



A Guide to  
International Trade and  
Letters of Credit

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# About The Author

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# Introduction

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*Most nations are unable to satisfy all their needs for raw materials, manufactured goods and services within the confines of their territorial borders. Excesses as well as deficiencies have always existed throughout the world community, creating the need for world trade. Countless jobs and economic structures around the world depend on the ability of nations to trade actively in the international marketplace.*

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The trade cycle begins with the agreement to trade. When partners agree to trade, merchandise is exchanged for payment. In the international marketplace, the exporters goals are to be assured of payment and to free capital invested in merchandise during shipping. For the importer, the guarantee of delivery of merchandise and the ability to defer payment are of paramount concern.

A sales contract should be written to cover the terms of sale. The arrangement for payment, however, relies to a great degree on the relationship between the trading partners.

At the foundation of every international trading relationship is trust. In some cases, the level of trust between importer and exporter is based on an intimate knowledge gained through a history of successful transactions. In others, that trust is enhanced by the role of a bank as intermediary to the transaction and on adherence to universally accepted standards of trade. These standards call for the careful documentation of the title, movement and possession of the merchandise.

It is important to realize, however that the documents of trade do not provide protection against fraud. The importer, therefore, should carefully evaluate the exporter's reputation and have a clear understanding of the requirements detailed in the sales contract.

As a responsible third party to international trade, the bank expedites payment and handles the settlement process. The bank fills a vital role that may result from lack of experience, geographic distance and market unfamiliarity.

In the 1900's, the need to establish

standardized operating procedures in international transactions was recognized. This need brought about the establishment of the International Chamber of Commerce (ICC). Today exporters and importers continue to rely on principles of the ICC. These include the Uniform Customs and Practice for Documentary Credits (ICC) Publication No. 600, most recently revised in 2007 and the Uniform Rules for Collection Publication No. 522 revised in 1995.

Central to many international trade transactions is the letter of credit, also known as a documentary credit. For centuries commercial letters of credit have been used by exporters and importers throughout the world to finance the exchange of goods and services. Commercial letters of credit are an important banking service designed to meet the financing needs of both buyers and sellers. The letter of credit is a trade finance tool issued by a bank at the request of an importer. It guarantees payment to the exporter provided that he satisfies the conditions in the letter of credit.

## The Use of This Guide

Sterling has created this reference source as a guide for companies and individuals new to the international marketplace and those who are already acquainted with the fundamentals. The following information will acquaint the reader with the terminology of letters of credit and various other payment options that are needed for any business considering international trade activity. Sterling strongly recommends that professional counsel and or expert assistance be pursued before considering transacting business in the international marketplace. It should be noted that it is not the intent of Sterling National Bank or the author to provide legal or professional services. Rather, it is our hope that this guide will serve as a useful tool and initial introduction to an extremely complex field.

Sterling welcomes your inquiries on international trade activities and places at your disposal the organization's considerable expertise in the international banking market.

# 1 Defining the Objectives of Importers and Exporters

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*The goals of international trade are best served when the mutual interests of exporters and importers are clearly defined and documented.*

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## The Sales Contract

The sales contract is a written agreement covering the terms and conditions by which the exporter will provide merchandise to the importer. As in any commercial transaction, the sales contract, to which there is mutual agreement between the importer and the exporter, details the terms of the sale of merchandise. A thorough and detailed sales contract can minimize the concerns which frequently arise due to distance and lack of familiarity between the exporter and the importer. From the exporter's viewpoint, the contract should stipulate the manner and time frame in which he will be paid for the merchandise. The importer, on the other hand, seeks an assurance that he will receive merchandise of the quantity and quality agreed to, and that he will be responsible for rendering payment only upon the exporter's fulfillment of the stated obligations.

In entering into a sales contract, both exporter and importer will receive greater protection if the sales contract clearly states the amount and currency of payment, the method of payment, shipping arrangements, insurance protection, delivery terms, and necessary documentation.

When a price is agreed upon, both parties to a transaction should understand what the price includes. In addition to the cost of the

merchandise, there should be agreement on who will be responsible for the shipping and insurance costs.

## The International Chamber of Commerce

Command of the vernacular of international trade is extremely important. The International Chamber of Commerce (ICC), a world business organization which promotes freedom of world trade and seeks to facilitate business and trade practices, has sought to define, simplify and standardize the terminology used in international banking.

The ICC has established universal shipping terms, known as Incoterms, to enhance the understanding between parties to international trade transactions. Among the most common of these terms is Free On Board (FOB), which conveys an understanding that the exporter's price includes all costs through the designated point at which the merchandise is loaded and shipped. The importer is responsible for paying all other costs such as freight and insurance from the designated point. However, when a price for merchandise is stated CIF (Cost, Insurance and Freight), it includes the exporter's cost of merchandise as well as freight and insurance costs that are related to the delivery of the merchandise through a named destination.

Beyond these basic concerns, both exporters and importers frequently seek additional assurances from their trading partner. For the exporter, the ability to receive payment through a bank in his country is important, as is a guarantee of prompt payment. The importer also seeks the convenience of a local bank to extend credit and, when necessary, to finance the purchase. Both parties can benefit from the involvement of a bank seasoned in international trade to provide professional counsel in this complex field and facilitate the movement of documents and payments.



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## The Documents of International Trade

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*The documents related to the movement of merchandise around the world provide the support and foundation for international trade.*

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When the time arrives for an exporter to seek payment for merchandise sold, his receipt of payment will often rely not on the actual shipment but on the supporting documentation. In order for payment to be made under documentary collection or letter of credit methods, it is critical that the appropriate documentation be properly prepared and presented by the exporter. The following section is an overview of the most commonly used documents.

### Commercial Documents

*Commercial Invoice.* The commercial invoice bills the merchandise to the importer. The invoice includes the description of the merchandise as stated in the contract, and confirms the delivery schedule and terms of sale. It should include the full names and addresses of both importer and exporter and be signed and dated by the exporter. In the description of the merchandise weight and any pertinent shipping marks or numbers should be stipulated to permit comparison to other documents, thus ensuring consistency.

Marks are internationally recognized symbols that facilitate the recognition of cargo. The marks are always included on the commercial invoice, the bill of lading and any other required documents. Unit and total price of the merchandise should also be stated on the invoice, as well as the terms of payment. If a letter of credit is being used, it is essential that the invoice describe the merchandise exactly as it is specified in the letter of credit.

*Weight List.* A weight list provides the customs authority in the importer's country with an itemized listing of the weight of each package or bale. In the case of bulk commodities, the weight is provided for the entire cargo. The weight list also provides gross, tare and net weights which usually represent the weight of the entire shipment. Gross weight is the total weight of the

merchandise, including packing materials. Tare weight is the actual weight of the packing materials, while the net weight represents gross weight less the tare weight.

*Packing List.* A packing list is usually required when merchandise is shipped in many containers or cases. It indicates the contents of individual parcels, thereby providing an inventory for the buyer. Like the weight list, a packing list provides the customs authority with an accurate description of the contents of each package in the shipment.

### Transport Documents

A transport document is a contract for the transport or carriage of the merchandise. It confirms to the importer that the merchandise has been loaded, dispatched or taken in charge. It is issued by a carrier or a carrier's agent. This document is considered to be one of the most important documents in international trade.

The type of transport document that is required depends on the mode of shipment agreed to by the parties to the contract. The following transport documents are those most frequently used in international trade:

*Bill of Lading.* The bill of lading is one of the most commonly used transport documents that is issued by the carrier. This document details the agreement reached to transport merchandise and indicates consignment of the merchandise to a named party.

A bill of lading can be issued in either a non-negotiable or a negotiable form. In a non-negotiable form, a bill of lading is consigned to a named party. This type of consignment is known as a straight consignment. A bill of lading issued in this manner is not considered a document of title to the merchandise, as is a negotiable bill of lading. In a negotiable form, consignment is "to the order of" a named party. Endorsement by the named party passes title of the merchandise to the holder of a negotiable bill of lading. The holder is entitled to take possession of the merchandise at the port of unloading after surrendering an original of this document.

A bill of lading will also indicate the

condition of the merchandise upon receipt by the carrier. A bill of lading in which the merchandise is noted as either received for shipment or loaded on board with no apparent damage is commonly termed a “clean” bill of lading. A clean bill of lading is preferable because an independent party attests to the fact that the merchandise was received in apparent good order.

*Marine Bill of Lading.* A marine bill of lading is used when the mode of transport is an ocean-going vessel. This type of transport document provides information on the ports at which the merchandise will be loaded and unloaded, the identity of the intended vessel that will carry it and how freight charges will be paid. The consignee is specified, as well as the notify party. The notify party is the person to be contacted upon the vessel’s arrival at its designated port, and is typically the importer’s customs broker.

The two most common categories of marine bills of lading are received for shipment and onboard. A received for shipment marine bill of lading indicates that the carrier has received the merchandise and that the merchandise is scheduled for shipment on an intended vessel. An on board marine bill of lading goes one step further. It attests that the merchandise has actually been loaded on board a named vessel.

*Waybill.* A waybill is a consignment note or delivery order that is issued by the carrier or his agent. It includes much the same information as other types of transport documents. It is never issued in negotiable form.

*Air Waybill.* An air waybill is a consignment note or delivery order issued when the mode of transport is by air. Issued in non-negotiable form, it contains much the same information as other transport documents.

*Combined Transport Document.* A combined transport document is used when more than one mode of transport is involved. The combined transport document is issued only by a marine carrier and covers all aspects of transportation such as rail, truck, and ocean. Similar to a marine bill of lading, it lists the place of receipt and point of delivery. Additionally, this document specifies

the other modes of transport used. It indicates only receipt of goods rather than shipment on board.

*Rail Consignment Note.* A rail consignment note is used when the merchandise is transported by rail. This note identifies the names and addresses of the importer and exporter and provides for the stamps of the railroad stations of departure and destination.

*Common Carrier Bill of Lading.* A common carrier bill of lading is typically used for the inland carriage of merchandise by truck. It is usually a straight bill of lading issued in non-negotiable form.

