentioned.
- **Key Findings:** The study likely details the fundamental elements of foreign trade, the methods of financing foreign trade operations, and provides a **comparative analysis of documentary credit and documentary collection as implemented at CPA**. It describes the necessity of international trade due to inequalities in resource distribution, climates, technological development, and national specialization. The need for complementarity between nations rapidly transformed

based on relationships. Partners in foreign trade face multiple risks due to geographical distance, cultural, linguistic, political, and legal differences, emphasizing the importance of knowing fundamentals to limit these risks. The study mentions elements of a contract, including specifying involved banks, defining the object (product/service) with technical aspects (quantity, volume, weight, packaging), and determining price, currency, incoterm, and a secure payment method. Operations handled at CPA include processing domiciliation and clearance of import/export files, managing domiciled import contracts and foreign guarantees, managing domiciled export contracts and issuing bank guarantees, and ensuring strict adherence to exchange regulations and procedures. Specific administrative and accounting treatment for documentary credits is mentioned. The foreign service at the agency is functionally linked to all other structures. It interacts with the cash service for accounting provisions, commitments by signature (aval, surety), and foreign currency counter-value operations. It also interacts with the tax administration for fiscal/parafiscal document transmission and verification, and foreign banks as correspondents for international operations. Banking techniques for international payment are generally used by companies importing or exporting goods/services due to their need for security.

**2. Author and Title:** Oubelaid Katia and Ouazene Souad, The title is "L'intervention bancaire dans les échanges économiques internationaux".

- **Research Problem or Question:** The study's importance lies in responding to the requirements of both importers and exporters by examining how banks have developed sophisticated payment and financing techniques to secure international buyers and sellers, provide risk coverage, and offer guarantees. The principal question is not explicitly stated, but the study aims to understand the role of banks in international economic exchanges, focusing on financing and guarantees.
- **Methodology Used:** The study adopted a **bibliographical research approach** by consulting various information sources (books, journals, internet, theses) to define theoretical concepts. It also involved a **practical stage (internship) at BADR 357 of Bejaia**, with direct contact with agency officials responsible for foreign trade financing activities, to find answers to their questions. Due to difficulties and lack of information during the internship, they conducted an **interview** at the agency to enrich their work. The structure includes four chapters: bank fundamentals/international banking regulation, international trade fundamentals, financing/guarantees, and a case study at BADR. The case study focuses on financing import and export operations.

- **Key Findings:** Banks play a crucial role in international economic exchanges through creating mechanisms and bank guarantees to facilitate international commercial transactions and ensure performance. They have developed sophisticated techniques to secure operators and offer risk coverage and guarantees. International trade requires bank intervention. The study covers theoretical notions on banks and international banking regulation, including discussions on capital accords and market risks. It presents institutions and theories of international trade. Key elements of international trade operations are fundamental due to risks arising from geographical distance, cultural, linguistic, political, and legal differences. An international contract includes general clauses (preamble, identities, nature/object, definition of terms, list of documents). The study examines various risks in international trade, including legal risk (knowing legislation of client countries), and economic risk. The BADR bank aims to develop its intervention in international exchanges, and the study includes case examples of import and export financing operations at BADR. The service étranger at BADR handles notification of export documentary credits, processing import/export documentary collections, managing repatriations under documentary credits/collections, and preparing statistics. The section gestion des contrats handles and monitors documentary operations with external financing (buyer credit, supplier credit).

**3. Author and Title: RAMDANE Massinissa and SOFI Yacine.** The title is "**Les techniques et les moyens de paiement dans le financement du commerce international cas de ENIEM**".

- **Research Problem or Question:** The study aims to investigate the techniques of financing and payment in international trade and identify which technique is most preferred by ENIEM. Key questions include identifying fundamental elements of international trade operations, main participants, international payment techniques, risks, and risk mitigation.
- **Methodology Used:** The study adopts a **descriptive method**, supported by books, theses, dissertations, and internet sites. Additionally, an **analytical method** is used through following a **practical case study conducted at the ENIEM company**, focusing on an import operation using documentary credit. This involved visits to the company.
- **Key Findings:** International trade involves numerous and diversified payment and financing techniques, whose use depends on the nature of exchanges and mutual trust between parties. Since January 2014, documentary credit and documentary collection became mandatory for international transactions in Algeria. The study identifies key elements for international trade operations, such as a well-negotiated and drafted commercial contract, including clauses on applicable law and jurisdiction. A contract generally includes general clauses (preamble, identities, nature/object, definition of terms, list of

documents). Banks propose guarantees and risk coverage to avoid international transaction risks. Documentary credit is presented as a payment and guarantee technique, offering comfort, security, and being a common denominator for contracting parties. Different financing techniques have specific advantages, disadvantages, and areas of optimal use. Knowledge of these techniques is essential for businesses.

**4. Author and Title:** Philippe DULBECCO and Bertrand LAPORTE. The title is "**LE FINANCEMENT DE LA SÉCURISATION DU COMMERCE INTERNATIONAL POUR LES PAYS EN DÉVELOPPEMENT**".

- **Research Problem or Question:** The article attempts to identify the modalities of financing the *securitization* of international trade, particularly for developing countries. It aims to characterize securitization as a global public good, study its financing conditions, analyze financing sources and instruments, and propose scenarios based on burden-sharing among actors and the role of international institutions. The problem arises from increased transnational organized crime and terrorism threats, leading to initiatives for new merchandise circulation controls.
- **Methodology Used:** The study analyzes and critically evaluates different sources and instruments of financing for the global public good of security. It presents scenarios based on a specific

distribution of responsibilities among securitization actors and the role of international institutions. The work is based on a study for the World Customs Organization (WCO).

