

# INTERNATIONAL BUSINESS

## PART 1: TRADE AND EXPORT FINANCE

### SECTION 2: COLLECTIONS

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# Collections

## International Rules

Collections are subject to a set of international rules entitled Uniform Rules for Collections (URC), ICC Publication No. 522, published by the International Chamber of Commerce (ICC) in Paris.

You can get a copy of the rules by contacting the ICC.

## The Collection Process

1. The contract stating the payment method and shipment terms is made between the importer and the exporter.
2. The exporter sends the documents to its bank with instructions for delivery.
3. The exporter's bank sends the documents to the importer's bank together with the exporter's instructions. The documents can be released to the importer only against payment, except in the case of a term bill of exchange. In this case, the instructions usually stipulate that the documents are to be released against acceptance of the bill with subsequent presentation for payment on the due date.
4. The importer's bank hands the documents to the importer on payment or acceptance of a bill of exchange.
5. The exporter receives payment.

## **FAQ: COLLECTIONS**

### **Do I have a guarantee for payment as Exporter?**

No. Trading on a collection basis means that documents will not be handed over until payment has been made or a draft has been accepted, but in contrast to a documentary credit, the buyer is not obliged to pay or accept a draft.

### **Which documents must I present as Exporter?**

There is no simple answer as to what documents must be presented under a collection - it depends on what you have arranged with your buyer. However, typical documentation includes a **bill of lading** (or a transport document), **invoice**, **certificate of origin**, **insurance certificate** (if required) and **bill of exchange**.

### **Can payment wait until the arrival of the goods?**

The international rules for collections do not stipulate when the importer must make payment. Therefore you can certainly defer the payment until the goods arrive unless you have arranged otherwise with the seller.

### **Can I, as Importer, waive charges?**

The importer cannot waive charges under a collection if the collection instructions state that this is not permitted.

## **GLOSSARY: Collections**

Term	Explanation
Acceptance	Written acceptance of a draft/bill of exchange against receipt of documents on a D/A basis (see Documents against acceptance)
Air waybill (AWB)	Air transport document
At sight	Payment with no period of credit
Aval	The bank's guarantee of payment of an accepted bill of exchange/draft
Beneficiary	Recipient of payment
Bill of lading	Sea transport document
Cash against documents (CAD)	Payment against documents
Clean collection	When only a draft is sent for collection (see Financial documents below)
CMR waybill	Overland transport document
Collecting bank	The bank through which documents are sent for presentation
Collection order	The seller's instruction to a bank to send a set of documents for collection
Commercial documents	Documents concerning goods or services
Consignee	Recipient of goods
Consignor	Sender of goods
Direct collection	Used when an exporter sends documents and an instruction letter direct to the foreign bank
Dishonour	Lack of payment or lack of acceptance
Documents against acceptance (D/A)	Collection instructions stating that the documents may be handed over to the buyer against its acceptance of a draft
Documents against payment (D/P)	Collection instructions stating that the documents may be handed over to the buyer against payment

## GLOSSARY: Collections—Continued

Drawee	Person or company who will pay the collection
Drawer	Person or company who will receive payment under the collection
Due date	Date on which payment is due
Financial documents	Drafts/bills of exchange sent for payment unaccompanied by other documents
For account of	To be paid by
Maturity	The date a payment matures, or falls due
Past due	An accepted draft which is not paid at maturity
Presenting bank	The bank that presents an import draft or documents to the importer against payment or acceptance
Promissory letter	A written promise to pay a given amount on a given date
Promissory note	Draft issued by the buyer
Protest	An endorsement by a judge on the reverse of a draft, confirming that the draft has not been paid or accepted
Remitting bank	The bank that sends the collection documents on behalf of the exporter
Tenor	The period of deferred payment given by the exporter
URC 522	The international rules for collections, Uniform Customs and Practice for Collections, ICC Publication No. 522
Waive charges/interest	For the buyer to decline to pay charges or interest
Written undertaking	A written statement that a party will pay a given amount on a given date

# IMPORT COLLECTIONS

## **IMPORT COLLECTIONS offer importers the following advantages:**

- A payment or a commitment to pay is made only upon receipt of the relevant documents by your bank.
- You can decide not to accept or pay the collection.
- Your banking facilities are not affected unless the seller asks that an accepted bill of exchange be guaranteed by your bank.
- The importer's bank will effect payment on the importer's behalf rather than the importer's having to make payment by international money transfer or bank draft.

You should be aware, however, that according to the international rules for collections, banks are not responsible for the authenticity or correctness of the documents or for the condition of the goods.

## **RELEASE OF GOODS**

The goods sometimes arrive before the documents. When the goods are consigned to your bank, the importer can take possession of the goods if your bank releases them and the importer provides an indemnity to the Bank

To obtain the release of the goods, the importer makes a commitment to pay for or accept the documents immediately upon presentation.

# EXPORT COLLECTIONS

**EXPORT COLLECTIONS offer exporters the following advantages:**

- The exporter's bank monitors whether the payment is made or accepted.
- The shipping documents stay in the banking system until the collection has been paid or accepted.
- You can electronically initiate and manage your export collections.
- You obtain better liquidity.
- They are easier to process than documentary credits.

