

TRADE FINANCE

Letters of Credit, Escrow & BRHUB Pay

Securing your first cross-border deal

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Table of Contents

1. The four payment families
2. How a confirmed irrevocable LC works
3. The classic discrepancy
4. BRHUB Pay as a middle path

Chapter 1 — The four payment families

In B2B cross-border trade, payment instruments fall into four families: open account (the buyer pays after receipt), documentary collection (the bank releases documents against payment), letter of credit (the bank guarantees payment against documents), and cash-in-advance.

Risk to seller decreases from open account → CIA. Risk to buyer increases in the same direction. The LC sits in the middle, balancing both — at a cost.

Chapter 2 — How a confirmed irrevocable LC works

The buyer instructs their bank (the issuing bank) to open an LC in favor of the seller. The issuing bank sends the LC text to the seller's bank (the advising bank). If the seller wants extra assurance, they request the advising bank to confirm — adding a second guarantee.

The seller ships, presents documents matching the LC terms exactly, and gets paid by the confirming bank. The confirming bank reimburses the issuing bank. The issuing bank debits the buyer.

Key insight: Two words to memorise: "documentary compliance". Even a typo can be a "discrepancy" and stall payment.

Chapter 3 — The classic discrepancy

According to ICC statistics, 70%+ of first presentations under LCs are rejected for discrepancies on first pass. Most are trivial — a date format that does not match (15-Apr-2026 vs 15.04.2026), a country name spelled differently, a shipment after the latest date by even one day.

Best practice: produce a "discrepancy-free checklist" specific to each LC before shipping. Compare every field of every document to the LC text and the underlying contract.

Chapter 4 — BRHUB Pay as a middle path

For smaller deals (USD 5K-200K), full LCs are expensive — bank fees can hit USD 1500-3000 per side. BRHUB Pay offers a deposit-and-release escrow with the seller-protection of CIA and the buyer-protection of post-shipment payment.

The buyer funds the deal in escrow before shipment. The seller ships and uploads documentary proof. The buyer approves, and BRHUB releases. If dispute, BRHUB mediates with both parties.

Limits and fees: BRHUB Pay processes up to USD 250K per deal at fees ranging 1.2-2.0% per side, depending on subscription tier.