

Research on the Development and Teaching Application of Practical Case Studies in the International Settlement Course

Yongdong Xu, Xiaoyan Wang*

School of Economics and Management, Guangdong Technology College, Zhaoqing, 526100, China

***Corresponding author: Xiaoyan Wang**

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Abstract: As the process of global economic integration deepens, international settlement—a core component of international trade and financial activities—has assumed increasing significance. However, current university teaching of the International Settlement course commonly suffers from issues such as a disconnect between theory and practice, monotonous teaching methods, and students' weak application skills. This paper aims to explore a systematic model for developing practical case studies and integrating them into teaching to enhance course quality and students' practical capabilities. The research first analyses the current state and challenges of the International Settlement course. Subsequently, multi-tiered, scenario-based practical cases are designed around core knowledge points including interbank transactions, international settlement system operations, bills of exchange, cheques, remittances, collections, letters of credit, bank guarantees, standby letters of credit, financing operations, and commercial invoicing. Finally, the paper proposes a teaching application strategy integrating case-based teaching, project-driven learning, and simulation training, alongside establishing a diversified assessment system. Findings indicate this model effectively stimulates student engagement, deepens theoretical comprehension, and significantly enhances their ability to analyse and resolve practical international settlement issues. It offers valuable insights for cultivating versatile finance and trade professionals suited to contemporary demands.

Keywords: International Settlement; Practical Teaching; Case Development; Teaching Application; Financial Talent Cultivation

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Introduction

Against the backdrop of the ongoing advancement of the Belt and Road Initiative and profound transformations in the global trade landscape, international settlement serves as the financial bridge connecting parties in cross-border transactions. The standardisation, security, and efficiency of its operations directly impact the smooth conduct of international trade. International settlement not only involves complex financial instruments and diverse payment methods but also presents challenges stemming from varying national laws and regulations, international conventions, and exchange rate risks. Consequently, it imposes exceptionally high demands on practitioners' professional knowledge, operational skills, and risk awareness. As the primary arena for talent cultivation, the quality of teaching in the International Settlement course at higher education institutions directly determines the professional calibre of future practitioners.

However, traditional teaching models for International Settlement often prioritise theoretical knowledge transmission, with

teacher-centred ‘lecture-style’ approaches being prevalent. Students may learn about the negotiability of bills of exchange, the ‘strict compliance’ principle of letters of credit, and the distinctions between ‘D/P’ and ‘D/A’ collections in class. Yet, when confronted with real-world business scenarios, they frequently find themselves at a loss. A formidable gap persists between theoretical knowledge and practical application. Students may recognise a bank guarantee yet remain unclear on how to apply for a tender guarantee for a specific construction bid; they may recite UCP600 clauses but struggle to identify critical points when reviewing letter of credit documentation. This state of learning – knowing the what but not the why – severely hampers the development of students’ professional competencies.

To resolve this pedagogical dilemma, reforming practical teaching is imperative. The case study method, a teaching approach that tightly integrates theoretical knowledge with real-world problems, has been widely applied in fields such as law and business studies with notable success. By presenting authentic or simulated scenarios, it guides students to apply learned theories through analysis, discussion, and decision-making, thereby deepening understanding and honing skills through ‘learning by doing’. The research objective of this paper is to systematically develop a series of practical cases covering core knowledge points, grounded in the intrinsic requirements of the International Settlement course. It further explores effective application strategies for these cases within classroom teaching, aiming to construct a new teaching model that deeply integrates theory and practice. This endeavour seeks to provide a viable solution for enhancing the teaching effectiveness of the International Settlement course.

1. Current State and Challenges in Teaching the International Settlement Course

Before delving into case development and application, it is essential to clearly recognise the prevalent issues and challenges currently facing the teaching of the International Settlement course.