- **Key Findings:** The article discusses the need for securitizing international trade in response to crime and terrorism threats. Initiatives like C-TPAT and CSI (US), STAIRSEC (Sweden), and EU code amendments aim to add a security component to customs protocols without hindering trade facilitation. The WCO is committed to cooperation for securing and facilitating the international supply chain. However, there is no single international security standard. The US CSI program, requiring scanner control for high-risk containers exported to the US, is noted as the most stringent. Securitization is characterized as a global public good. No single financing source is sufficient to ensure a satisfactory global supply of security. The study focuses on financing for developing countries, who need to make substantial efforts in providing the global public good of security, while developed countries have already invested significantly since 9/11. The article proposes different financing scenarios based on responsibility sharing. Financing global public goods should not come from resources intended for development aid, as aid addresses national needs, while global public goods require transnational funding.

**5. Author and Title: KOKENE Camelia Mme and BELLIL Sabine.** The title relates to the "**les techniques de financement des**

## **opérations du commerce international et les risques y afférent''.**

The study includes a case study on a documentary credit operation at BADR bank.

- **Research Problem or Question:** The study aims to **identify the financing methods used by banks for import-export operations and how these methods contribute to reducing risks**. It also seeks to understand the specific financing means used by the BADR bank. This problematic arises from the closely linked domains of financing means and risks in international trade.
- **Methodology Used:** The adopted methodology involves **bibliographical research** (books, journals, theses, reports, websites, dictionaries) to collect data related to the theme. This is followed by **field analysis through an internship at BADR bank**. The work is structured into three chapters: fundamentals of international trade, means of financing import/export operations and associated risks, and a practical case study at BADR.
- **Key Findings:** The liberalization and globalization of commercial and financial flows characterize the current international economic landscape. The objective is to highlight the fundamentals of international trade and the primary role of the banking sector, analyzing different financing means available to clients and the constraints involved. Banks use methods to ensure optimal financing while minimizing risks.

International trade operations require specific documents due to mutual distrust and reasons like geographical distance and lack of reciprocal knowledge. The study discusses usual documents, including transport documents which are fundamental for goods assumption, certificates of origin, and certificates of weight and packing lists. Incoterms are essential due to world economy growth and increased access to international markets. They define responsibilities between buyer and seller. Various payment instruments and financing techniques exist, and their use aims to clarify areas of ambiguity. Risks are inherent in any transaction, national or international, but exacerbated by geographical distance and differences. The study presents a typology of international trade risks, including country risk (economic, social, political specificities of countries), and legal risk. Economic or manufacturing risk is also mentioned. Financing techniques can serve as financial contracts. The study includes a case study of a documentary credit operation at BADR.

**6. Author and Title:**ASSIA DJENADI and HAMI LOUNES. The title is " **Le financement des importations dans les opérations de commerce international cas de crédit documentaire au sein de l'entreprise l'électroindustrie azazga "**.

- **Research Problem or Question:** The study focuses on the **financing of import operations in international trade,**

specifically using the case of documentary credit within a company. It poses questions about the modes of financing for imports, the documents used in international trade, and how documentary credit operations unfold within the company Electro Industries d'Azazga.

- **Methodology Used:** The work is structured into three chapters: general information on import operations (logistics, procedures), international trade payment means/techniques and associated risks, and a practical chapter with a **case study within the company (Electro Industries d'Azazga)** focusing on the realization of an import operation via documentary credit.
- **Key Findings:** International trade involves exchanges of goods and services between agents in different economic territories, leading to significant real and monetary flows and numerous risks, necessitating financing methods offering maximum assurance. Foreign trade is essential for a country's economy. Geographical distance and differences between countries create risks and complications, highlighting the need for organized international trade procedures based on rules and laws from international bodies like the ICC. International trade involves transactions between different nations. The study aims to clarify elements regarding payment instruments, financing techniques, potential risks, and their coverage. It covers general aspects of import operations, including logistics and procedures. Various payment means and techniques for international transactions

exist. The study presents international trade theories. International trade increases and develops globally to connect different economies. Payment instruments and techniques are numerous and depend on exchanges, trust, and risks. Documentary credit involves the issuing bank undertaking to pay the exporter a certain amount within a specific time against compliant documents. This technique is an instrument of guarantee in international trade, not just a credit operation. Banks play a role in financing transactions securely or acting as intermediaries for document collection to ensure the operation's completion. The study mentions different types of documentary credit. The case study is at Electro Industries d'Azazga.

**7. Author and Title:** AIT CHEKDHIDH Djazira and MAMMERI Fatima, The title is "**Les techniques de financement du commerce extérieur (le crédit documentaire): Cas de l'agence Crédit Populaire d'Algérie 189 de DBK**".

- **Research Problem or Question:** The study focuses on **foreign trade financing techniques, specifically documentary credit**, using a case study at the CPA agency 189 of DBK. Key questions include identifying the most used payment techniques in foreign trade, and what documentary credit consists of. The research is motivated by risks of payment faced by partners and how to address this issue.