## Insurance Documents

Insurance offers protection against the financial loss which may result from the risks to which the merchandise may be exposed during shipment. The insurance policy and the insurance certificate are the two most commonly used insurance documents. An insurance policy is a document prepared by an insurance company. An insurance certificate offers the same protection available through an insurance policy. It is, however, written by the exporter or the importer under a master policy issued by a contracted insurance company. To issue an insurance certificate, an exporter or importer must have a master insurance policy in effect.

Insurance policies or certificates appropriate to the mode of transportation of the merchandise protect both the exporter and importer, as well as any banks involved in financing the transaction. When a letter of credit is required as the method of payment, the policies or certificates must be issued in the exact form and coverage as stipulated in the letter of credit.

When designated as the method of payment, a letter of credit should define the insurance requirements in conformance with the standards of the UCP. These requirements stipulate that the documents must be signed by the insurance company or underwriter or its agent rather than the broker, unless otherwise specified in the letter of credit. The type of

insurance required and risks that will be covered must also be specified. The insurance company will not assume responsibility for risks not explicitly stated. The merchandise must be described exactly as defined in the related documents of trade, and the insurance coverage on the merchandise must equal the value of goods in the designated currency. The insurance policy or certificate must be dated on or before the date of shipment, or demonstrate that coverage is effective from at least the date of shipment.

The insurance document may be written in a negotiable or non-negotiable form. If written in a negotiable form, the insurance document can be transferred.

## Official Documents

The necessity for official documents varies in relation to the characteristics of the merchandise, the requirements of the importer and the particular customs regulations of the country. Among the most common documents are the Certificate of Origin, the Certificate of Inspection, the Shippers Export Declaration and the Consular Invoice.

*The Certificate of Origin.* This document details the shipment and states the origin of the merchandise. Most certificates of origin are issued by the exporter's local chamber of commerce and contain a sworn affidavit by the exporter indicating the origin of the merchandise.

*The Certificate of Inspection.* The certificate of inspection attests to the integrity of the merchandise as specified in the contract. The inspection referred to in the certificate is usually performed by an independent third party in the

country of export.

*The Export License.* This type of license is required for all goods exported from the United States with the exception of some items shipped to Canada. There are two types of export licenses: validated and general. A validated license is used for items controlled for export because of national security, shortage or considerations of foreign policy. A general export license covers most other items.

*The Shipper's Export Declaration.* A declaration is required for all merchandise being exported from the United States. It shows the statistical information needed for balance of payment purposes and reports the type of export license used for the shipment. It is prepared by the exporter or his agent.

*The Consular Invoice.* The consular invoice organizes the information on the merchandise being shipped and is issued by the consul of the importer in the exporter's country. This document assists in the tracking of merchandise entering the importer's country and expedites clearance of the merchandise through customs.

Other official documents may be required in order to complete international trade transactions and may differ from nation to nation.

## The Draft

A draft is not typically considered a trade document. It represents a demand for payment by the exporter. A draft is drawn by the exporter on either the importer or the importer's bank. The draft may demand payment at sight or at a specified future date.

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## Payment Alternatives in International Trade

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*The method of payment agreed to in an international transaction is dependent upon a number of factors, such as the trade reputations of exporter and importer, the competitiveness of the market, economic pressures, the degree of security each party seeks, and the foreign exchange regulations of each country.*

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One of the principal factors on which the exporter and importer must agree when finalizing the terms of a sales contract is the method of payment. Geographical distance, in addition to differences in trade customs and laws throughout the world, impose constraints regarding the means and timing of payment which would not typically arise in domestic transactions. From among the payment alternatives, each party must compromise his parochial interests to arrive at a mutually agreeable method of payment. After all, the goal of both parties is to complete a transaction which offers a perceived benefit. The objective is to agree on a method of payment which will not place the transaction in jeopardy.

Basically, four options for payment exist, each with relative advantages to both exporter and importer.

### Clean Payment In Advance

This method of payment requires the importer to pay for the merchandise prior to its shipment by the exporter. Insistence on clean payment in advance enables the exporter to protect his interest when the reputation of the importer is a concern or when the exporter needs to maintain a high degree of cash liquidity. The importer might also agree to this method of payment when there is a strong market for the exporter's merchandise; bowing to competitive pressure, the importer may be faced with few alternatives.

Clean payment in advance of shipment eliminates virtually all risks for the exporter beyond his assurance of the importer's ability to cover a check drawn in payment, a potential problem which can be easily solved by insistence on a bank draft or funds transfer. On the other hand, it places the importer at a

decided disadvantage in that he must pay for merchandise which may not be shipped on time or in good order or, in fact, at all. Even when everything is proceeding smoothly, he has, in effect, extended credit to the exporter for the period of time that the merchandise is in shipment.

The role of the bank when payment is made in advance is limited to the provision of credit checks and funds transfer for payment.

### Open Account

In this method of payment, the importer pays for the merchandise only upon receipt. After the exporter has shipped the merchandise, the importer is billed and remits payment after receiving and inspecting the merchandise. An open account arrangement is usually established when there exists a successful, ongoing trade relationship between the exporter and the importer. Payment may be made by a check drawn on the importer's company or, preferably, by a bank draft or funds transfer.

Open account payment favors the importer, and may occur when there are many suppliers of the product or limited demand for the item. The exporter bears the cost of the merchandise during shipping and the risk of delayed payment. If payment is not forthcoming as agreed, the exporter has few alternatives but to seek legal redress, always expensive and often difficult in a foreign country.

The role of the bank when payment is made on an open account is limited to providing credit checks and funds transfers for payment.

### Documentary Collection

In this method of payment, the exporter draws a draft or bill of exchange directly on the importer and presents it with required shipping documentation to his bank, the remitting bank, which then forwards it to another bank, the collecting bank, in the country of the importer for collection. In order to obtain the documentation for the merchandise, the importer must provide payment or assurance of

payment at a specified future date. When this is accomplished, the documents are released to the importer, who can then take possession of the merchandise.

Documentary collection is a method of payment which affords greater protection to the exporter than an open account and less risk to the importer than clean payment in advance. It is used frequently when there is a relationship of mutual trust between exporter and importer and when economic conditions in the importer's country are stable enough to encourage a ready ability to pay on his part.

Under this method of payment, the role of the bank is of greater significance than in the clean payment in advance or in the open account methods. The bank is responsible for exchanging the exporter's trade documents for the importer's payment or the written promise of payment, which is commonly known as a "trade acceptance".

Under the documentary collection method of payment, the bank acts as an agent, providing the exporter with a pre-formatted collection letter. In the letter, the exporter provides instructions for the bank in collecting the payment. Additionally, the exporter will list the documents and include instructions for protest. Protest is a legal process of demanding payment of a negotiable item from an importer who refuses to pay. The collection letter also includes instructions for the disposition of pertinent charges, and for the method of advice of payment or nonpayment.

There are two documentary collection methods--documents against payment (d/p) and documents against acceptance (d/a). In the documents against payment method, the exporter protects himself by not permitting the importer to obtain the documents until they are paid for. The exporter requests payment immediately from the importer by means of a draft drawn at sight. He does, however, hold himself open to the risk of reshipment, or return of merchandise to its point of origin, if the importer refuses to pay for the documents and take possession of the merchandise.

The documents against acceptance method requires the exporter to release the

documentation prior to receipt of payment. The exporter may agree to this method, for which he draws a time draft. It allows the importer to examine and sell the merchandise prior to making payment. The exporter extends credit to the importer for a specified period of time. Therefore, the exporter exposes himself to the risk of non-payment, should the importer be unable or unwilling to make payment.

In a documentary collection transaction, the remitting bank acts as agent for the exporter. The bank is responsible and, more importantly, liable only for releasing documentation to the collecting bank for payment or acceptance according to the exporter's instructions. The exporter or, more typically, his bank will designate a collecting bank that is located in the importer's country.

Among trading partners whose reputations are known and respected, the documentary collection method affords both exporters and importers a relatively simple and inexpensive method of handling an international trade transaction. If, however, the exporter has any reason to question the importer's readiness or willingness to pay, he must realize that the risk will be borne by him, not the bank.

Most countries have adopted the rules detailed in the ICC's Uniform Rules for Collection Publication No. 522 and are conforming with them. One goal of this publication is to describe universally accepted collection guidelines for transacting international business.

## Letter of Credit

A letter of credit is a bank's commitment to an exporter to honor drafts and documents presented in conformance with stated terms and conditions. When issuing a letter of credit, a bank substitutes its reputation and creditworthiness, which are well known and respected in the marketplace, for that of the importer. At the request of the importer, a bank issues a letter of credit and assumes an obligation to pay the exporter contingent upon the presentation of stipulated documents within a prescribed period of time. For the exporter,

the letter of credit adds the degree of security lacking in the documentary collection method of payment.

Documentation must be presented in strict compliance with the conditions requested by the importer and detailed in the letter of credit. These conditions, which are more fully addressed in a subsequent chapter, usually include a description of the documents the bank is to receive from the exporter in exchange for payment, the timing of the receipt of such documents, whether or not partial shipments will be permitted, the mode of shipment and the expiration date of the letter of credit. As long as these terms are met, the bank has undertaken the responsibility for payment, regardless of the actions or abilities of the importer.

As such, the letter of credit is a payment method that offers a unique and universally accepted means of satisfying the goals of both exporters and importers. Like a documentary collection, the letter of credit substitutes the acceptance of documentation for the actual receipt of merchandise, thus expediting payment to the exporter. The importer, on the other hand, may postpone payment until the merchandise is shipped. Unlike a documentary collection, a letter of credit usually involves a draft drawn on the bank, which promises payment to the exporter.

