



INTEGER WEALTH GLOBAL

Process Document

SBLC Pricing & Cost Structure

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Introduction

At Integer Wealth Global (IWG), we are committed to delivering transparent, efficient, and client-centric financial solutions across our jurisdictions in Luxembourg, Liechtenstein, Gibraltar, and Cyprus. One of the key instruments we facilitate for our clients is the Standby Letter of Credit (SBLC)—a powerful financial tool used to secure transactions, enhance creditworthiness, and support international trade and investment.

Understanding the costs associated with establishing an SBLC is essential for informed decision-making. These costs reflect the complexity, risk mitigation, and institutional coordination required to issue such a high-assurance financial guarantee. Below, we outline the typical cost components and provide clarity on the process involved in securing an SBLC through IWG's trusted network of banking partners.

SBLC Issuance Process: A Brief Overview

The successful establishment of an SBLC involves a structured and regulated sequence of steps:

- 1. Initial Consultation & Due Diligence**
We begin with a comprehensive assessment of the client's needs, financial standing, and the intended use of the SBLC. This includes KYC/AML compliance and documentation review.
- 2. Application & Structuring**
Once eligibility is confirmed, we assist in structuring the SBLC terms—amount, duration, beneficiary details, and conditions—tailored to the transaction's requirements.
- 3. Bank Engagement & Issuance**
IWG liaises with our network of Tier-1 and reputable issuing banks to secure the SBLC. Upon approval, the instrument is issued and transmitted via SWIFT to the beneficiary's bank.
- 4. Monitoring & Support**
Post-issuance, we provide ongoing support, including compliance tracking, renewal options, and coordination for drawdown or cancellation if required.



SBLC Cost Breakdown: Europe and UK-Based Payment Guarantee

1. Issuance Fee

- Range: 1.0% to 2.5% per annum of face value
- Example: £10 million SBLC → £100,000 to £250,000 annually
- Factors Influencing Rate:
 - Applicant's credit rating
 - Tenor (1 year vs 3 years)
 - Jurisdiction of beneficiary (UK vs offshore)
 - Whether the SBLC is callable or conditional

2. Confirmation Fee (*if required by beneficiary*)

- Range: 0.5% to 1.5% per annum
- Triggered When: Beneficiary demands a second bank (e.g., HSBC or Barclays) confirms the SBLC
- Example: £10 million → £50,000 to £150,000

3. Legal & Admin Fees

- Legal Drafting/Review: £1,000 to £5,000 depending on complexity
- SWIFT Messaging (MT760): £75 to £250 per transmission
- Amendments: £150 to £500 per change
- Minimum Annual Charge: Often £5,000 to £10,000 regardless of SBLC size

4. Collateral Requirements

- Cash Collateral: 100% for non-rated entities; 0–50% for investment-grade
- Alternatives: Pledged securities, receivables, or escrowed funds
- FX Buffer: If SBLC is in USD or EUR, banks may require 105% coverage in GBP

5. Strategic Tips for Cost Reduction

- Use a strong counterparty: If IWPS or IWG is advising or structuring, leveraging their reputation may reduce confirmation fees.
- Negotiate tenor-based discounts: Some banks offer lower rates for shorter durations.
- Bundle with other instruments: SBLCs issued alongside guarantees or escrow arrangements may benefit from fee offsets.

6. SBLC Cost Structure in Europe vs UK

SBLC cost structures in Europe differ slightly from the UK, mainly due to regulatory environments, bank appetite, and cross-border risk premiums. European banks often apply more structured underwriting and may charge higher confirmation fees for international beneficiaries.



Here is a detailed comparison to clarify the nuances:

Component	UK Typical Range	Europe Typical Range (AA Banks)	Key Difference
Issuance Fee	1.0%–2.5% p.a.	0.8%–2.5% p.a.	Similar base rates: Europe may offer lower rates for top-tier clients
Confirmation Fee	0.5%–1.5% p.a.	0.5%–3.0% p.a.	Europe varies more by country risk
Legal/Admin Fees	£1,000–£5,000	€1,500–€6,000	Slightly higher in Europe due to multilingual documentation and cross-border compliance
Advisory Retainer	Rare in UK retail setups	€50,000–€60,000 upfront	Common in Europe for structured SBLC mandates
Success Fee	Not typical	0.5%–1.0% of face value	Charged by European SBLC arrangers upon issuance
Collateral	0–100% cash or assets	0–100% cash or assets	European banks may prefer full cash collateral for non-EU applicants

7. Strategic Considerations for European SBLC’s

- Jurisdictional Risk:
Confirmation fees spike for beneficiaries in higher-risk jurisdictions (e.g., Africa, Latin America).
- Underwriting Depth:
European AA banks require full KYC, credit memos, and underlying contract reviews before issuance.
- Tenor Flexibility:
European SBLCs often support 6–36 month tenors, extendable by agreement.
- Currency Options:
EUR, USD, GBP, and CHF are standard; FX buffers may apply for non-EUR instruments.