- **Methodology Used:** The work is divided into two parts: a **theoretical framework** on foreign trade fundamentals and documentary credit techniques (Chapters 1 & 2), based on consulting books, articles, and regulations. The second part is an **empirical case study** based on an import operation realized by documentary credit at the CPA agency. The study is structured in three chapters: foreign trade fundamentals, international payment techniques/means, and the case study of an import operation via documentary credit at CPA.
- **Key Findings:** International trade involves commercial transactions between a country and the rest of the world, generating real and monetary flows with numerous risks, necessitating financing methods offering maximum assurance. Banks have implemented means and solutions to ensure the smooth running of import/export transactions and limit risks. Risks can worsen with distance. The study presents theories of international trade, including Adam Smith's absolute advantages and David Ricardo's comparative advantages. It mentions the concept of economies of scale and monopolistic competition in international trade. The International Chamber of Commerce (ICC) collects and formulates opinions of businesses involved in international trade and supports their views with intergovernmental institutions and governments. To counter non-payment risk, payment techniques have emerged. Documentary techniques include documentary credit. Documentary credit is

defined as a bank undertaking to pay the exporter against compliant documents within a timeframe. It is a guarantee instrument playing an important role. Banks act as intermediaries or financiers. There are different types of documentary credit. The study includes a case study at CPA agency 189. The CPA agency's missions include developing business, studying and implementing credits within regulatory limits, managing/monitoring credits and guarantees, processing foreign trade operations within authorized limits, and ensuring strict adherence to exchange regulations and procedures. The service étranger tasks include initiating documentary credits/collections, notifying openings/modifications, and controlling realization documents. The gestion des contrats section handles/monitors documentary operations with external financing (buyer/supplier credits). The study details the process for an import operation via documentary credit, including domiciliation, receiving documents, and payment.

**8. Author and Title: Sadjia ADEL-ALLICHE M and Sabrina AIT DARNA-HADDADOU.** The title relates to "**le financement des opérations du commerce international cas « BNA n°581 Tizi Ouzou »**".

**Research Problem or Question:** The study aims to understand the payment techniques in international trade offered by Algerian banks, the main risks faced by operators and how to handle them, and how

the BNA bank processes import operations using documentary credit and documentary collection.

- **Methodology Used:** The study is based on **bibliographical research** (books, theses, websites, internal BNA documents) and **field data from an investigation**. It is structured into three chapters: fundamentals of international trade (general presentation, evolution in Algeria, key elements, documents), international trade payment means and techniques and associated risks, and a practical study on foreign trade operations in Algeria, case BNA n°581 Tizi Ouzou. The practical study involves examining how BNA processes import operations via documentary credit and documentary collection.
- **Key Findings:** International trade involves actors in different countries, leading to internationalization of exchanges of goods, services, and capital, expanding economic activity beyond national territory. It involves logistics, customs techniques, financing solutions (international payment methods), and risk management (exchange, fiscal, legal, political risk). It is a complex activity requiring mastery of multiple aspects. A contract includes general clauses (identities, nature/object, definition of terms, document list). The study presents Incoterms and their obligations for buyer and seller. It also covers the domiciliation dossier process, including required documents like final invoice, transport title, certificate of origin, customs document, form for currency withdrawal, swift of transfer, and

quality certificate. The dossier is cleared if all elements are present. International operations are constantly evolving with trade liberalization. Different payment instruments exist, such as checks. The study discusses various risks and guarantees in international trade operations. Risks related to export financing are mentioned. Specific risks taken by the notifying bank in documentary credit are noted, emphasizing the need for careful document examination. Risks can arise from non-execution of contracts, transport/logistics issues, quality problems, non-compliance, or buyer/seller default. The most used techniques are documentary techniques (documentary collection and documentary credit) as they offer more security and guarantee. Documentary credit is a guarantee of payment for the exporter based on the bank's definitive engagement and guarantees the importer that contract conditions are respected, as the exporter is only paid against proof of compliance. All techniques are used in practice, but the choice depends on the buyer, seller, their countries, and the economic context. Strict compliance with rules is required, demanding vigilance. The BNA bank structure includes a service étranger with sections for counter, collection, transfer, revenue/positions, and accounting.

**9. Author and Title: MelleBERRI Fatima and MAOUCHE Kahina.** The title relates to an "**Etude comparative entre le crédit documentaire et la remise documentaire chez la BDL**".

- **Research Problem or Question:** The study aims to distinguish between documentary credit and documentary collection in international trade operations, highlight the techniques and means prescribed by national banking regulations, and define the participants in international commercial transactions. It also explicitly seeks to **compare documentary credit and documentary collection**, potentially focusing on their application at BDL agency 153.
- **Methodology Used:** The work is structured in three chapters: fundamentals of foreign trade (documents, Incoterms, risks, guarantees), financing of foreign trade operations, and a practical case study comparing an import operation by documentary credit and another by documentary collection at the BDL agency 153. The study involved a **practical stage (internship) at BDL agency 153**.
- **Key Findings:** International trade concerns purchase and sale operations between national economic areas. It requires mastering financing procedures and choosing the most secure payment methods. Various payment techniques are available to importers and exporters, such as documentary credit and documentary collection. Key elements include usual documents, Incoterms, risks, and guarantees. Documents include transport documents, insurance documents (date, description, risks covered, assured, transport mode, damage assessment, jurisdiction), and specific documents required for the

domiciliation dossier like final invoice, transport title, certificate of origin, customs document, currency withdrawal form, swift, and quality certificate. Documentary credit is noted for its reliability based on documents. Its advantages include reliability based on documents, avoiding interpretation, and universality (suitable for goods/services, import/export). However, disadvantages and risks exist. It is more expensive and requires heavy, rigorous procedures. Documentary collection involves risk of non-payment for the exporter and offers limited guarantee. Documentary credit offers a payment guarantee for the exporter through the bank's definitive commitment and guarantees the importer's contractual compliance by paying the exporter only against proof of meeting engagements. Documentary collection offers a guarantee to the seller as the buyer cannot retrieve merchandise without paying/accepting the bill. Documentary credit is often used for the first transaction or high-risk transactions. The study concludes that documentary credit is the most effective and least risky financing method for imports and dominates documentary collection in financing contribution. International trade generates significant flows and numerous risks, necessitating financing modes providing maximum assurance. The study analyzed fundamental aspects, payment/financing techniques (focusing on documentary credit/collection), and risks at BDL Akbou.