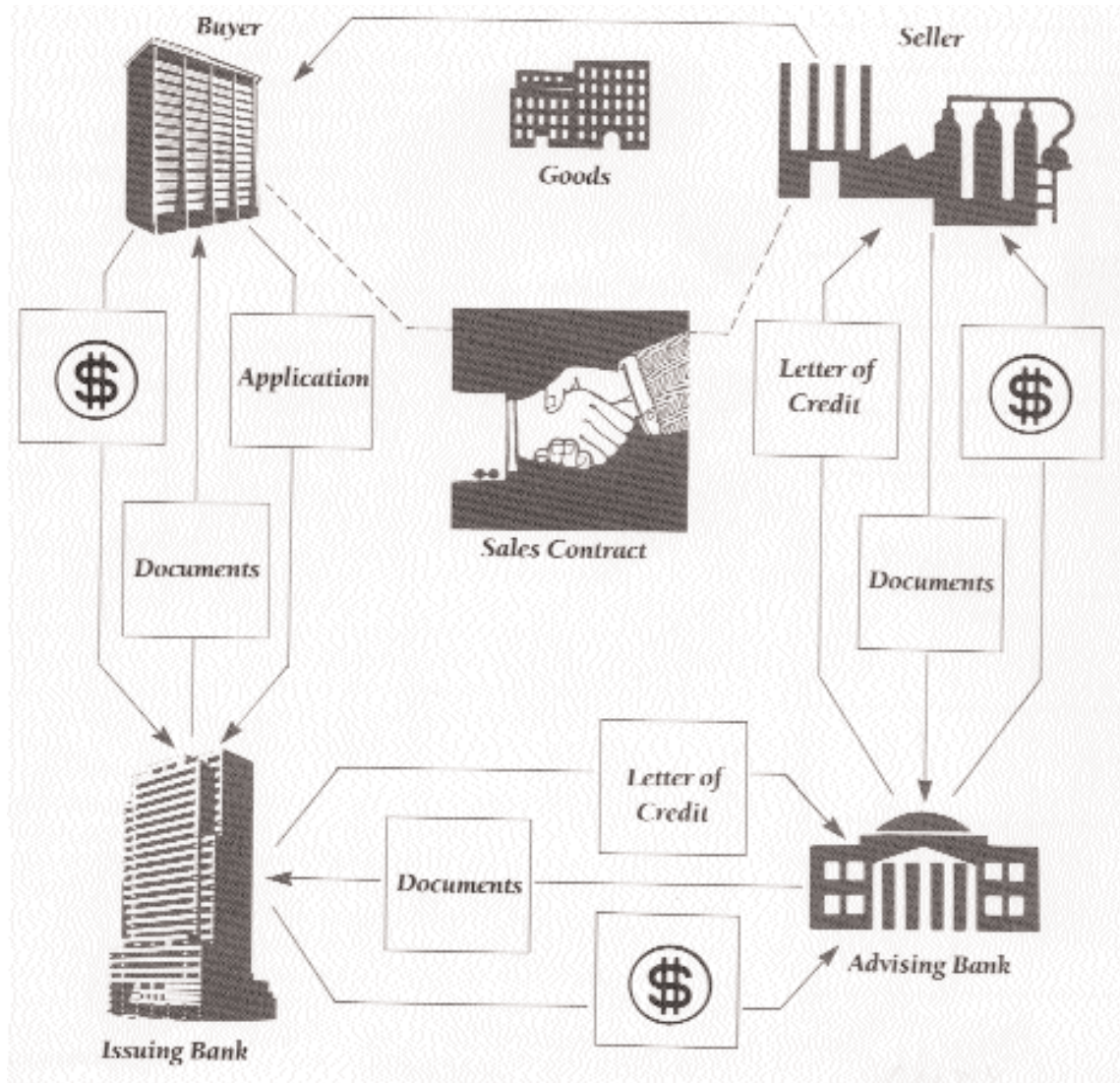
One of the many advantages of a letter of credit is its almost universal acceptance throughout the world. This acceptance is enhanced by the industry's utilization and

conformity to the ICC's Uniform Customs and Practices Publication No. 600 that governs letter of credit transactions.

It must be emphasized, however, that while a letter of credit can provide a number of safeguards unavailable under other payment methods, it cannot protect the importer or the exporter against the risk of fraud. The bank issuing the letter of credit, as well as any other banks involved in the transaction, deals only in the face value of the documents of international trade. There is no verification of the actual merchandise prior to the acceptance of the documents and payment to the exporter. It remains incumbent upon the importer and the exporter, therefore, to carefully regard the reputation of the other and, if necessary, to evaluate the perceived benefit of trade with an unknown party.

A letter of credit can afford important advantages to both the exporter and the importer that other payment methods cannot offer. In addition to the security of payment, which does not depend upon the importer's financial condition, the exporter can continue to control title to the merchandise until payment is actually made or the documents are accepted for payment. The importer, in turn, gains the advantage of time in making payment, doing so only when the documents providing shipment are presented.

## Letter of Credit Cycle



# 4 The Letter of Credit

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*The letter of credit is a payment method that provides an increased level of security for both importers and exporters.*

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## Types of Letters of Credit

Letters of credit may be either revocable or irrevocable and this difference must be clearly indicated in the letter of credit to the exporter. According to the UCP, the absence of such an indication makes a letter of credit irrevocable. Both types oblige the issuing bank to make payment according to the terms stipulated by the importer.

Both types of letter of credit can be issued either in a negotiable or a non-negotiable form, also known as straight credits. Negotiability can be determined by reviewing the engagement clause of the letter of credit. The engagement clause is the most important clause in this document, as it details the bank's promise to pay. If this promise is extended to a named party, the letter of credit is considered non-negotiable. In a negotiable form, the bank's promise to pay is extended to a named party, as well as to all bonafide holders and endorsers.

*Revocable Letter of Credit.* The revocable letter of credit may be amended or canceled by the issuing bank without prior notice to the exporter, also known as the beneficiary. If, however, the negotiation payment or acceptance has taken place at a bank designated in the letter of credit prior to the receipt of a cancellation or amendment, the issuing bank is bound to honor such payment, negotiation or acceptance as dictated by the original terms of the letter of credit.

Acting as agent for the importer, the bank will typically amend or cancel the revocable letter of credit only at the importer's instructions and in his interests. Prior notice of such changes to the exporter is not required; subsequently, the exporter is exposed to a relatively high degree of risk. This risk is one of the reasons why revocable letters of credit are infrequently used.

The revocable letter of credit is used because it is less costly than an irrevocable letter of credit and, in comparison to other payment methods, it is faster and more convenient. A revocable letter of credit may be appropriate in certain situations such as when a successful history of trade with an importer already provides a high degree of security. Intra company dealings in countries requiring letters of credit as a means of controlling their foreign exchange may also provide a cost effective method of payment.

*Irrevocable Letter of Credit.* The irrevocable letter of credit may not be amended or canceled prior to the expiration of the credit without the consent of all parties. The irrevocable letter of credit is more costly because, once issued, it cannot be changed without the agreement of all parties. Due to this constraint, the irrevocable letter of credit is more costly than the revocable letter of credit but more widely used. It serves as a fast and convenient payment method for international trade. Additionally, the irrevocable letter of credit may be enhanced by the confirmation of a local bank in the exporter's country. Confirmation is the term used when the local bank promises to make payment to the exporter if he fulfills the requirements of the letter of credit. This promise transfers existing risks from the country of the importer to the country of the exporter. Usually, the additional costs incurred for confirmation are paid by the exporter.

## Letter of Credit Payment Methods

Within the parameters of the two types of letters of credit, revocable and irrevocable, there are a number of variations in the actual methods and timing of payment to the exporter. The letter of credit will specify the manner in which payment is to be made, as well as when payment is available, to the exporter. The availability of payment to the exporter will be specified in the tenor of the

letter of credit. The tenor of the letter of credit may be for payment at sight or payment at a specified future date.

*Sight Letter of Credit.* The letter of credit available at sight provides for the exporter to be paid upon presentation to and examination by the bank of the documents. The exporter draws a draft which is his demand for payment under the letter of credit on the bank, with the tenor designated as sight.

Under a letter of credit payable at sight, the exporter is paid by the bank once the bank has determined that the documents comply with the terms and conditions of the letter of credit. If the importer is not in a position to reimburse the bank, it is of no consequence to the exporter.

Payment at sight favors the exporter, enabling him to receive payment immediately. The importer must evaluate his ability to finance this purchase without the benefit of having time to sell the merchandise before remitting payment. If he is dependent on the proceeds from the sale for the funds to pay the exporter, this would not present an attractive payment option.

*Time Letter of Credit.* The time, or usance, letter of credit provides for the exporter to receive payment at a specified number of days following acceptance of the draft which he has drawn on the bank as his demand for payment under the letter of credit. The word acceptance in the context of a time letter of credit means accepted for payment at a specified future date. The number of days specified cannot exceed six months after sight.

Upon acceptance of the time draft, the bank's liability for drawing under the letter of credit has been satisfied and the draft becomes another instrument, the banker's acceptance. Acceptance of the draft is the bank's guarantee of payment at the specified future date. This guarantee of payment further encourages the exporter to permit the bank to release the documentation to the importer.

The time draft implies the extension of credit by the exporter, typically for a period

ranging up to six months. Thus, it enables the importer to gain possession of the merchandise and to resell it, if necessary, before payment is required.

The time letter of credit places the exporter at somewhat of a disadvantage in that he must be prepared to fund the financing for the period of time which elapses before the importer is required to make payment. However, the opportunity exists for the exporter to convert the banker's acceptance to cash by discounting the acceptance. Discounting an acceptance is the process whereby the bank purchases an accepted draft at a value less than the original face value. This is possible because of the bank's commitment to pay at some specified future date, the Negotiability of the instrument and the availability of a market to purchase this instrument as an investment.

*Deferred Payment Letter of Credit.* A deferred payment letter of credit entitles the exporter to be paid upon presentation of a sight draft at a future date. The tenor is specified in the letter of credit and the date is determined by the bank at the time when it receives the appropriate documentation. Deferred payment provides an alternative to the six-month time restrictions placed on banker's acceptances by Federal Reserve regulations in that the bank does not accept the draft of the exporter when the documents are presented. Deferred payment implies the extension of credit by the exporter to the importer for the elapsed time between presentation of the documents and payment. It is appropriate in certain markets where competitive conditions favor the interests of the importer.