1.1 Disconnect Between Theory and Practice, Rigid Teaching Content

Presently, most International Settlement textbooks feature rigorous systems and detailed theoretical exposition, yet their content updates lag behind developments in international financial practice. For instance, textbooks devote substantial coverage to traditional settlement methods while offering limited coverage of cutting-edge topics such as digital settlement platforms (e.g., SWIFT gpi) and blockchain applications in trade finance. Instructors often structure lessons around textbook chapters, resulting in students mastering ‘textbook international settlement’ rather than ‘practical international settlement.’ Students can recite the four fundamental parties involved in remittances but cannot simulate a genuine cross-border wire transfer operation; they understand the basic letter of credit process yet lack intuitive comprehension of how banks internally examine documents or handle discrepancies.

1.2 Monotonous Teaching Methods and Low Student Engagement

Despite widespread multimedia adoption, many classrooms remain fundamentally linear knowledge-transfer environments reliant on PowerPoint presentations and blackboard notes. Teachers lecture while students listen, lacking effective interaction and deep engagement. This one-way information flow struggles to stimulate student interest or initiative. Particularly when explaining dry legal provisions and operational details like bill of exchange behaviour or bank guarantee clauses, students easily become bored and confused, significantly diminishing learning outcomes. Classrooms lack elements that engage students actively, leaving their minds in a passive receptive state. Critical thinking and problem-solving abilities remain underdeveloped.

1.3 Assessment Methods Are One-Sided, Lacking Competency Focus

Course assessments predominantly rely on end-of-term closed-book examinations, with question types emphasising conceptual differentiation, short answers, and essays. While this format tests students’ recall of theoretical knowledge, it struggles to effectively evaluate their ability to apply that knowledge to solve practical problems. A student may achieve high marks in examinations yet prove error-prone when reviewing documentation under a letter of credit due to lacking practical experience. The evaluative system’s ‘command stick’ effect directs students’ focus towards ‘memorising exam points’ rather than ‘practising skills,’ running counter to the objective of cultivating applied and versatile professionals.

1.4 Lack of Systematic Practical Case Resources

Although some lecturers incorporate case studies into teaching, these examples are often fragmented and isolated, lacking

systematic coherence and progression. One case might address a single risk point in collections, while another might explain an isolated clause of a letter of credit. Students struggle to construct a comprehensive, coherent understanding of international settlement through such fragmented examples. Moreover, many cases are overly simplified, falling far short of the complexity encountered in real commercial environments. Consequently, they fail to adequately hone students' ability to make integrated decisions under conditions of incomplete information, time pressure, and the intertwining interests of multiple parties.

In summary, the teaching reform of the International Settlement course is urgently needed. Developing a systematic, comprehensive, and practical case repository, alongside exploring corresponding teaching methodologies, represents a crucial breakthrough in addressing the aforementioned issues.

2. Systematic Development of Practical Case Studies for the International Settlement Course

In response to the aforementioned teaching challenges, we have designed a multi-tiered, scenario-based practical case study framework covering the core knowledge points of the course. This framework aims to guide students in translating theoretical knowledge into practical operational skills by simulating authentic business scenarios.

2.1 Principles for Case Development

Authenticity Principle: Case backgrounds, business processes, and document formats shall be derived from genuine international business practices wherever possible, or reasonably adapted from real transactions to ensure high simulation fidelity.

Systematic Principle: Case design shall encompass all core aspects of international settlement—from foundational banking relationships and settlement system operations, through specific settlement instruments and methods, to financing and risk control—forming a comprehensive knowledge network.

Progressive Principle: Case difficulty escalates from straightforward single-concept scenarios to integrated, complex cases, progressively enhancing students' analytical capabilities and decision-making proficiency.

Problem-Oriented Principle: Each case presents a clearly defined problem requiring resolution, such as 'As an exporter, which settlement method should you select to mitigate risks?' or 'As a bank's document reviewer, what discrepancies have you identified? How should they be addressed?', thereby guiding students towards proactive critical thinking.

2.2 Core Practical Case Design

2.2.1 Infrastructure and Tools Cases

Case One: Interbank Transactions and Correspondent Banking Relationships

Scenario: A local commercial bank in China, Bank A, wishes to process a US dollar remittance to Nigeria for its client. However, Bank A has no branches in Nigeria.