**10. Author and Title:** ABERBACHE Nassim And HARZOUNE Belaid. The title relates to "Etude de cas sur l'intervention de BNP Paribas dans le financement des opérations du commerce extérieur en Algérie".

**Research Problem or Question:** The study focuses on the **intervention of foreign banks in financing foreign trade operations**, specifically examining BNP Paribas EL Djazair. It includes a case study of import financing via documentary credit. The objective is to identify the bank's role in trade finance through the case study and investigation.

- **Methodology Used:** The study includes a case study on the intervention of BNP Paribas in foreign trade financing operations in Algeria. Specifically, it details the processing of an import documentary credit at BNP Paribas EL Djazair. An **investigation** was conducted at the BNP Paribas Akbou agency. The study is structured with chapters on international trade fundamentals, financing modalities, and the case study on BNP Paribas intervention.
- **Key Findings:** Foreign banks play a role in financing international trade, and BNP Paribas EL Djazair has implemented techniques to protect contract parties. International trade partners face multiple risks due to geographical distance and differences, emphasizing the need to know fundamentals to limit these risks. Incoterms (e.g., FOB, CFR, FCA, CPT, DAF)

are international rules for interpreting trade terms, established by the ICC and amended over time. They define seller and buyer obligations and are important in contract elaboration. Incoterms are classified by transport mode (maritime, terrestrial, polyvalent). Documentary credit involves heavy and complex administrations, is expensive (especially if confirmed), and incurs commissions even if unused. The study describes the process of processing an import documentary credit at BNP Paribas EL Djazair. This includes receiving and verifying the request for opening a documentary credit (ET 3002). Controls are performed to avoid the bank being at risk from errors. Required documents for a specific documentary credit case include bills of lading, commercial invoice, certificate of origin, certificate of conformity, certificate of guarantee, and beneficiary attestation of sending documents via courier. Costs associated with opening/modifying a documentary credit in one case include opening/modification fees (3,000.00 DZD) and SWIFT fees (2,500.00 DZD), totaling 6,435.00 DZD TTC. Costs associated with settling the documentary credit in the same case include settlement commission (7,338.46 DZD) and SWIFT fees (2,500.00 DZD), totaling 11,511.00 DZD TTC, plus a provision. The case study and investigation allowed identifying the treatment of an import operation by documentary credit and the role of BNP Paribas in trade finance.

**11. Author and Title:** Bourai Thillali and Ilten Feriel, supervised by Mme Ferroudj Kahina. The title is " **Le Financement du Commerce Extérieur par les banques algériennes : Cas du crédit documentaire au niveau de la Société Générale (Agence 502 Akbou) "** .

- **Research Problem or Question:** The central question posed is: "Par quelles techniques les banques financent-elles le commerce"? The study aims to highlight the different payment and financing techniques offered by Algerian banks.
- **Methodology Used:** The methodology involves **bibliographical research** (books, journals, theses, reports, websites, dictionaries) and **data collection**. Additionally, an **investigation method** is used through an **internship at Société Générale - Banque**. The study is structured with chapters on the Algerian banking system/organization, international trade payment techniques/means, and a practical chapter analyzing actions and drawing experience from the internship at SG Akbou 00502, focusing on processing a documentary credit operation.
- **Key Findings:** Banks play an important role in financing foreign trade operations, acting as financial intermediaries through credits granted to. The study presents hypotheses, including that Société Générale can contribute to international trade financing, the Algerian banking system is a major element in financing economic activities, and documentary credit is a secure technique, though more so for the exporter than the importer.

The practical part aims to analyze actions and present a balance of experience from the internship. The study focuses on processing a documentary credit operation at SG Akbou 00502. During documentary credit document study, controls are performed, such as FORCES ONLINE checks for all involved parties, OFAC control of the ship's IMO number and container prefix verification, country verification, and checking operation characteristics (coherence, atypical circuit, complexity, clauses). Reserves signaled by the correspondent are treated. The steps involved for the importer and the required documents are detailed, although the procedure can differ between banks.

## 2.2 Research Gap

Previous studies encompass a wide spectrum of actors in trade finance—from state-owned banks (CPA, BNA, BADR, BDL) to private banks (Société Générale, BNP Paribas) and enterprises (ENIEM, Electroindustrie Azazga). This breadth enables a nuanced understanding of how different organizational profiles influence the choice and application of financing techniques. Despite these valuable insights, several limitations emerge:

- **Conflation of Payment Modes with Financing Modes**  
While often referred to interchangeably, most studies treat documentary payment instruments (e.g., CREDOC, REMDOC)

as financing methods, without distinguishing between pure payment settlement and true credit-based financing.

- **Exclusive Focus on Agency-Level Operations**

Case studies consistently examine processes at individual branches or agencies, omitting how financing techniques are designed, approved, and monitored at the head-office or regional-directorate levels. This siloed perspective overlooks strategic decision-making, standardized policy frameworks, and central-level risk controls that shape frontline practices.

**This thesis** will therefore:

1. **Disaggregate Payment and Financing Techniques**

- Clearly define and contrast settlement instruments (e.g., documentary credits as payment guarantees) with credit-based financing products (e.g., trade loans, buyer's credit).

2. **Adopt a Multi-Level Institutional Lens**

- Map and compare procedural flows, approval workflows, and risk-management policies at both the agency and head-office levels within the Banque Extérieure d'Algérie.
- Investigate how central-level directives and local procedures interact to influence service delivery.

By addressing these dimensions, the research will fill a critical void in the literature and offer a holistic framework for understanding and improving the role of banks in financing international trade.