You should be aware, however, that if the goods are addressed to the buyer, the buyer will usually be able to get hold of them without presenting the transport documents, with the exception of bills of lading.

For this reason, it might be prudent to address the goods to a transport firm or the buyer's bank - although this requires the bank's agreement.

## **DIRECT COLLECTIONS**

Direct collection service speeds up the process even more by allowing you to send the documents and the instruction letter to the buyer's bank yourself through Business eBanking on behalf of your designated bank.

The bank takes care of the rest of the transaction.

## **INTERNATIONAL INVOICING: Collection Service**

If your company trades abroad, you might be using considerable resources collecting from debtors in the various countries.

Collection Service can make the process more efficient, ease the administrative load and potentially give your company real savings. You can use it to collect payments from debtors from almost anywhere in the world.

### **WHAT IS COLLECTION SERVICE?**

You deliver all your collection information electronically in a file to the Bank. They print and send your company's invoices to customers abroad. You need to communicate with only one service provider instead of a service provider in each country. This can give you several advantages, such as:

- improved liquidity management
- fewer administrative tasks
- the possibility of a faster reminder procedure
- fewer manual payments to handle
- ease in repaying amounts to customers

Invoice collections can be printed in a designated language if required.

#### **NOTE:**

Collection Service was developed by Danske Bank, originally for use in northern Europe, where it offers direct debit payments in several countries. But it provides the same results in the United Kingdom and almost anywhere else in the world.

# SAMPLE: International Collection

Name of Bank Trade and export Finance Street Address City, State Zip Code	Our ref.	Date
	Contact	Phone no.

We enclose the undermentioned documents for collection in accordance with "Uniform Rules for Collections":

Due Date	Currency and Amount	Documents	Copies	Documents	Copies
		Draft		Packing list	
Documents to be presented through (Drawee bank details)		Receipt		Weight cert.	
		Invoice		Orig. B/L	
		Customs Inv.		Copy B/L	
Drawee		Cert of Origin			
		Insurance			
	Documents to be delivered against		[ ] Payment [ ] Acceptance		

Please follow the instructions marked with X:

<input type="checkbox"/> With protest for non-payment <input type="checkbox"/> Without protest for non-payment	<input type="checkbox"/> In case of need refer to our agent:  <input type="checkbox"/> Who is for information only <input type="checkbox"/> Who is fully powered
<input type="checkbox"/> With protest for non-acceptance <input type="checkbox"/> Without protest for non-acceptance	
<input type="checkbox"/> Please advise acceptance by Mail/Swift	
<input type="checkbox"/> Please remit proceeds by Mail/Swift	
<input type="checkbox"/> Defer payment/acceptance pending arrival of goods ETA date	<input type="checkbox"/> Please pay agent commission
<input type="checkbox"/> Report non acceptance/ non-payment by Mail/Swift	After actual payment
<input type="checkbox"/> Please collect all foreign charges from drawee <input type="checkbox"/> Please collect all charges from drawee incl. your charges	<input type="checkbox"/> (Bank Name) charges are to be paid by ourselves
<input type="checkbox"/> Charges must not be waived	Please note that unless otherwise instructed charges can be waived by drawee
Special instructions:	

When paid please credit account no. \_\_\_\_\_

### Conditions of Collection

- The Bank is not liable for loss, damage, or delay however caused, which is not directly due to the negligence or default of its own officials or servants.
- Where, owing to exchange restrictions, prohibitions, or suspensions of means to effect transmission, payment of a bill is effected in a currency other than that which it is drawn, neither this Bank nor its agents can accept responsibility for any loss in exchange which may occur if and when subsequent conversion shall take place.
- We hereby declare that the instructions given comply with the foreign exchange regulations and orders concerning currency conditions and foreign trade that are in force at the time of entering.
- We undertake to reimburse you for all charges incurred in connection with this bill, whether paid or unpaid.

**In order to process this transaction, personal information relating to individuals/companies named on this form may be provided to overseas authorities in order to comply with applicable legal obligations and prevent crime.**

# SAMPLE: BILL OF EXCHANGE

Issued at \_\_\_\_\_ on \_\_\_\_\_  
(Place) (Date)

To \_\_\_\_\_  
(Drawee's name and address)

Pay against this Bill of Exchange the amount of

\_\_\_\_\_  
(Currency and amount in figures)

\_\_\_\_\_  
(Currency and amount in words)

Payable \_\_\_\_\_ to the order of \_\_\_\_\_  
(state AT SIGHT or the date of maturity)

\_\_\_\_\_  
(Drawer's name)

For and on behalf of \_\_\_\_\_  
(Drawer's name and authorized signature[s])

\_\_\_\_\_

Accepted on \_\_\_\_\_  
(Date)

Payable at \_\_\_\_\_  
(Place)

For and on behalf of \_\_\_\_\_  
Drawee's name and authorized signature[s]