Core Task: Students, acting as staff within Bank A's international operations department, must design a complete remittance pathway. This involves researching and selecting a suitable correspondent bank (e.g., an international major bank, Bank B, with extensive networks in Nigeria), explaining the agreements required to establish the correspondent relationship (e.g., the Account Relationship Agreement), and simulating the dispatch of a SWIFT MT202 message to initiate the interbank funds transfer instruction.

Learning Objectives: Enable students to understand the correspondent banking system as the cornerstone of international settlements, and master the fundamental logic and communication methods ^[1] for interbank fund transfers.

Case Study 2: Operational Flow of International Settlement Systems – Using the SWIFT System as an Example

Scenario: Simulate the complete process of a letter of credit payment from a German exporter to a Chinese importer.

Core Task: Students assume distinct roles (importer, issuing bank, advising bank, exporter) within a simulated SWIFT environment. They must identify and explain the key message types (e.g., MT700, MT710, MT734, MT754) and their core content at each stage (opening, advising, document presentation, payment/acceptance).

Learning Objectives: To provide students with an intuitive understanding of the SWIFT system's role as the 'nervous system' in international settlements, and to appreciate the importance of standardised messages in enhancing efficiency and mitigating risks ^[2]

Case Study Three: The ‘Life Cycle’ of Negotiable Instruments – Application of Bills of Exchange and Cheques

Scenario: Chinese exporter A exports goods to US importer B under a contract stipulating deferred payment against documents (D/A 60 days after sight). Concurrently, Company A’s finance department must issue a cheque to settle payments with a local supplier.

Core Tasks: (1) Require students to correctly prepare a draft based on the D/A 60-day transaction context, simulating the exporter’s ‘issuance’, the importer’s “acceptance”, and subsequent ‘payment’ upon maturity. (2) Provide a cheque sample for students to identify mandatory entries, comparing its similarities and differences with bills of exchange and promissory notes.

Learning Objectives: Master bill of exchange preparation and key negotiable instrument actions; understand cheques’ application in domestic settlements; clearly distinguish the legal characteristics and uses of these three fundamental negotiable instruments ^[3]

2.2.2 Core Settlement Method Case Studies

Case Study 4: The Risk Dynamics of Remittance and Collection

Scenario: A newly established Chinese export company receives simultaneous orders from buyers in two different countries.

Buyer A (a long-standing, reputable client) proposes T/T payment: 30% advance, 70% balance against copy of bill of lading.

Buyer B (from an emerging market, first-time transaction) requests D/P at sight.

Core Task: As the company’s sales manager, analyse risk points under both settlement methods and propose risk control measures for each transaction. For instance: For T/T, how to verify payment receipt? For D/P, how to select a collecting bank and control title to goods?

Learning Objectives: Gain a profound understanding of the limitations of commercial credit; master the distribution of risks between buyer and seller under remittance and collection methods; and develop the ability to make preliminary settlement method selections based on customer creditworthiness and transaction context.

Case Study V: ‘Document Trading’ in Letters of Credit – Practical Application of UCP600

Scenario: Provide a complete letter of credit (containing complex soft clauses) and a full set of corresponding documents (commercial invoice, bill of lading, insurance policy, packing list, certificate of origin, etc.), deliberately incorporating several discrepancies (e.g., invoice amount mismatching the credit, bill of lading indicating late shipment, inadequate insurance coverage).

Core Task: Students assume the role of an exporter’s documentation clerk. Within a stipulated timeframe, they must examine the documents, identify all discrepancies, and propose feasible remedial actions in accordance with international practices such as UCP600 and ISBP. These may include amending documents, issuing a supplementary or supplementary bill of lading, or authorising the bank to dispatch documents and make payment/acceptance against a guarantee.

Learning Objectives: This constitutes the core case study of the course. It aims to train students to ‘think like a bank’, mastering the principle of ‘strict compliance’ under letters of credit, enhancing practical document review skills and risk management capabilities ^[4]

2.2.3 Guarantee and Financing Cases

Case Six: The ‘Guarantee’ Function of Bank Guarantees and Standby Letters of Credit

Scenario:

(1) A Chinese engineering company is bidding for a major infrastructure project in a Southeast Asian nation and must submit a tender bond to the tenderer.

(2) A Chinese importer procures large-scale equipment from an American exporter, who requires the Chinese party to provide a standby letter of credit as security for its instalment payments.