The distinction between payment by time draft and deferred payment is that the latter does not create a negotiable instrument through which the exporter can obtain funds prior to the stipulated date of payment. When the bank accepts the exporter's time draft, it has created another instrument, the banker's acceptance, which may be discounted. Under the terms of deferred payment, the bank

extends its commitment to pay the sight draft at a specified future date. The opportunity does exist, however, to obtain an advance (loan) on this commitment.

Before agreeing to the terms of a deferred payment letter of credit, an exporter should evaluate his ability to wait for a prolonged period before payment, typically more than six months, after he has relinquished title to the merchandise.

*Settlement by Negotiation.* Settlement by negotiation entitles the exporter to present the required documents to a bank in his locale, which will buy a draft and documents drawn on the issuing bank or advance funds against the draft with the intention of obtaining reimbursement from the issuing bank.

Settlement by negotiation affords protection to an exporter who must rely on the mails to deliver documentation prior to the expiration of the letter of credit. For example, a foreign exporter need only present the appropriate documentation to a local bank by the expiration date to comply with the terms of the letter of credit. Although the local bank must then forward the documents to the confirming or issuing bank, it is not necessary for them to arrive by the expiration date to entitle the exporter to payment.

Under the terms of settlement by negotiation, the negotiating bank makes payment with recourse to the exporter until it

has received payment from the confirming or issuing bank. Settlement by negotiation with recourse to the exporter permits the negotiating bank to seek reimbursements from the exporter if the issuing bank refuses to honor the draft due to discrepancies in documentation. If this occurs, the exporter must reimburse the local bank for any funds received. Subsequently, the exporter may correct and resubmit documents within the validity of the credit.

## Letter of Credit Adaptations

Adaptations to the basic letter of credit can address special considerations, rendering it again the most flexible and most advantageous payment method available in international trade.

Among the special letters of credit available, is the revolving letter of credit, in which the bank, with qualifications as to time and value, agrees to regularly reinstate the credit without the need to amend the original letter of credit. It is used to control the shipment schedule of the entire transaction. The merchandise to be shipped is divided into a series of shipments of equal value. As a result, the overall financial impact is lessened.

The two types of revolving credits are cumulative and non-cumulative. When a revolving credit is cumulative, merchandise that was scheduled for shipping in previous periods may be included in other shipping

periods. The value of the delayed and shipped merchandise is also carried forward to the time of actual shipment. A non-cumulative revolving credit prohibits any merchandise not shipped in the required period, as well as its value, to be carried forward to other shipping periods.

Other adaptations to the basic letter of credit include the red-clause credit, which enables the exporter to receive an advance on the total payment prior to the presentation of the documents, and the transferrable credit, which enable the exporter who acts as agent or middle-man for a supplier to transfer a credit in its entirety or in part to a third party. Assignment of proceeds is another payment option that permits the beneficiary to designate that all or part of the proceeds from a payment under a letter of credit be paid directly to a designated party by the paying bank. This payment option can be used whether or not the letter of credit is transferrable.

An exporter acting as a middleman can use a letter of credit issued in his favor at the importer's request as "security" to facilitate the issuance of a second letter of credit. The second letter of credit is used to pay his

supplier and obtain the merchandise. This is called a back-to-back letter of credit.

A standby letter of credit acts as a secondary source of payment and is not typically drawn against unless the primary source of payment fails. The issuance of a standby letter of credit may permit the importer the luxury of doing business with the exporter on an open account basis. The exporter has the comfort of knowing that if he does not receive payment directly from the importer he can draw under the letter of credit. The importer benefits because the cost of doing business has been reduced as a result of not having to pay the charges associated with the commercial letter of credit.

## The Role of the Bank

The bank's role in issuing a letter of credit is a serious undertaking. Once issued, a letter of credit becomes a contingent liability of the bank. The bank will make payment to the exporter if the documents are found to be in good order regardless of the current or future situation of the importer or the status of the merchandise. Under the letter of credit, the role of the issuing bank is to extend credit to the importer, in favor of the exporter as beneficiary. Additionally, the issuing bank reviews the documents presented for compliance with the credit and, if in compliance, makes payment.

When a second bank is asked to act in an advising capacity, it forwards the letter of credit to the exporter without accepting any responsibility to pay, even if authorized to do so. When confirmation enhances the bank's advising process, an exporter can justifiably expect to be able to present his documentation to that bank and receive payment.



# 5 Applying for a Letter of Credit

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*When requested to issue a letter of credit, the bank will rely on the financial stability of the importer.*

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Once the importer and exporter have agreed to a sales contract which provides for payment by a letter of credit, the next step must be taken by the importer. He asks his bank to issue a letter of credit naming the exporter as beneficiary. He will be required to complete a letter of credit application and sign an agreement which contains the terms and conditions of the issuing bank.

When an importer applies to his bank for a letter of credit, the request will be treated by the bank in much the same manner as a loan application. The bank may provide for its entitlement to the merchandise should the importer refuse or be unable to pay. This is accomplished by the bank's stipulation that all documents related to the transaction be issued in negotiable form and to the bank's order. The letter of credit issuance, however, will typically not rely on the merchandise as collateral. More likely, the applicant will be evaluated against the same standards used if he were applying for an unsecured loan.

The financial stability of the importer and his ability to repay the bank will be carefully evaluated. Although the issuance of the letter of credit for the importer does not usually require the bank to actually pay out funds prior to the presentation of the documents, the bank must be prepared to make payment with little or no notice. The bank is, therefore, justified in seeking to establish proof of a steady and stable credit history on the part of the importer before agreeing to issue the letter of credit.

## Conditions of the Issuing Bank

Before it agrees to issue a letter of credit, the importer's bank will require the importer to acknowledge and accept certain conditions. The importer signifies his agreement to these conditions by signing the Letter of Credit Agreement. First and foremost, the importer agrees to reimburse the bank for any payments made under the letter of credit, providing that the

bank makes payment under the terms of the letter of credit.

Other conditions are also covered in the agreement including the acknowledgment by the importer that the bank has the sole right, as security, to title and disposal of all merchandise covered by the letter of credit. He also must absolve the bank from any liabilities which may occur when dealing with shippers, agents or the exporter. Responsibility for the validity of the documents and the quality, quantity and delivery of the merchandise they represent is also covered in the agreement and is assumed by the importer. For the services to be rendered by the bank, the importer agrees to pay a specified fee, as well as all out-of-pocket expenses.

## The Importer's Instructions

The information presented in the letter of credit application serves as instructions to the bank. A well-seasoned international banker may at times assist the importer in completing the letter of credit application. The importer, however, must have a clear understanding of the requirements of this contractual agreement. The essential elements of an application for a letter of credit are as follows:

*Amount of credit.* Based on the figure agreed to with the exporter in the sales contract, the importer will indicate the total amount of the credit and the type of currency required. Sometimes, importer and exporter will agree to an amount which may vary plus or minus by a stated percentage: in this case, that percentage must be stated in the application with the total amount. This variance applies to the amount of credit, and not to the number of units in the order.

*Type of credit and payment method.* The importer must state if the letter of credit is revocable, irrevocable, or irrevocable with confirmation by another bank. He will also indicate whether the credit is available at sight or time, and whether the credit is negotiable or non-negotiable.

*Drafts.* The importer will name the party on whom drafts are to be drawn by the exporter and the tenor of such drafts.

*Description of merchandise.* The letter of credit application provides for a brief description of the merchandise which will be imported. Frequently, this description will refer to a purchase order number corresponding to the sale. According to UCP600, this description must correspond with the description of the merchandise provided in the commercial invoice.

*Details of documents required.* Not only must the importer specify the types of documents he requires, but he must also stipulate the number of copies which must be presented and the manner in which they must be completed and, if appropriate, endorsed. Required documents other than transport or insurance documents and commercial invoices should be identified as to the issuer. If the issuer and the content of the data covered in these documents are not specified, the bank will accept the documents as presented, provided that the merchandise to which they refer corresponds to the description in the commercial invoice.

*Details of Shipment.* The importer must identify ports of both shipment and destination, and, if appropriate, the place of delivery. He must specify whether or not he will accept partial shipments, and if transshipment is permitted. Transshipment refers to the transfer of merchandise at a designated intermediate port from one ship to another. Unless otherwise specified, the bank will assume that both partial shipment and transshipment are permitted.

If the letter of credit specifies the presentation of a transport document, the application should also state the latest date permitted for shipment. In this case, the letter of credit should also specify the period of time after issuance of the transport document within which the documents must be presented to the bank for payment, acceptance or negotiation. As stated in UCP600, this period of time must not exceed 21 days, unless otherwise specified. Specifying a shorter period of time for presentation will facilitate the flow of the documentation. In every case, however, documents must be presented no later than the expiration date of the credit.

*Deadlines and conditions of the letter of credit.* The importer should state the date in which the credit will expire. This date represents the last date on which the documents and draft may be presented by the exporter to a bank for payment, acceptance or negotiation. In determining this date, which will likely be set with the mutual consent of the exporter, the importer should bear in mind the point in time at which receipt of the merchandise would be most advantageous in terms of resale.

Another condition that the letter of credit might include is the specification as to whether or not the credit is transferable. A letter of credit can be transferred only if specifically noted in the document. Transfers can be made in total or in part. However, subsequent transfers by the transferee (the subsequent beneficiary) are prohibited by UCP Publication No. 600. The manner in which the letter of credit is to be advised, either by mail or by telecommunication, must also be indicated.

## The Issuance of A Letter of Credit

If, after review of the importer's application, the bank agrees to issue a letter of credit, the exporter will be so advised. The issuing bank will contact another bank, known as the advising bank, which is usually located in the country of the exporter, to have the letter of credit advised or advised and confirmed. The second bank will then notify the exporter, with or without adding its confirmation, that a letter of credit has been issued in his favor.

Once issued, a copy of the original letter of credit as issued by the bank will be provided to the applicant. It should be reviewed at this time to ensure that the bank has accurately written the letter of credit. If inaccuracies exist, the applicant should immediately report them to the bank and require the bank to resolve the differences. The applicant, however, gives the bank the authority to issue a letter of credit using language deemed by the bank to be consistent with that requested in the application.