## **Chapter three : the case study**

This chapter aims to examine the role and mechanisms implemented by the Banque Extérieure d'Algérie (BEA) in the crucial field of financing foreign trade operations—a sector in which this Algerian banking institution plays a central role. Based on internal documents, this analysis presents the institution within its operational framework, describes the structure of a typical agency heavily involved in international operations, and finally illustrates the procedures for financing an import operation through a case study focused on the documentary credit, a fundamental international payment instrument. The analysis will be strictly limited to the information found in the provided sources, adopting a descriptive and objective approach to reflect the process as documented internally within the bank.

### **1. Institutional and Operational Framework of the Banque Extérieure d'Algérie (BEA)**

The Banque Extérieure d'Algérie, known by its acronym BEA, is a major financial institution within Algeria's economic landscape. It was officially established on October 1, 1967, by Ordinance No. 67-204. Statutorily, the BEA operates as a Joint Stock Company (SPA), with 100% of its capital owned by the Algerian state. At the time of the documentation, its capital stood at 230 billion Algerian dinars. The bank's headquarters is located in Algiers, at 42 Rue des Frères Bouadou, in the Bir Mourad Rais district.

BEA's primary activity is defined as banking services and financing across a wide range of sectors within the national economy. Among the sectors explicitly mentioned are hydrocarbons, steel, transport, construction materials, and services. To support its operations, the BEA maintains a vast network of 101 operational branches throughout the country. This network serves a substantial customer base totaling 1,793,000 client accounts. The bank is also modernizing its services

with 130 automated teller machines (ATMs). Internationally, it maintains a network of over 1,500 foreign banking correspondents.

A key element of BEA's mission, as emphasized in internal sources, is its pivotal role in financing foreign trade, which is considered vital to Algeria's economy. To this end, BEA actively supports foreign trade by offering a comprehensive range of traditional banking facilities. These facilities are similar to those typically offered by conventional commercial banks.

### **Complementary Missions of the BEA**

Beyond its main mission of financing foreign trade, BEA also fulfills several complementary roles that reinforce its support for Algerian enterprises and contribute to promoting the national economy:

- **Commercial Intelligence:** BEA provides Algerian companies with a centralized commercial information service. This enables them to stay informed about international economic conditions—critical information for making informed decisions in their export and import activities.
- **Export Promotion:** The bank plays a role in promoting exports of industrialized goods made in Algeria. Its involvement spans various sectors, from the food industry to complex metallic, mechanical, and petrochemical industries.
- **Credit Insurance:** BEA also participates in credit insurance systems for operations involving foreign countries. It may manage or supervise these institutions.
- **International Expansion:** To promote Algerian trade globally, BEA can establish its own structures abroad (branches, agencies, subsidiaries) or take stakes in existing foreign companies.
- **Credit Mobilization:** The bank is authorized to mobilize any credit related to foreign trade provided by other public banking institutions. It may participate in such credits, offer its

conditional guarantee, or re-mobilize financing it originally granted through other financial institutions.

- **Domestic Banking Operations:** BEA is allowed to conduct standard domestic banking operations as long as they align with its corporate purpose.

These combined functions establish BEA as a central institution for Algerian businesses engaged in international trade—acting as a financier, advisor, and facilitator in foreign markets.

## **2. BEA Amirouche Agency 012: A Key Node in Foreign Trade Operations**

To understand BEA's operations at the client interaction level, it's useful to examine the structure of a typical agency involved in international trade. The BEA Amirouche Agency 012 serves as a prime example of such an organization, known for its high client volume and significant transaction activity.

This agency is organized into several services to meet varied client needs, including:

- Cash service
- Portfolio service
- Credit service
- **Foreign Trade Service ("Service Commex")** – the main focus of this analysis.

### **Structure of the Foreign Trade Service**

The Foreign Trade Service is tasked with managing, processing, and overseeing all operations involving the bank and foreign-based operators. At Amirouche 012, this service includes **eight employees** who handle instructions and documents either from the agency's account managers or from the General Directorate for International Operations. The department is divided into three main sections:

- **Domiciliation Section:** Handles the preliminary registration of foreign trade operations (both imports and exports). Domiciliation is a regulatory requirement prior to customs clearance or financial transfers. An electronic pre-domiciliation system has been in place since March 16, 2016. This process is under foreign exchange controls, enforced by Authorized Intermediary Banks (such as BEA), delegated by the Bank of Algeria.
- **Credoc Section (Documentary Credits):** Processes all operations related to documentary credits. Tasks include receiving, verifying, and managing credit opening orders, notifying export credits to beneficiaries, and overseeing the documentation and payment process.
- **Remdoc Section (Documentary Collections):** Manages incoming collections from foreign correspondent banks. Responsible for processing and settling these collections, including the related fund transfers.

### Organization and Specialization

The internal organization includes a service chief and specialized staff handling:

- Free transfers
- Documentary collections
- Documentary credits
- Exports
- Clearance and compliance

This functional division ensures targeted, expert handling of each type of foreign trade operation. The effectiveness of this structured setup is crucial for clients to carry out international transactions in compliance with regulations and banking practices.

### 3. Case Study: Financing an Import Operation via Documentary Credit

Financing an import operation is a common activity for a bank like BEA, given its central role in Algeria's foreign trade. The sources present a case involving a client company seeking funding for building a factory. The project requires both external (import-related) and internal financing. This practical case study illustrates the steps and procedures the bank follows, from analyzing the credit request to implementing the settlement mechanism, typically through a **documentary credit (Credoc)**.