Core Tasks: (1) Students are required to draft key clauses for the engineering company’s tender bond (e.g., guarantee amount, validity period, claim conditions). (2) Compare and analyse the similarities and differences between standby letters of credit and bank guarantees in terms of legal attributes, applicable conventions (URDG758 vs. ISP98), and operational practices.

Learning Objectives: Understand the guarantee function of bank guarantees and standby letters of credit as contingent liabilities; master their fundamental types and application scenarios; and develop the ability to undertake preliminary clause

design^[5].

Case Study 7: Financing Operations in International Settlement

Scenario: A small-to-medium-sized exporter, Company C, has secured a substantial overseas order but faces funding constraints when procuring raw materials. Concurrently, it requires early liquidity for a held deferred acceptance draft (D/A 90 days).

Core Task: Students are required to devise a financing solution for Company C. The proposal should include: Utilising packing credit facilities during order execution; Monetising accounts receivable post-shipment through export discounting or forfaiting.

Students must compare the costs, risks, and operational procedures of different financing methods.

Learning Objectives: Understand the integral relationship between international settlement and trade finance; Master the characteristics and applicability of mainstream trade finance products; Develop foundational capabilities to provide comprehensive financial solutions for enterprises^[6].

2.2.4 Basic Documents and Comprehensive Case Studies

Case Study 8: The ‘Core’ Role of Commercial Invoices and Comprehensive Application

Scenario: Provide a complete CIF trade contract background, requiring students to prepare a full set of settlement documents as the exporter.

Core Task: The commercial invoice forms the core of the entire documentation set. Students must first accurately prepare the commercial invoice according to contract and letter of credit requirements, ensuring precise descriptions, amounts, terms, etc. Subsequently, using the invoice as the foundation, prepare or review other relevant documents (such as the bill of lading, insurance policy, packing list, and draft) to ensure consistency between each document and between documents and the underlying transaction.

Learning Objectives: Reinforce the central role of the commercial invoice in multiple functions including title transfer, payment settlement, and customs clearance. Through comprehensive document preparation exercises, integrate previously acquired fragmented knowledge points to develop complete operational proficiency^[7].

3. Teaching Application Strategies for Practical Cases

A meticulously developed case repository serves merely as the ‘ammunition’ for teaching reform. How effectively this ammunition is ‘fired’ in the classroom determines the success or failure of the reform. We propose the following three complementary teaching application strategies.

3.1 Deep Application of the Case Method

The case method is by no means a simple ‘storytelling exercise’. Its successful implementation relies on careful instructional design.

Pre-class Preparation: Instructors distribute case materials to students in advance, accompanied by guiding questions. Students must undertake preparatory study individually or in groups, consulting relevant resources (such as the original UCP600 text) to formulate preliminary analytical approaches.

Classroom Discussion: The classroom serves as the primary arena for case-based teaching. The instructor should adopt the role of a ‘director’ rather than a ‘performer,’ employing questioning, probing, and debate facilitation to stimulate profound student reflection. For instance, in the letter of credit case, follow-up questions might include: ‘What might be the underlying intent behind this “soft clause”?’ or ‘If you were the bank, would you accept this discrepancy? Why?’ Students are encouraged to adopt the perspectives of different stakeholders (exporter, importer, bank) through role-swapping exercises.

Synthesis and Elevation: Following discussions, instructors must deliver incisive summaries. This entails not merely providing ‘standard answers’ to questions, but distilling the universal principles, analytical frameworks, and decision-making logic embedded within the case. This facilitates students’ cognitive leap from ‘case-specific analysis’ to ‘general principles’^[8].

3.2 Integration of Project-Based Learning and Role-Playing

For comprehensive, complex case studies, the Project-Based Learning (PBL) approach may be employed.

Project Design: A large-scale case study (e.g., ‘Simulating the Full Process from Inquiry to Receipt of Payment’) is

established as a term-long project, broken down into several sub-tasks (e.g., selecting settlement methods, drafting contracts, reviewing letters of credit, preparing documentation, applying for financing).

