

Tawarruq – Receivables Financing Case Study

An overseas textile manufacturer required financing for its receivable book with buyers in a number of countries in Europe and in the United States.

Financing was arranged on a *tawarruq* structure via a special purpose company in order to ensure that the receivables were segregated from its main business. This enables the overseas manufacturer to sell its products on a deferred payment basis yet to monetise these on a weekly basis with each buyer effecting payment on invoice due date at maturity.

The special purpose structure enabled the Bank to ensure that trade credit insurance was available to support the risk on the buyers in a Sharia'a compliant manner and using a *tawarruq* structure ensured that there was no VAT implication in the financing.

BLME were able to provide short term revolving finance to support the export and sale of goods to a wide variety of buyers in different jurisdictions in a totally Sharia'a compliant manner.