#### 3.1 Credit Application Assessment

The first crucial step for the bank is the assessment of the company's credit request. This evaluation involves several key elements:

##### *3.1.1 General Presentation of the File*

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The application starts with a general presentation, including essential details about the company, its location, its business activity, and the specific financing purpose (building a factory and financing imports).

##### *3.1.2 Required Documentation*

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A complete file is mandatory. The typical documents include:

- A formal credit request with a techno-economic feasibility study.
- Certified copy of the company's trade register and statutes.
- Tax ID card and cleared tax situation certificate.
- Copy of the ANDI decision granting tax/parafiscal benefits, if applicable.
- CNAS and CASNOS clearance certificates showing social compliance.
- Past financial statements and projected income statements (TCR) for the project's duration.
- Pro forma invoices for the import-related equipment.

### *3.1.3 Relationship Identification*

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This brief section assesses the client's existing relationship with the bank—its history and behavior.

### *3.1.4 Project Analysis*

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This is the heart of the credit assessment and includes:

- **Viability Analysis:** Evaluates whether the project is feasible, strategic, and operable. It includes:
  - Market analysis (demand, competition)
  - Commercial strategy (product, pricing, distribution)
  - Cost breakdown
  - Execution timeline

The findings indicated a high-value project with strong strategic potential and favorable location.

- **Profitability Analysis:** Divided into two stages:

#### **Before Financing:**

- Capital expenditure and depreciation schedules.
- Residual value of assets.
- Working capital needs.
- Employment/resources table.
- Key indicators calculated include:
  - Payback Period (PP)
  - Discounted Payback Period (DPP)
  - Net Present Value (NPV)
  - Profitability Index (PI)
  - Internal Rate of Return (IRR)

#### **After Financing:**

- Loan repayment schedule and its impact.

- New amortization and financial charges.
- Revised TCR and fund mobilization plan.
- Credit conditions tested for sustainability (e.g., 4 years repayment + 2-year grace period).
- Finalized conditions ensure positive cumulative cash flows.

Two final profitability aspects are studied:

- **Return on Equity (ROE)** for shareholders
- **Return on Debt** (assessing borrowing cost)

### *3.1.5 Guarantees Collected*

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To secure the loan, the bank collects:

- **Real guarantees:** Mortgage on land/buildings, pledge on financed equipment, insurance delegation.
- **Personal guarantees:** Guarantees from the company or its physical associate partners.

After the credit file is approved and guarantees established, the financing is granted, and the **import settlement procedure via documentary credit** is initiated.

## 3.2 The Documentary Credit Mechanism in Import Operations

### *3.2.2 Stakeholders and Forms of Documentary Credit*

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**Main stakeholders:**

- **Applicant (Importer):** Requests the opening of the credit. In this case, the company financing the factory.
- **Beneficiary (Exporter):** Receives payment upon presentation of compliant documents.
- **Issuing Bank:** The importer's bank (BEA in this case) that opens the credit.

- **Advising Bank:** Notifies the credit to the exporter.
- **Confirming Bank** (if applicable): Adds its irrevocable undertaking to that of the issuing bank.

### **Types of Documentary Credit:**

- **Irrevocable Credit:** Cannot be canceled or amended without all parties' agreement.
- **Irrevocable and Confirmed Credit:** Adds a second bank's guarantee, increasing the exporter's payment security.

These credits are governed by national foreign exchange regulations (Bank of Algeria) and international rules such as:

- **UCP 600** (Uniform Customs and Practice for Documentary Credits – ICC, 2007)
- **ISBP** (International Standard Banking Practice – ICC, 2010)
- **URR** (Uniform Rules for Reimbursement)
- **ISP98** (Standby Credits), and **Incoterms 2010/2020**

### **3.2.3 Modes of Documentary Credit Execution**

Several modes determine how the exporter is paid:

- **Sight Payment:** Immediate payment upon presentation of compliant documents.
- **Deferred Payment:** Payment at a future agreed date.
- **Acceptance:** The exporter draws a draft, which is accepted for future payment by the designated bank.
- **Negotiation:** The bank buys the documents/drafts and pays the exporter immediately.
- **Mixed Payment:** Combines various forms (e.g., advance + balance upon documentation).

### **3.2.4 Credit Opening Procedure**

The importer submits a detailed and signed application to BEA, including:

- Client and beneficiary identification
- Validity and expiration dates
- Credit amount and terms
- SWIFT transmission mode
- Payment method (sight, deferred, etc.)
- Insurance responsibility
- Allowed or prohibited partial shipments
- Precise goods description and applicable **Incoterm**
- List of required documents (invoice, bill of lading, certificates)
- Timeline for presenting documents (usually 21 working days post-shipment)

Additional documents are required:

- **Domiciliation request**
- **Pro forma invoice**
- Possibly: sales contract, firm order, correspondence
- Pledge and assignment of documents in favor of the bank

The credit is subject to **UCP 600** and must be stamped and signed by the client.

### 3.2.5 Internal Bank Procedures for Opening the Documentary Credit (Credoc)

#### *At the Agency Level (Commex Service):*

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The client submits the credit opening application, domiciliation request, and pro forma invoices to the Commex Service. The application must be filled out neatly, without erasures. Key internal steps include:

- **Credit approval** from the bank's commitment services, even when fully covered by a margin.

- **Entry** of the operation in a special "Credoc" register and assignment of a reference number.
- **Creation** of a dedicated physical file with all related documents.
- **Domiciliation** of the pro forma invoice, mandatory for any import/export transaction. Details (e.g., agency code, tax ID, currency, Incoterm, amount, country of origin) are recorded and declared monthly to the Bank of Algeria.
- **Provisioning (margin)** either from an existing credit line or specific approval.
- **Accounting entries:** Client account debited for the margin and fees (engagement, handling, SWIFT, taxes), and credits to risk provisions and income accounts.
- **Transmission of the file** to the International Directorate, signed by authorized personnel, noting the client's commitments.