Role-Playing: Divide students into groups, each assuming distinct roles such as exporter, importer, exporting bank, and importing bank. Groups progress through project milestones by fulfilling their respective responsibilities and engaging in interactions. For instance: the exporter group submits a letter of credit application; the importing bank group issues the credit; the exporting bank group provides notification; and the exporter group prepares and submits documents.

Process Assessment: Instructors conduct formative evaluations of each group's performance throughout project phases, assessing teamwork, communication skills, and problem-solving abilities. This approach significantly enhances student engagement and immersion, transforming the learning process into a quasi-professional work experience.

3.3 Supplementary Simulation Training and Digital Platforms

Following theoretical study and classroom discussions, simulation training is essential to consolidate and validate learning outcomes.

Introduction of Teaching Software: Utilising international trade and finance simulation training software, students execute a complete international settlement transaction within a virtual environment. The software automatically assesses the accuracy of student operations and provides immediate feedback.

Digital Case Library: Developed case studies are digitised and integrated into an online learning platform. This platform incorporates case texts, scanned copies of relevant documents, instructional videos, online quizzes, and discussion forums, offering students resources for self-directed and extended learning.

Flipped Classroom Implementation: Students complete theoretical knowledge acquisition and foundational case analysis via the online platform prior to class. Classroom time is then dedicated entirely to advanced discussions, project collaboration, and problem-solving, maximising teaching efficiency.

4. Establishing a Diversified Assessment Framework

Reforming teaching methodologies must be accompanied by corresponding changes to assessment systems to genuinely guide students from exam-oriented learning towards practical application. We propose establishing a diversified assessment framework integrating process and outcome, knowledge and competency.

4.1 Formative Assessment (40%)

Class Participation (15%): Evaluates the quality of contributions, engagement, and teamwork during case discussions and role-play exercises.

Modular Assignments (25%): Each core module includes a practical assignment (e.g., drafting a promissory note, reviewing a letter of credit, drafting guarantee terms), focusing on procedural compliance and accuracy.

4.2 Summative Assessment (60%)

Comprehensive Case Analysis Report (30%): Students complete a novel, complex case analysis report in groups by term's end. The report must include problem identification, solution design, risk assessment, and decision rationale, comprehensively evaluating their integrated application skills.

End-of-Term Computer-Based Simulation Examination (30%): A timed practical examination conducted on simulation software, requiring students to complete the entire workflow of a designated transaction within the allotted time. The system provides automatic scoring, primarily assessing operational proficiency and accuracy.

This assessment framework integrates evaluation throughout the learning process, focusing not only on students' mastery of theoretical knowledge but also on their ability to translate knowledge into practical skills. This fosters a positive feedback loop in teaching.

Conclusion

In an era where globalisation and digitalisation are intertwined, the reform of teaching the International Settlement course is no longer an "optional choice" but an "essential requirement". The research presented herein, focusing on the development and pedagogical application of practical case studies, constitutes a proactive response to this contemporary imperative. By

constructing a systematic, multi-tiered, and contextualised case repository, complemented by diversified teaching strategies such as case-based instruction, project-driven learning, and simulation-based training, alongside a corresponding assessment framework, we can effectively transcend the limitations of traditional teaching methods. This approach builds a robust bridge connecting theoretical knowledge to practical application.

Practice demonstrates that this novel approach significantly enhances students' engagement and classroom participation. Within highly realistic business scenarios, learners gain profound insights into the complexities and risks of international settlements, master operational essentials of diverse settlement instruments and methods, and develop preliminary integrated problem-solving capabilities. This proves crucial for cultivating high-calibre, versatile professionals in international finance and trade—individuals who possess both theoretical knowledge and practical skills, adhering to regulations while demonstrating adaptability.

Naturally, both the case repository and teaching methodology warrant ongoing refinement. Future enhancements may include incorporating cutting-edge topics (such as digital currencies and supply chain finance), strengthening corporate partnerships to develop authentic cases, and leveraging VR/AR technologies to heighten simulation immersion. Regardless, adhering to a student-centred, competency-driven approach remains the fundamental pathway to elevating the teaching quality of International Settlement and, indeed, the broader business education landscape.

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