# 6 Responsibilities of the Exporter

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*By taking the time to carefully review the letter of credit, the exporter can prevent costly and serious delays which may occur when he presents his documents for payment.*

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## Before the Letter of Credit is Issued

When negotiating the sales contract with the importer, the exporter should make sure that payment by letter of credit is stipulated, if this is the method he thinks will best serve his interests. For his protection, he may want the letter of credit confirmed by a local bank, and should make this request in the contract. Because trade restrictions in some foreign countries may cause delays, the exporter should state the date by which he must receive the letter of credit.

Because a letter of credit must mirror a number of points stated in the contract, it will avoid delay and misunderstanding if these points are clarified in the contract. These details include the amount and currency of payment, the duration of the credit, the terms of delivery of the merchandise, the documentation which will be required and the assignment of letter of credit costs. These costs will be covered in detail in a subsequent section.

## After the Letter of Credit Has Been Advised

Frequently, exporters and importers will assume that the terms negotiated in the sales contract will be transferred verbatim to the letter of credit. While this is certainly the goal, the great number of details which must make their way through the lines of communication make it impossible to assume that this will actually occur. For the exporter, the time to detect any problem is when the letter of credit is advised, not when the documents are presented to the bank.

It is both the exporter's and the importer's responsibility to review the letter of credit when advised. The exporter's responsibility is to ensure that the requirements of the letter of credit agree with the underlying contract. The

terms of the letter of credit addressing amount of payment, shipping deadlines, delivery terms and description of the merchandise should correspond to the same points in the sales contract. He should also make sure that the letter of credit is of the type agreed to and that the information regarding the credit applicant (the importer) and the beneficiary (the exporter) is stated correctly. He should be certain about the type and tenor of the draft he will present for payment. Finally, he must carefully assess his ability to complete the requirements of the letter of credit within the stated time period and to deliver the documents requested as described. On this point, the exporter must take care to check minor details, such as the number of copies of a document required, to avoid unnecessary and costly delays when he later presents the documents to the bank for payment.

If the exporter identifies an inconsistency between the terms of the sales contract and the letter of credit, he must immediately contact the importer and advise him of the inconsistencies. These inconsistencies are commonly referred to in the banking industry as "discrepancies". The importer will then request that the letter of credit be amended to correct the inconsistencies or to include any missing terms. Such an amendment is effective only when it is agreed to by all parties, including the issuing bank. Under no condition should the exporter ship the merchandise until he is satisfied that the letter of credit reflects the terms agreed upon between himself and the importer.

Upon reviewing the letter of credit and assuring that he can meet its stipulations and that it conforms with terms agreed to in the sales contract, the exporter is then ready to proceed with shipping the merchandise.

While the process is a relatively straightforward one, the letter of credit covers a number of highly specific points important to every party to the transaction. There is no room for assumptions in the terms of a letter of credit. All terms must be clearly stated and understood before the transaction commences if the letter of credit is to serve the interests of both the exporter and the importer.

# 7

# Payment Requisites and Procedures

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*The exporter's best assurance of payment is his careful analysis of his ability to ensure shipment of the merchandise and to comply with the terms and conditions of the letter of credit.*

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## Shipping the Merchandise

Once a letter of credit has been issued by the importer's bank and reviewed by the exporter, the merchandise can then be shipped. Again, it is important for the exporter to make sure he can comply with the terms of the letter of credit regarding shipment at this point; it will only delay payment if he discovers he has not complied fully when he submits his documentation for payment.

If he is satisfied that the terms of the letter of credit agree with the contract, the exporter will deliver the merchandise to the carrier. Both the sales contract and the letter of credit should stipulate the manner in which the merchandise is to be packed, as well as any necessary markings which are to be included.

## Presentation of the Documents

Having shipped the merchandise, the exporter should compare the documentation to the following checklist before submitting it to the bank.

### *Letter of Credit Checklist.*

- Are all required documents included?
- Will the documents be presented within the expiration date of the letter of credit?
- Are the documents on their face consistent with each other?
- Has shipment been made prior to the last shipping date?
- Are the documents "stale"? Typically, unless otherwise specified, documents presented 21 days or more after the date of transport are considered stale.
- Are the required number of copies of each document being submitted?
- On documents where signatures are required, are the appropriate signatures present?
- Is the transport document consigned to the correct party?

- Is the notify party on the transport document correct?
- Is the merchandise description correct?
- Are the number of units, the unit price and the total price all consistent?
- If an insurance document is required, is the type and amount of coverage correct?
- Was it in effect prior to shipment?
- If partial shipment has been made, is it permitted under the terms of the letter of credit?
- If transshipment is necessary, does the letter of credit permit this?
- Review the draft. Does it quote the bank's letter of credit reference? Is it drawn on the correct party? If necessary, has it been properly signed and endorsed? Is the amount and currency correct? Is the tenor as specified?

Once these questions have been answered satisfactorily, the exporter can present the required documents along with his draft to the bank for payment, negotiation or acceptance. The bank will examine the documents to verify that they conform to the conditions of the letter of credit. Each bank in the negotiation and payment process is responsible for its own review of the documents. In addition to assuring verification of the documents in relation to the letter of credit, the banks must make sure that the documents comply with UCP guidelines. Upon completion of a satisfactory review of the documents, the bank can pay, accept or negotiate.

## The Role of the Advising and Confirming Bank

The exporter may choose to present the necessary documents and draft to his bank, the advising bank, or the advising and confirming bank in his country. Upon its review of the documents, the bank will pay the exporter and forward the documents to the issuing bank for payment. As a negotiating bank, the bank negotiates the letter of credit with recourse to the exporter. However, when

“adding” the bank’s confirmation, the bank must be mindful of the obligation it assumed. That is, it has agreed to pay, accept or negotiate the letter of credit without recourse upon acceptance of the documents. When the bank “adds” its confirmation, it is guaranteeing that payment will be made upon presentation of the documents as required by the letter of credit. “Adding” the bank’s confirmation transfers the risk of payment from the country of the issuing bank to the country of the exporter.

In cases where the letter of credit was paid by the confirming bank, the bank will obtain reimbursement from the issuing bank or, sometimes, through a third bank authorized by the issuing bank to do so. This bank is called the reimbursing bank.

## The Role of the Reimbursing Bank

The issuing bank may authorize another bank, the reimbursing bank, to provide reimbursement on its behalf for a drawing under the letter of credit. This bank will provide payment to which the paying, accepting or negotiating bank is entitled. This situation may occur when a bank issues a letter of credit in favor of a beneficiary located in a country where no correspondent bank account relationship exists. The issuing bank will authorize the paying bank, located in the exporter’s country, to reimburse on another bank.

Today banks are increasingly directing all letter of credit payments to one correspondent bank or a select number of correspondent banks to eliminate the need for maintaining large balances at numerous financial institutions.

Although the reimbursing bank is authorized to act on behalf of the issuing bank, the responsibility for payment of the draft remains with the issuing bank. Documents related to the transaction are usually forwarded directly from the paying bank to the issuing bank, with no intervention by the reimbursing bank. The

reimbursing bank is not liable for payment of the draft or any loss of interest to the beneficiary which may result from the reimbursing bank’s refusal to pay at first demand.

## Settlement

When the issuing bank has reviewed the documents, it will typically make payment and simultaneously debit the account of the importer. Upon receipt of payment from the importer, or extension of credit to him by the bank, the documents are released to him. The importer will make arrangements with a customs broker for the formal entry of and payment of duty on his merchandise, if applicable. The bank is relieved of its liability under the letter of credit once payment is made.

If, however, the importer is unable to pay the bank, the bank can take possession of the merchandise if it holds the bills of lading in negotiable form. It is for this reason that the bank may specify as a condition of the letter of credit that documents be issued in negotiable form.

## Discrepancies in Documentation

One of the principal catalysts encouraging the exporter to assure the accuracy of the documents before presentation is the financial risk he assumes if the documents are not presented as specified in the letter of credit. Additional fees may be assessed by the bank on the discrepant documents to cover additional processing time. If the documents cannot be corrected, the exporter may also risk shipping merchandise for which the importer will not agree to accept or pay. These costs, coupled with incidental fees such as interest due on financing provided prior to payment and telecommunication fees, can seriously affect the exporter’s profit margin.

Minor discrepancies discovered by the bank, such as incorrect number of copies of a document, can be easily rectified. However, since the bank cannot alter documents as presented, major discrepancies, such as

description of merchandise in the commercial invoice which differs from the description provided in the letter of credit, can be sufficient cause for the bank to refuse payment.

Such major discrepancies can be remedied through a number of courses of action. The bank can return the documents to the exporter for correction and re-submission within the validity of the credit and prior to the point in the time at which the documents become stale. Or, the paying bank may request the authority from the issuing bank to pay, accept or negotiate the letter of credit with the noted discrepancies. The bank can also call for an indemnity from the beneficiary or from a bank to pay, accept or negotiate with the assurance that payment, including interest and other charges, will be refunded if the issuing bank refuses to provide reimbursement against the discrepant documents.

Discrepancies in documentation will typically be referred to the importer, who may accept minor deviations in order to receive the merchandise. Often, such acceptance may be required in writing by the bank. The importer is, however within his rights to refuse to permit any deviation from the terms and conditions of the letter of credit; he may refuse to pay the bank even if the bank, overlooking a discrepancy, has already honored the credit. Should this occur, the importer is, of course, not entitled to the merchandise and must return the documents.

## Letter of Credit Costs

Typically, the charges assessed by the issuing bank associated with the letter of credit are borne by the importer and the costs assessed by the advising, advising and confirming, or negotiating bank are paid by the exporter, unless otherwise specified in the letter of credit.

Among these charges are the commissions assessed by the issuing bank for issuing the letters of credit and an advising charge representing transmission of the credit to the exporter that will be assessed by the advising bank. In the case of a confirmed letter

of credit, a commission is charged quarterly for the transfer of the credit risk to the exporter's country.

A fee will be incurred for any amendments to the original language in the letter of credit. A charge will also be incurred for discrepancies in documents that have been presented.