*At the International Directorate Level:*

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This unit:

- **Verifies** the file again.
- **Selects a foreign correspondent bank** and sends the transaction via **SWIFT**, using the appropriate format.
- **Adds specific instructions** for reimbursement, delivery of documents (e.g., via DHL to DAI Algiers), fee responsibilities, standby clauses, and authentication.
- **Ensures compliance** with:
  - Client credit limits
  - AML regulations
  - Foreign exchange controls

- Signature verification

It is emphasized that the **Credoc is independent** from the sales contract—the bank only deals with documents, not goods.

If client instructions are incomplete, the advising/confirming bank must notify the beneficiary and inform the issuing bank. The consistency of the credit with the contract, Incoterm, and regulations must be ensured.

Documents with unspecified issuers or content are accepted as-is. Non-documentary conditions are ignored. Documents issued before the credit instructions are accepted if presented within the allowed timeframe. SWIFT-issued credits are governed by UCP 600.

A "**clause of operativity**" can be added, making the credit effective only upon issuance or acceptance of a guarantee by the importer.

### 3.2.6 Amendments and Cancellations

One of the key principles of documentary credits is their **irrevocable nature** (unless stated otherwise). Therefore:

- A credit **cannot be amended or canceled** without the agreement of all involved parties:
  - The applicant (importer)
  - The issuing bank
  - The confirming bank (if applicable)
  - The beneficiary (exporter)

If the **issuing bank** proposes modifications, it is bound by them once issued. If the **confirming bank** refuses to extend its confirmation to the changes, it must notify the issuing bank. If the **beneficiary** rejects the changes, the original terms of the credit remain in effect.

The **beneficiary's acceptance** is usually implied if they present documents in accordance with the amended credit. Once accepted and used, the modifications cannot be refused for future uses. If multiple

modifications are proposed, they must be accepted or rejected in full—no partial acceptance is allowed.

To **cancel** a documentary credit, all involved parties must agree. The issuing bank is only released from its obligation once all relevant parties have given their consent.

### 3.2.7 Execution of the Documentary Credit

The **execution phase** begins when the exporter carries out the commercial contract and submits the required documents for payment.

#### **Before Execution:**

The exporter (beneficiary):

- Ships the goods according to the contract and Credoc terms
- Collects all the required documents (invoice, transport docs, certificates, etc.)

#### **Presentation of Documents:**

- Must be made to the advising/confirming bank **within 21 working days** after shipment, and **before the credit expiry date**
- The receiving bank issues an **acknowledgment of receipt**

#### **Document Verification:**

The bank has **5 working days** (per UCP 600) to:

- Verify the **issuer, content, and compliance** of documents with the credit terms and Incoterms
- Ensure **coherence** between all documents

Guided by **UCP 600 (Articles 18–28)** and **ISBP**, banks verify:

- **Transport documents:** Must be signed by an authorized party, include “Clean” (no apparent damage) and “On Board” clauses, and align with the credit and Incoterms.

- Charter party bills must be authorized and state loading/unloading ports.
- Air Waybills (LTA) must be original (usually No. 3), state the carrier, and list departure and arrival airports.
- **Invoice:** Issued by the beneficiary, addressed to the applicant, item descriptions must match the credit. Signature is optional unless required.
- **Supplementary documents:** If the issuer is not specified, anyone (except the beneficiary) may issue them. If the content is unspecified, it's accepted as is.

Banks only deal with **documents**, not physical goods.

### **Discrepancies and Reserves:**

If discrepancies (called **reserves**) are found, they can be:

- **Minor:** Formal, non-critical (e.g., invoice number mismatch)
- **Major:** Serious (e.g., expired documents, "unclean" transport doc, missing signature)

Banks are not liable for the authenticity of documents.

- If documents are **compliant**, the designated bank proceeds with payment or acceptance, and notifies the issuing bank via **SWIFT**, sending the originals.
- If **not compliant**, options include:
  - **Collection without engagement**
  - **Collection under reserve**, pending importer approval

The advising/confirming bank must immediately inform the issuing bank with full details of discrepancies. No new discrepancies can be raised after that message is sent.

### 3.2.8 Settlement and Reimbursement

Once the documents are accepted as compliant (or accepted despite discrepancies), the payment process to the exporter is initiated.

### **Payment to the Beneficiary (Exporter):**

- If the documents are **compliant**:
  - Under an **irrevocable credit** (without confirmation), the payment is generally made "subject to good execution" — meaning the exporter might need to wait until the issuing bank reimburses.
  - If the credit is **confirmed**, the confirming bank pays the exporter **firmly and without recourse**, often offering **discounting** options (early cash payment in exchange for a fee).

### **Reimbursement to the Paying Bank:**

- The bank that made the payment (notifying/confirming bank) is reimbursed by the **issuing bank** (BEA).
- This is usually done by **debiting an account** held by the issuing bank with the reimbursing or correspondent bank.

### 3.2.9 Clearance and Control of Files

After financial settlement, **Authorized Intermediary Banks**, including BEA, must comply with clearance and audit obligations imposed by the **Bank of Algeria** (per Regulation No. 07-01).

### **Clearance (“Apurement”) Process:**

Ensures the **execution of the commercial contract** is regular and complies with regulations. Control occurs **throughout the year**—no fixed deadline for completion.

### **Documents Required for Clearance:**

- **For Goods:**
  - Commercial contract

- Transport documents (e.g., bill of lading, air waybill)
- Customs documents (especially D10 “Bank Copy” after customs clearance)
- SWIFT message confirming the transfer
- **F4 Statistical Form**, annotated

The D10 is sent directly by customs to the domiciling bank.