8. Example: €10M SBLC from a European AA Bank

- Issuance Fee: 1.5% = €150,000
- Confirmation Fee: 1.0% = €100,000
- Advisory Retainer: €59,500
- Legal/Admin: €5,000
- Total Year One Cost: ~€314,500



9. SBLC Cost Comparison: Luxembourg vs UK

Component	Luxembourg (Performance SBLC)	UK (Payment SBLC)	Notes
Issuance Fee	1.25%–2.75% p.a.	1.0%–2.5% p.a.	Luxembourg banks may charge higher for performance risk
Confirmation Fee	1.0%–3.0% p.a.	0.5%–1.5% p.a.	EU banks price in cross-border and regulatory risk
Legal/Admin Fees	€2,000–€6,000	£1,000–£5,000	Multilingual documentation and EU compliance add cost
Advisory Retainer	€50,000–€60,000 (common)	Rare or waived	Often required for structured mandates in Luxembourg
Success Fee	0.5%–1.0% of face value	Not typical	Charged by EU SBLC arrangers upon issuance
Collateral	100% cash or pledged assets	0–100% cash or assets	Luxembourg banks prefer full cash for non-EU applicants
FX Buffer	105% for non-EUR SBLC's	100%–105% for non-GBP SBLC's	Both jurisdictions apply FX buffers for currency mismatch

10. Example: €10M Performance SBLC (Luxembourg) vs £10M Payment SBLC (UK)

Component	Luxembourg (€)	UK (£)
Issuance Fee (1.75%)	€ 175,000	£150,000
Confirmation Fee (1.5%)	€ 150,000	£100,000
Legal/Admin Fees	€ 5,000	£5,000
Advisory Retainer	€ 59,500	-
Success Fee (0.75%)	€ 75,000	-
Total Year One Cost	€ 464,500	£255,000

11. Management Fee:

The party arranging the SBLC on behalf of the beneficiary requires their costs and expenses to be covered. In the process of creating an SBLC the party establishing the SBLC instrument usually requires a deposit of related to the value of the SBLC which is based on a sliding scale.



12. Definitions

12.1 Issuance Fee:

An SBLC issuance fee is a one-time or recurring charge by the issuing bank to cover the administrative and processing costs of creating a Standby Letter of Credit (SBLC). It is typically a percentage of the SBLC's value and is paid by the applicant to compensate the bank for the risk and effort involved in providing the financial guarantee.

What the issuance fee covers

- **Administrative costs:** Covers the processing and documentation involved in setting up the SBLC.
- **Risk:** Compensates the bank for the financial risk it assumes by guaranteeing payment.
- **Due diligence:** Helps pay for the bank's assessment of the applicant's financial standing and transaction legitimacy.

How it's calculated

- **Percentage of SBLC value:** The fee is often calculated as a percentage of the total SBLC amount, similar to a loan origination fee.
- **Annual basis:** It can be a one-time charge or an annual fee, with the total cost depending on the SBLC's duration and the applicant's risk profile.
- **Varies by factors:** The exact percentage can vary based on factors like the applicant's creditworthiness, the SBLC's tenor (duration), and the complexity of the transaction.

12.2 Confirmation Fee:

A confirmation fee for a standby letter of credit (SBLC) is a charge from a confirming bank for adding its own guarantee to the SBLC. This fee compensates the confirming bank for undertaking the additional responsibility to honour the SBLC if the issuing bank defaults. The fee is typically charged annually and is a percentage of the SBLC's face value, varying based on factors like the issuer's and country's risk.

How it works

- **The Confirming Bank's Role:** The confirming bank, often the beneficiary's local bank, adds its commitment to the SBLC at the request of the issuing bank.
- **Added Security:** The confirmation provides the beneficiary with additional security, as they have a guarantee from both the issuing bank and the confirming bank.
- **Fee Calculation:** The fee is usually calculated as an annual percentage of the SBLC's value.
- **Fee Variability:** The specific percentage can be higher or lower depending on the creditworthiness of the issuing bank and the country risk.

12.3 Success Fee:

A success fee for a bank SBLC is a fee paid to the transaction arranger or advisor, typically a percentage of the SBLC's face value, which is due upon the successful closing or funding of the instrument.



It is paid to the party that structured the deal and secured the issuing bank, often a broker or advisor, as compensation for their services and for bringing the transaction to completion.

How it works

- **When it's paid:** The fee is paid at the closing or funding stage of the SBLC transaction, not upfront.
- **What it covers:** It compensates the advisor or arranger for their role in structuring the deal, finding a credible issuing bank, and managing the process until the SBLC is issued or funded.
- **How it's calculated:** It is typically calculated as a percentage of the SBLC's face value, often between 1% and 3%.
- **Other fees:** This is separate from other costs, such as issuance fees, which are paid to the issuing bank itself
- **Management Fees:** These are usually charged to the party for their work such as Due Diligence and Prospectus preparation and related expenses to the process and is usually a non-refundable cost. The party can often spend many weeks or months establishing an SBLC which has several levels of costs to the process and is not a service performed without advance compensation by the party establishing the SBLC.