When a credit is negotiated or paid, a payment commission will be assessed for examining the documentation and making payment. An acceptance or a deferred payment commission will be charged for the duration of the financing period of any time drafts associated with the letter of credit. Discounting an acceptance will also result in additional interest expenses. Other incidental costs may be incurred for transmittals of telecommunication messages, courier services and postage.

If no correspondent bank account relationship exists and a reimbursing bank is designated, The reimbursing bank will also assess a charge for providing reimbursement.



Commercial Invoice



**Overseas Samplers Ltd.**

1 Sample Road, Kowloon, Hong Kong

SOLD TO: \_\_\_\_\_  
 Fiction Importers Inc. \_\_\_\_\_  
 1000 Main Street \_\_\_\_\_  
 Anytown, New Jersey \_\_\_\_\_

INVOICE NO: 9608  
 ORDER NO: Z-28-376  
 DATE OF SALE: April 25, 20--  
 DATE SHIPPED: May 5, 20--


MARKS	QUANTITY & DESCRIPTION	UNIT PRICE	TOTAL
FII 1-25	25 cartons containing 5,000 gross, widgets  packed 200 gross per export carton	US \$0.19 per widget  C.I.F. Newark Port	US\$136,800.00

SPECIMEN

*Jim Sample*

ORIGINAL

Marine Bill of Lading



**WORLDWIDE CARRIERS & CONTAINER SERVICE**  
 123 Wharf Road                      Kowloon                      Hong Kong

**BILL OF LADING NO.** 36201                      **DATE OF ISSUE** May 5, 20--  
**FORWARDING AGENT** 456319

**SHIPPER** Overseas Samplers Ltd.  
 1 Sample Road, Kowloon, Hong Kong

**CONSIGNEE; ORDER OF** Sterling National Bank  
 500 Seventh Avenue New York, NY 10018

**NOTIFY ADDRESS** Custom Brokers Inc.  
 13 Kinetic Street, Elizabeth, New Jersey

PRE CARRIAGE BY (*)	PLACE OF RECEIPT (*)	PORT OF LOADING Kowloon
OCEAN VESSEL Koshibe Maru	PORT OF DISCHARGE Newark	FINAL DESTINATION (*)

MARKS AND NOS	NUMBER AND KIND OF PACKAGES DESCRIPTION OF CARGO	GROSS WEIGHT KG	MEASURE- MENT M3
FII 1-25	25 Cartons Widgets	5000 Lbs	
Freight Prepaid			

PARTICULARS ABOVE FURNISHED BY SHIPPER

FREIGHT AND CHARGES (PARTICULARS FOR CALCULATION OF FREIGHT ONLY) (FREIGHT TO BE PREPAID / TO BE COLLECTED)

AS THE CASE MAY BE, THE FREIGHT WILL BE TAXED AS PER SEPARATE BILL.

Containers on deck. It is expressly agreed between the Shipper and the Carrier that goods stowed in containers, stowage on a ship equipped with appropriate lashing and lashing devices may be loaded on or under the deck of these ships, at the option of the Carrier, and that the provisions of the Hague Rules or Hague-Visby Rules as incorporated herein shall be applicable in all cases whether the transport is carried out on or under deck. Also the goods and/or containers shall contribute in general average whether carried on or under deck.

SHIPPED in Apparent good order and condition, unless otherwise stated herein, on board the above ocean vessel (or on board a pre-carriage vessel or other means of transport, if the Place of receipt is named above for forwarding) subject to clause 8 on the reverse side of this Bill of Lading for the cargo specified above, weight, measure, marks, numbers, quality, condition and value unknown, for carriage from the above port of loading and discharge at the port of discharge named above (or other port or place as is provided in clause 6 hereof) or so near thereto as they may lawfully get and in, subject to the terms, conditions, responsibilities and liabilities shall finally cease, for delivery into the above-named consignee or to his or their assigns. If the final destination is named above the cargo shall be forwarded in accordance with clause 6B hereof for delivery into the above named consignee or to his or their assigns.


In accepting this Bill of Lading the Merchant expressly accepts and agrees to all its stipulations on both pages, whether written, printed, stamped or otherwise incorporated, so fully as if they were all signed by the Merchant.

One original Bill of Lading must be surrendered duly endorsed in exchange for the goods or delivery order. In witness whereof the above stated number of Bills of Lading of this tenor and date have been signed, one of which being accomplished, the others to stand void.

(\*) Applicable only when document used as through Bill of Lading.

FREIGHT PAYABLE AT Kowloon	NO. OF ORIGINAL BILLS 3
PLACE OF ISSUE Kowloon	
(FOR THE CARRIER)	(FOR THE SHIPPER)
<b>STOLZ BROS., INC. AS AGENT</b>	

Air Waybill



## New Jersey International Air, Inc.

<b>Airport of departure and requested routing:</b> Kowloon To: <b>EWK</b> By first carrier: <b>NJLAI</b>		<b>Airport of destination:</b> Newark To: By To: By To: By To: By		<b>AIR WAYBILL</b> AIR CONSIGNMENT NOTE NO. 514894 NOT NEGOTIABLE	
Consignor's account number: <b>98728</b>		Invoice No.: <b>3156</b>		<b>IMPORTANT NOTICE:</b> If the carriage which is the subject of this waybill involves an ultimate destination or stop in a country other than the country of departure the Warsaw Convention (in its amended or unamended form) may be applicable and that Convention governs and in most cases limits the liability of carriers in respect of loss of or damage to cargo.  Carrier's liability will— <b>as a rule</b> —also be limited in case of carriage subject to the Hong Kong Regulations on Carriage by Air. Carriage is further subject to the conditions of contract on the reverse hereof and to the general conditions of the Hong Kong Forwarders Association copies of which conditions are available free of charge at all our offices upon request. Agreed stopping places are those places within three hours flying time of departure and destination, unless otherwise requested, and for those places shown in carrier's time tables as scheduled stopping places for the route. Address of first carrier is the Airport of departure. See <b>CONDITIONS ON REVERSE HEREOF.</b>  The consignor (shipper) certifies that the particulars on the face hereof are correct; agrees to all the conditions of this waybill including the conditions on the reverse hereof; accepts that carrier's liability is limited as stated in Part on the reverse hereof; and accepts such value unless a higher value for carriage is declared on the face hereof subject to an additional charge.  <i>H. Smith</i> Signature of shipper (consignor) or his Agent  Carrier certifies goods described below were received for carriage subject to the <b>CONDITIONS OF THIS WAYBILL INCLUDING THE CONDITIONS ON THE REVERSE HEREOF</b> , the goods then being in apparent good order and condition except as noted hereon.	
Consignee's name and address:  Sterling National Bank 500 Seventh Avenue New York, NY 10018					
Consignee's shipper's name and address:  Overseas Samplers Ltd. 1 Sample Road Kowloon, Hong Kong					
Agent's name and address:  Custom Brokers Inc. 13 Kinetic Street Elizabeth, New Jersey					
Date: <b>May 6, 20--</b> Place: <b>Kowloon</b> Issued by: <b>New Jersey International Air, Inc.</b> SIGNATURE OF ISSUING CARRIER OR ITS AGENT					
Charge placed collect: <b>X</b>	Currency: <b>US\$</b>	Declared value for carriage: <b>186,800</b>	Declared value for customs:	COD required:	Special Accounting instructions:
No. of packages: <b>25</b> RCP:	Actual gross weight: <b>5000 Lbs</b>	Net weight:	Rate class:	Commodity item No.:	Charges:
<b>SPECIMEN</b>					
Nature and quantity of goods: <b>Widgets</b>  Volume or dimension: <b>5000 Gross</b>					
Special handling information (including number of packages, method of packing, marks and numbers): Marks and numbers / Method of packing:					
Value: <b>US\$ 136,800.00</b> Origin: <b>HK</b> Enclosures:			Also Notify: Fiction Importers Inc. 1000 Main Street Anytown, New Jersey		
Weight charge: <b>95.00</b>	Pre-carriage: <b>20.00</b>	Airline charges: <b>15.00</b>	Valuation charge: <b>30.00</b>	A&B fee: <b>10.00</b>	Total P&A&B: <b>170.00</b>
Explanation of airline charges:					
Weight charge:	Pre-carriage:	Airline charges:	Valuation charge:	COD charges:	Other charges:
Insurance:	A&B fee:	Total COLLECTION excl. COD + COD fee:			
Equivalent in destination currency: *Approx. shipping charges as shown or as per timetable.					

Common Carrier Bill of Lading



TRUCK BILL OF LADING

RECEIVED, subject to the classifications and tariffs in effect on the date of the issue of this Bill of Lading.

FROM Overseas Samplers Ltd., New York Representative

AT 10 Main Street, Any City, New York

May 5, 20--

The property described below, in apparent good order, except as noted (contents and condition of contents of package unknown), marked, consigned, and destined as indicated below, which said carrier (the word carrier being understood throughout this contract as meaning any person or corporation in possession of the property under the contract) agrees to carry to the usual place of delivery at said destination if on its route, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in said property, that every service to be performed hereunder shall be subject to all the terms and conditions of the Uniform Domestic Freight Bill of Lading set forth in Circulars, Freighters, Western and Illinois Freight Classifications in effect on the date hereof, if this is a rail or water shipment, or (2) in the applicable motor carrier classification or tariff if this is a motor carrier shipment.

Shipper hereby certifies that he is familiar with all the terms and conditions of the said bill of lading, including those on the back thereof, set forth in the classification or tariff which governs the transportation of this shipment, and the said terms and conditions are hereby agreed to by the shipper and accepted for himself and his consignee.

CONSIGNEE TO Fiction Importers Inc.