- **For Services:**

- Contract
- Certificates of service rendered
- Required authorizations (if applicable)
- SWIFT message and annotated F4 Form

**Control Timeline:**

- For **spot payments**: 3 months
- For **deferred payments**: 30 days after the final payment

The bank must ensure it receives all required documents. If the D10 is missing, the bank must request it from the customs office, providing importer and transaction details, and send a copy of this request to the **General Directorate of Customs**.

If the client's file is incomplete or there's an **overpayment**, they are granted **30 days** to regularize it.

The **total reference period** for regularization is up to **120 days** from the payment date.

### **3.3 Associated Risks and Special Types of Credits**

While **documentary credit** is a secure payment method, it does not eliminate all risks for the parties involved. The sources identify several such risks:

**For the Importer (Buyer):**

- Risk of **non-conformity** between the goods received and what was ordered, since the bank checks only **documents**, not the physical goods.

#### **For the Exporter (Seller):**

- Risk of **non-payment**, especially if the credit is only irrevocable (not confirmed), and:
  - The issuing bank defaults
  - The importer's country has economic or political issues

#### **For the Correspondent Bank (Advising, Confirming, or Designated):**

- Risk of **non-reimbursement** by the issuing bank
- Risk of **errors** in verifying documents

#### **For the Issuing Bank (BEA):**

- Risk of mistakes in **document verification**
- Risk of **financing default** by the importer

#### **Special Types of Documentary Credit**

In addition to the standard form, other specific types of documentary credits exist, including:

- **Red Clause Credit:** Allows the beneficiary to receive an advance before shipping goods (details not provided in the source).
- **Revolving Credit:** Automatically renews itself for multiple shipments within a defined limit.
- **Transferable Credit:** Allows the beneficiary to transfer the credit, wholly or partly, to another party.

This descriptive study—based solely on internal documentation from the Banque Extérieure d’Algérie—has shed light on the mechanisms through which BEA fulfills its mission of **financing foreign trade**.

As a **state-owned specialized bank**, BEA provides a structured framework to support Algerian operators in their international transactions, including both imports and exports. Its role extends beyond funding to include **commercial intelligence, export promotion, and guarantee implementation**.

The internal organization of its agencies—particularly Agency **Amirouche 012**—illustrates the specialization required. The **Foreign Trade Service** is divided into key sections (Domiciliation, Documentary Credit, Documentary Collection), reflecting the complexity and volume of international operations.

The case study on financing an import operation highlights BEA’s rigorous approach: from **credit request evaluation** (including viability and profitability analysis) to the use of **documentary credit** as a secure and structured settlement instrument. The process is carefully managed, from opening the credit to verifying documents, settling payments, and performing **regulatory clearance and control**.

Each stage emphasizes **compliance** with both national and international banking standards. The study also identifies potential **risks** and highlights BEA’s adaptability through the use of flexible credit types (like revolving or transferable credits).

In sum, the study provides a detailed, documented view within the limits of the source material of BEA’s operational framework and procedures in foreign trade finance, emphasizing the regulated, document-driven nature of these activities.

## Conclusion

This thesis investigated the complexities of financing foreign exchange operations within the Algerian context, focusing on the mechanisms employed by banks to finance and secure international trade transactions. The central problem addressed was the need to delineate international trade finance mechanisms, specifically distinguishing between payment techniques and true financing instruments, and to provide an institutional analysis beyond typical agency-level views.

**Key findings** underscore the inherent complexity and risk associated with international trade due to geographical distance, cultural, linguistic, political, and legal differences. Banks emerged as playing a **pivotal role** in mitigating these risks and facilitating transactions. A significant finding was the **clear distinction between payment instruments/techniques** like cheques, international bank transfers, bills of exchange, promissory notes, documentary collection, and free transfer, which govern payment settlement, and **financing techniques** such as pre-financing credits, mobilization of receivables, international factoring, supplier credit, buyer credit, and international leasing, which provide actual credit. Documentary techniques, particularly the Letter of Credit, function primarily as a payment guarantee based on documents. Algeria's foreign trade operations are shaped by its specific historical evolution and regulatory framework, including the mandatory electronic pre-domiciliation and bank domiciliation procedures central to bank controls. The case study of

Banque Extérieure d'Algérie (BEA) illustrated these principles in practice, demonstrating a structured operational framework at the agency level, functional specialization within its Foreign Trade Service, and a **rigorous procedural approach** for financing imports via documentary credit, guided by international rules like UCP 600 and national regulations. Despite the security provided, inherent risks such as goods non-conformity for importers or bank default for exporters persist.

This research contributes by explicitly **disaggregating payment from financing techniques**, offering a clearer conceptual framework.

Furthermore, the analysis incorporating aspects of BEA's structure and procedures at different levels contributes to a more **multi-level institutional perspective**, providing empirical data on a major national bank's practices under national regulations.

**Limitations** of the study include its sole reliance on information available within the provided internal BEA documents, which restricts generalizability to other institutions and limits the analysis to documented procedures. The descriptive nature also constrains deeper comparative or critical evaluation.

Based on these findings, recommendations for future research include comparative studies across Algerian banks, analysis of digitalization impacts on procedures and risk, explicit exploration of head office strategic roles, and the incorporation of qualitative data from practitioners and trading firms. Institutional practices at banks could benefit from continuous refinement of internal controls, enhanced

client education on finance vs. payment distinctions, and streamlined procedures leveraging digital solutions. Policy development should involve ongoing evaluation of regulations like domiciliation to balance control with trade efficiency and support the integration of digital trade solutions.

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