DESTINATION 1000 Main St., Anytown

STATE New Jersey

No. Packages	Kind of Package, Description of Articles, Special Marks and Exceptions	*Weight (Subject to Correction)	Class or Rate	Check Column
25	Cartons Widgets			

Overseas Samplers Ltd. SHIPPER

*H. Smith*

AGENT


PER L.B. Jones

PER H. Smith

Permanent post-office address of shipper:

10 Main Street,  
Any City, New York

Insurance Certificate



# Cliff Surety Company

111 Harland Crossing, Kowloon, Hong Kong

**INSURANCE CERTIFICATE**

We herewith certify having insured for account  
of Overseas Samplers Ltd., 1 Sample Road, Kowloon, Hong Kong  
as per application No. 3179AB on the general and particular conditions of the Open Cover No. 1276E  
(extract of the GCM 1968 overleaf)  
for the sum of US\$180,480.00  
the goods designated hereafter for the transportation  
by Ocean  
from Kowloon, Hong Kong to Newark, New Jersey

Cover is granted «from warehouse to warehouse» according to Art. 9 and 10 of the GCM 1968. The insurance terminates —with the proviso of Art. 10 of the GCM 1968— at the latest 10 days after arrival of the goods at the destination named above, but at all events with the handing over of the goods to the consignee at the above mentioned destination. Any extension must be agreed upon prior to expiry of this insurance.

MARKS AND NUMBERS	GOODS AND MANNER OF PACKING	SUM INSURED
FTT 1-25	25 Cartons Widgets	US\$180,480.00

SCOPE OF INSURANCE: All Risks

Immediate notice of any loss or damage must be given to us. Claims to be adjusted according to the conditions of the original policy and—in case of machinery, apparatuses, instruments, vehicles, furniture, removal goods and personal effects as well as goods of artistic or collection value—according to the prescriptions of clauses 12, 13, 14, 17.

In case of damage please apply without delay to: Claim Specialty Co., Kowloon, Hong Kong  
without his/their survey-report  
no claim will be admitted.

For all disputes arising from this insurance, action must be brought before the Courts in Kowloon or at the Hong Kong domicile of the beneficiary, even if claims are payable abroad.

For this application three Certificates have been issued. If a claim is paid against presentation of one copy, then the others become null and void.

Cliff Surety Co.

Cliff Surety Co.

**Notice to the Consignees**  
**Claims for damage, theft or pilferage**  
Notice is hereby given to the consignees that no claims for shortage or goods will be admitted, unless proved by a certificate established in the presence of a representative of the carrier (Shipowner, Railway or Airline Company, etc.) stating that traces of damage or pilferage were visible on the exterior of the packages concerned at their arrival.

In all cases of visible traces of damage, theft or pilferage, the goods should be surveyed not later than within **10 days** after their discharge and at any rate **before** they leave the customs warehouse. **Claims** must be accompanied by the following documents: survey-report, insurance certificate, shipper's invoice, bill of lading or waybill, copy of claim against the carrier and the latter's reply.

The Draft

<b>D R A F T</b>	
\$ 136,800.00	May 10, 20-- At Sight PAY TO
THE ORDER OF Overseas Samplers, Ltd.	
One Hundred Thirty Six Thousand Eight Hundred and 00/100 DOLLARS	
Drawn under Sterling National Bank Letter of Credit # ILC1170	
VALUE RECEIVED AND CHARGE THE SAME TO ACCOUNT OF	
TO Sterling National Bank	<i>Jim Sample</i>
NO. 500 7th Ave.	Overseas Samplers, Ltd.
New York, NY 10018	

Banker's Acceptance

The transaction which gives rise to this instrument is the		<b>Accepted</b>		No. 5305
Exportation	At Sight	May 28, 20--	No. 1170A	Kowloon, Hong Kong
City <u>Wingkok</u>		Sterling National Bank		City
From <u>Hong Kong</u>		New York, NY		May 10, 20--
To <u>U.S.A.</u>		<i>Michael Blake</i>		Date
		Authorized Signature		\$ 136,800.00
At 90 Days After		Sight		Pay to the Order of
<b>Overseas Samplers Ltd.</b>				
One Hundred Thirty Six Thousand Eight Hundred and 00/100				
Drawn under Sterling National Bank Letter of Credit # ILC1170 Dollars				
STERLING NATIONAL BANK 500 7th Ave. New York, NY		Overseas Samplers, Ltd. <i>Jim Sample</i> Authorized Signature		

LETTER OF CREDIT, PAGE 1



500 SEVENTH AVENUE  
NEW YORK, NEW YORK 10018

IRREVOCABLE DOCUMENTARY LETTER OF CREDIT  
OUR REFERENCE NUMBER: ILC 9897  
TRANSACTION DATE: OCTOBER 20, 20--

BENEFICIARY:  
PREMIER GROMMETS, LTD.  
25 SHORE ROAD  
KOWLOON, HONG KONG

ADVISING BANK:  
Sterling National Asia Limited  
123 Hong Kong Street  
TXL.#: 6846516168

DEAR SIRs:

AT THE REQUEST OF: IMPORTERS INTERCONTINENTAL, INC.  
38-43 BOULEVARD LANE  
YOUR TOWN, NEW JERSEY 11111

AND FOR THE ACCOUNT OF IMPORTERS INTERCONTINENTAL, INC. WE HEREBY ISSUE FOR OUR IRREVOCABLE DOCUMENTARY LETTER OF CREDIT NUMBER ILC 9897, AVAILABLE BY THE BENEFICIARY'S DRAFT(S) AT SIGHT DRAWN ON US FOR 100% OF THE INVOICE VALUE(S). THIS CREDIT IS FOR AN AGGREGATE AMOUNT NOT TO EXCEED A TOTAL OF U.S. DOLLARS \$136,800.00 AND SUBJECT TO THE FOLLOWING:

EXPIRES FOR NEGOTIATION:	DECEMBER 10, 20-- AT HONG KONG
LATEST SHIPPING DATE:	NOVEMBER 23, 20--
PARTIAL SHIPMENTS:	PERMITTED
TRANS-SHIPMENTS:	NOT-PERMITTED
SHIP FROM:	KOWLOON
SHIP TO:	CIF NEWARK PORT/AIRPORT

DRAFTS SUBMITTED MUST BE ACCOMPANIED BY THE FOLLOWING DOCUMENTS:

1. COMMERCIAL INVOICE AND THREE COPIES DESCRIBING THE MERCHANDISE AS:  
5,000 GROSS OF FINISHED GROMMETS AT US\$0.07 PER GROMMET.
  2. NEGOTIABLE INSURANCE POLICY/CERTIFICATE FOR 110% OF INVOICE VALUE  
COVERING ALL RISKS.
  3. AIRWAY BILL OF LADING  
CONSIGNED TO STERLING NATIONAL BANK  
MARKED NOTIFY BROKERMAN'S, INC.  
1998 JERSEY BOULEVARD  
NEWARK, NEW JERSEY  
AND MARKET FREIGHT PREPAID  
AND/OR
- FULL SET OF CLEAN ON BOARD OCEAN BILLS OF LADING  
TO THE ORDER OF: STERLING NATIONAL BANK  
MARKED NOTIFY BROKERMAN'S, INC.  
1998 JERSEY BOULEVARD, NEWARK, NEW JERSEY  
AND MARKET FREIGHT PREPAID

[CONTINUED]

LETTER OF CREDIT, PAGE 2



LC NUMBER: ILC9897

PAGE 2

COMMERCIAL INVOICES MUST INDICATE: "GOODS WERE PACKED 200 GROSS PER EXPORT CARTON - GROSS 5,000 LBS."

ALL BANKING CHARGES OUTSIDE OF THE U.S.A. ARE FOR ACCOUNT OF THE BENEFICIARY.

NOTE:

A DISCREPANCY FEE OF U.S. \$100.00 WILL BE DEDUCTED FROM THE PROCEEDS OF ALL DRAWINGS WHERE DOCUMENTS PRESENTED ARE NOT IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

THE NEGOTIATING BANK MUST AIRMAIL ALL DRAFTS AND DOCUMENTS TO:

STERLING NATIONAL BANK  
500 SEVENTH AVENUE  
NEW YORK, NY 10018

IN ONE COVER.

DRAFTS MUST BE PRESENTED OR NEGOTIATED WITHIN 21 DAYS AFTER THE DATE OF ISSUANCE OF THE BILLS OF LADING OR OTHER SHIPPING DOCUMENTS BUT WITHIN THE VALIDITY OF THIS CREDIT.

ALL DRAFTS MUST BE MARKET "DRAWN UNDER STERLING NATIONAL BANK CREDIT NO. ILC9897".

WE HEREBY AGREE WITH THE DRAWERS, ENDORSERS, AND BONAFIDE HOLDERS OF DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT THAT SUCH DRAFT(S) WILL BE DULY HONORED UPON PRESENTATION TO THE DRAWEE.

THE AMOUNT OF EACH DRAWING MUST BE ENDORSED ON THE REVERSE OF THIS LETTER OF CREDIT BY THE NEGOTIATING BANK. IF ANY DRAFT IS NOT NEGOTIATED, THIS LETTER OF CREDIT AND ALL DOCUMENTS AS SPECIFIED MUST ACCOMPANY THE DRAFT.

THE ADVISING BANK IS REQUESTED TO ADVISE THIS CREDIT WITHOUT ENGAGEMENT ON THEIR PART.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION 600.

AUTHORIZED SIGNATURE

John Test

# 9

## Glossary

*acceptance*- the act of promising to make payment at a specified future date. A term that is also used to describe a draft for which payment has been promised at a specified future date.

*account party*- the party requesting a bank to open a letter of credit on his behalf; also known as the applicant or importer.

*advising bank*- the bank which forwards a letter of credit to an exporter without accepting responsibility to pay, accept or negotiate, even if authorized to do so by the issuing bank.

*amendment*- a change in the original language of a letter of credit which requires the agreement of the bank, the applicant and the beneficiary.

*applicant*- see account party or importer.

*assignment of proceeds*- the right of a beneficiary to designate that all or part of the proceeds from a drawing under a letter of credit be paid directly to a designated party by the paying bank.

*back-to-back credit*- a second letter of credit with identical documentary requirements and covering the same merchandise as the first letter of credit, except for a difference in the price of the merchandise as shown by the invoice and the draft. The first letter of credit can be negotiated only after the second is negotiated.

*banker's acceptance*- an instrument created by a bank when it accepts a time draft for payment at a specified future date.

*beneficiary*- the party in whose favor a letter of credit is issued.

*bill of exchange* - a signed unconditional order in writing demanding the drawee to pay a specified sum to a specified person. In international trade, a bill of exchange is

another term for draft.

*bill of lading*- a document issued by a shipper furnishing written evidence for the conveyance of merchandise. It is both a receipt for the merchandise and a contract to deliver it as freight.

*carriage*- the transport of merchandise.

*carrier*- the party responsible for the transportation of merchandise.

*certificate of inspection*- a document issued by an independent third party in the country of the exporter to assure the integrity of the merchandise as specified in the sales contract.

*certificate of origin*- a document required in connection with shipments to certain countries in which certification is made as to the country of origin of the merchandise.

*clean payment in advance*- a method of payment for merchandise which requires the importer to pay prior to shipment of merchandise by the exporter.

*collateral*- items of value, such as securities, that are pledged as an alternate source of repayment of an indebtedness.

*collection*- the process of presenting an instrument to the maker for payment.

*commercial invoice*- an invoice issued by the exporter of merchandise, addressed to the importer, giving a description of the goods, prices, charges and other information as described in the sales contract.

*commission costs*- charges assessed by a bank for the opening of letters of credit, their handling and financing.

*confirming bank*- a bank which adds its confirmation to the irrevocable credit of another bank, accepting responsibility for payment to the exporter without recourse.

*consular invoice*- an invoice for merchandise shipped from one country to another, prepared by the shipper, and certified at the shipping point by a consul of the country of destination. The consul's certification applies to the value of the merchandise, the port of shipment, the port of destination, and, in some cases, the place of origin of the merchandise.

*contingent liability*- a conditional liability of the bank issuing a letter of credit to pay the exporter. The condition is that the beneficiary satisfies the requirements of the letter of credit.

*correspondent bank*- a bank which agrees to conduct business on behalf of another bank.

*cost, insurance and freight (CIF)*- a shipping term under which the seller quotes a price including the cost of the merchandise, insurance, and all transportation charges to the named point or destination.

*credit history*- an evaluation of the financial stability of an importer and his ability to repay the bank. This evaluation is prepared by the bank who has been requested to issue a letter of credit.

*deferred payment*- a payment method for a letter of credit which entitles an exporter to be paid upon presentation of a sight draft at a future date specified by the bank at the time it receives the appropriate documentation.

*discounting*- a method by which an exporter can receive cash immediately for a banker's acceptance; it requires him to accept less than the face value of the draft.

*discrepancies*- errors or inconsistencies in the documents presented by the exporter which do not agree with the terms of the letter of credit.

*documentary collection*- a method of payment for merchandise by which the

exporter presents to a bank a draft or bill of exchange along with shipping documentation. The bank forwards the documentation to a bank in the country of the importer for presentation and payment.

*documentary credit*- (see letter of credit)

*documentary examination*- the process by which the bank reviews the documentation provided by the exporter to assure its conformity with the terms and conditions required by the letter of credit.

*documentation*- items which must be presented by an exporter in order for payment to be rendered under documentary collection or letter of credit payment methods; includes commercial, transport, insurance and official documents.

*documents against acceptance (d/a)*- a documentary collection method by which the exporter relinquishes documentation related to the sale of merchandise based on the importer's promise to pay at a specified future date.

*documents against payment(d/p)*- a documentary collection method which does not permit an importer to obtain documents entitling him to take possession of merchandise until he has made payment.

*draft*- a signed order by one party, the drawer, addressed to another, the drawee, directing the drawee to pay a specified sum of money to the order of a third person, the payee.

*endorsement*- a signature of the payee on a negotiable instrument made primarily for the purpose of transferring the rights of the payee to some other person.

*engagement clause*- a section of a letter of credit which contains the issuing bank's promise to pay either a named party only or a named party as well as all bonafide holders and endorsers.

*expiry date*- the last date on which documents and a draft may be presented by the exporter to a bank for payment or negotiation.

*export license*- a required document for some merchandise exported from the United States to monitor the flow of merchandise for national security, shortage, foreign policy or other considerations.

*exporter*- a seller who provides merchandise or services from his nation to buyers in another country.

*free on board(fob)*- a shipping term under which the price quoted applies only for the merchandise until it reaches the shipping point. The exporter is responsible for all charges incurred until the merchandise is loaded onto the vessel.

*importer*- a buyer who purchases merchandise or services from a seller in another country.

*indemnity*- a procedure by which a paying bank is relieved of responsibility and is promised repayment by the beneficiary of a letter of credit or another bank if the documents are refused by the issuing bank due to discrepancies under the terms of the letter of credit.

*International Chamber of Commerce (ICC)*- a world business organization which promotes freedom of world trade and seeks to facilitate business and trade practices.

*insurance*- protection against financial loss which may occur as a result of the various perils and risks to which merchandise may be exposed during shipment. It may be issued as a policy by an insurance company or as a certificate covered by a master policy held by the exporter or the importer.

*invoice*- a statement prepared by the exporter addressed to the importer showing the details

of the sale and billing the merchandise to the importer.

*irrevocable letter of credit*- a letter of credit which may not be amended or canceled prior to the expiration of the credit without the consent of all parties.

*issuing bank*- a bank which issues a letter of credit at the request of an importer and guarantees payment to a named beneficiary provided the terms and conditions of the letter of credit are met.

*letter of credit*- an instrument issued by a bank to an exporter by which the bank substitutes its own credit for that of the importer and guarantees payment provided the documentary requirements are satisfied.

*letter of credit agreement form*- a written contract between the issuing bank and the applicant summarizing the rights and responsibilities of both parties in the letter of credit transaction. The applicant acknowledges his agreement by signing it.

*letter of credit application*- this form is completed by the importer in order to outline to the bank the document requirements and conditions which the importer wishes to include in the letter of credit.

*marks (markings)*- internationally recognized symbols that facilitate the recognition of cargo. They are included on the commercial invoice, bill of lading and any other required documents.

*negotiable letter of credit*- a letter of credit for which the promise of the issuing bank to make payment is extended to a named party as well as to all bonafide holders and endorsers.

*negotiating bank*- a bank in the country of the exporter which advances payment to the exporter with recourse to him until payment is received from the issuing or confirming bank.

*negotiation*- a method of settlement which entitles the exporter to present required documentation to a bank in his locale which will buy a draft drawn on the issuing bank or advance funds against the draft with the intention of obtaining reimbursement from the issuing bank.

*non-negotiable letter of credit*- a letter of credit for which the promise of payment by the issuing bank is extended only to a named party. It is also known as a straight credit.

*notify party*- a party named on a bill of lading who is to be contacted when the vessel carrying the merchandise arrives at a designated port. Typically, the notify party is the importer's customs broker.

*open account*- a method of payment for merchandise by which the importer is required to pay only after receipt of the merchandise.

*packing list*- a document that indicates the contents of individual parcels within a shipment. It is usually required when merchandise is packed in multiple containers.

*paying bank*- a bank authorized by the issuing bank to make payment to an exporter against presentation of documentation with recourse to the issuing bank.

*recourse*- the agreement of the exporter to refund payment on demand to the negotiating bank should documents be returned by the paying bank with discrepancies.

*red-clause letter of credit*- a letter of credit that provides for advance payments prior to the presentation of documents.

*reimbursing bank*- the bank authorized by the issuing bank to make payment to a paying or negotiating bank for payments made under a letter of credit according to the instructions of the issuing bank.

*revocable letter of credit*- a letter of credit which may be amended or canceled by the issuing bank at any time prior to the presentation of the documents by the exporter without prior notice to the beneficiary.

*revolving letter of credit*- a letter of credit that automatically replenishes its value.

*sales contract*- a written agreement between two parties covering the terms and conditions of the exchange of merchandise for payment.

*shipper's export declaration*- a required document for all merchandise exported from the United States showing statistical information relevant for balance of payments purposes.

*sight draft*- a draft that is payable upon presentation to the drawee immediately or on demand.

*stale documents*- documents presented 21 days after the issuance of the transport documents or 21 days after the on-board date of the shipment, unless another period of time is stated in the letter of credit.

*standby letter of credit*- a letter of credit that is not typically used as a primary source of payment. It will be drawn against only if the primary source of payment fails.

*straight credit*- a letter of credit in which the bank's promise of payment is extended only to the beneficiary. It is typically known as a non-negotiable letter of credit

*tenor*- specification within a letter of credit regarding the time of payment of a draft.

*time draft*- a draft that is payable at a fixed or determinable future date.

*title*- the right of possession to merchandise.

*total price*- a price for merchandise which includes the unit or individual prices of all parcels within a shipment.

*trade acceptance*- a time draft on which the importer has written the word accepted and the date it is payable. A commitment to pay at a specified future date is acknowledged by the signature of the importer on the time draft.

*transferable letter of credit*- a letter of credit that enables the beneficiary to transfer his rights under the letter of credit to another party in total or in part, thereby authorizing that party to present a draft and documents for payment. A letter of credit is only transferable if specifically indicated in the document.

*transport document*- a contract for the carriage of merchandise issued by a carrier or a carrier's agent which can confirm for the importer that merchandise has been dispatched, taken in charge or loaded on board a named vessel.

*transshipment*- the transfer of merchandise at a designated intermediate port from one ship to another.

*Uniform Customs and Practice for Documentary Credits (UCP), Publication No. 600*- principles established by the International Chamber of Commerce and most recently revised in 2007 to formulate standards for operating procedures in documentary letter of credit transactions.

*Uniform Rules for Collection, Publication No. 522*-principles established by the International Chamber of Commerce and most recently revised in 1995 to formulate standards for operating procedures in documentary collection transactions.

*unit price*- the individual price for each item included in a total shipment of merchandise.

*usance letter of credit*- another term for a letter of credit for which a time draft is drawn, providing for the exporter to receive payment by a specified number of days following acceptance of the draft by the bank.

*waybill*- a consignment note or delivery order issued only in non-negotiable form by a carrier or his agent.

*weight list*- an itemized listing of the weights of each package or bale in a shipment.