

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
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МЕТОДИЧНІ ВКАЗІВКИ

до практичних робіт та самостійної роботи
з дисципліни «Практика перекладу з
основної іноземної мови науково-
технічної літератури» для студентів усіх
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Unit 1**CASH IN ADVANCE****Vocabulary****I. Translate the text.**

Receiving payment by cash in advance of the shipment might seem ideal. In this situation, the exporter is relieved of collection problems and has immediate use of the money. A wire transfer is commonly used and has the advantage of being almost immediate. Payment by check, may result in a collection delay of up to six weeks. Therefore, this method may defeat the original intention of receiving payment before shipment.

Many exporters accept credit cards in payment for exports of consumer and other products, generally of a low dollar value, sold directly to the end user. Domestic and international rules governing credit card transactions sometimes differ, so U.S. merchants should contact their credit card processor for more specific information. International credit card transactions are typically done by telephone or fax. Due to the nature of these methods, exporters should be aware of fraud. Merchants should determine the validity of transactions and obtain the proper authorizations.

For the buyer, however, advance payment tends to create cash flow problems, as well as increase risks. Furthermore, cash in advance is not as common in most of the world as it is in the United States. Buyers are often concerned that the goods may not be sent if payment is made in advance. Exporters that insist on this method of payment as their sole method of doing business may find themselves losing out to competitors who offer more flexible payment terms.

II. Find the synonyms:

- | | |
|-------------|-----------------|
| 1) delay | a) lawfulness |
| 2) shipment | b) confirmation |
| 3) consumer | c) merchandise |

- | | |
|------------------|----------------|
| 4) fraud | d) hold-up |
| 5) validity | e) swindle |
| 6) authorization | f) user |
| 7) goods | g) consignment |

III. Translate into English:

Банківський переказ – розрахункова банківська операція, яка здійснюється за допомогою надісланого платіжного доручення одного банку іншому.

Види розрахунків переказами:

За дорученнями клієнтів – платіж у формі відкритого рахунку;

За дорученнями зарубіжних банків – платіж банківськими переказами (між банківськими кореспондентами).

Види розрахунків банківськими переказами:

Поштові перекази (поштові платіжні доручення) – пересилаються одним банком іншому.

Телеграфні перекази (телеграфне платіжне доручення).

Міжнародні грошові перекази (система SWIFT) – міжнародні господарські експрес-перекази.

Міжнародні грошові доручення – перекази через поштові агенції або міжнародний банк.

IV. Find the synonyms:

- | | |
|------------------|-------------------|
| 1) enterprise | a) mutual |
| 2) expedient | b) payment |
| 3) to transmit | c) to dispatch |
| 4) instantaneous | d) widely |
| 5) reciprocal | e) usually |
| 6) ultimate | f) remittal |
| 7) fee | g) clever |
| 8) extensively | h) to seize |
| 9) to encrypt | i) immediate |
| 10) on average | j) liability |
| 11) time frame | k) ordinary |
| 12) transfer | l) institution |
| 13) to hedge | m) period of time |

- | | |
|------------------|---------------|
| 14) savvy | n) exchange |
| 15) conventional | o) final |
| 16) swap | p) reasonable |
| 17) obligation | q) to code |
| 18) to forfeit | r) to insure |

V. Translate into English:

ПЕРЕДОПЛАТА

Це форма розрахунків, що полягає в тому, що продавець товару або послуг відпускає (відвантажує, надає) товари або послуги лише після отримання обумовленої фіксованої суми грошей або відсотка від операції, що належить йому заздалегідь. Існують такі основні форми передоплати: повна, часткова і револьверна. Повна передоплата складає повну вартість операції; часткова - заздалегідь обумовлену фіксовану суму або відсоток; револьверна - здійснюється при більш менш тривалих операціях під товари або послуги, які надаються регулярно (періодично). Розрахунки шляхом передоплати дозволяють стабілізувати стосунки контрагентів, гарантувати інтереси товаровласника при нестійкій економічній кон'юктурі, інфляції, уповільненні швидкості звороту і кризі платоспроможності.

VI. Match the words with their translations:

- | | |
|------------------------|-----------------------------|
| 1) chargeback | a) сделка на срок |
| 2) spot transaction | b) срок погашения |
| 3) forward transaction | c) валютный курс |
| 4) interest amount | d) возвратный платеж |
| 5) maturity date | e) сумма процента |
| 6) exchange rate | f) сделка на наличный товар |

VII. Find the synonyms:

- | | |
|---------------------|------------------|
| 1) exporter | a) circular note |
| 2) notice | b) to turn down |
| 3) letter of credit | c) advice |
| 4) to offset | d) load |
| 5) to reject | e) shipper |

b) cargo

f) to compensate

VIII. Translate into English:

Якихось десять - п'ятнадцять років тому відправити грошовий переказ можна було лише за допомогою пошти. Вся різноманітність послуг закінчувалася на термінах доставки грошей: звичайний поштовий переказ йшов тиждень, а то і довше, телеграфний - можна було отримати впродовж трьох днів. Сьогодні ринок послуг з передачі грошей фізичним особам є набагато більш обширним. Телеграфний переказ грошей – це спосіб переказу грошей в будь-яку країну світу за допомогою кабельного трансферу між банками. Переказ зазвичай здійснюється у валюті одержувача платежу, а гроші можуть бути зараховані на його рахунок в певному банку або виплачені йому готівкою при пред'явленні посвідчення особи.

UNIT 2**LETTER OF CREDIT****Vocabulary**

letter of credit - акредитив

unilaterally - в односторонньому порядку

time-consuming - трудомісткий

maturity date - термін платежу (термін виплати векселя або іншого боргового зобов'язання, тобто дата, коли фінансовий інструмент або позика підлягає виплаті готівкою у розмірі його вартості на момент виплати)- термін виплати (дата, коли емітент зобов'язався викупити свої боргові зобов'язання за номінальну ціну)

comply (with) – відповідати (стандартам), підкорятися (вимогам, правилам)

applicant – передплатник (на цінні папери)

beneficiary - бенефіціар (особа, яка отримує гроші по акредитиву)

documentary letter of credit – товарний акредитив

ocean bill of lading - морський [океанський] коносамент (товаророзпорядчий документ, що видається перевізником вантажовідправникові на підтвердження факту прийняття вантажу до морського перевезення і зобов'язання передати його вантажоодержувачеві; містить: найменування судна; дані перевізника, місце прийому вантажу, дані відправника, місце призначення, дані одержувача, найменування вантажу і др.; за законодавством Великобританії і США відноситься до цінних паперів)

consular invoice – консульський інвойс (специфікація товарів, що купуються якою-небудь державою, зроблена консулом цієї держави, що знаходиться в країні-експортерів)

draft Dft – тратта (письмовий наказ однієї особи (векселедавця, трасанта) іншій особі (платникові, трасатові) виплатити третій особі певну суму; синонім переказного векселя)

insurance policy – страховий поліс

revocable letter of credit – відкличний акредитив (акредитив, який може бути анульований або умови якого можуть бути змінені банком, на який він виписаний)

irrevocable letter of credit – безвідкличний акредитив

amendment – поправка

receipt of funds to account – надходження коштів на рахунок

letter of confirmation – лист-підтвердження

freight forwarder – (вантажний) експедитор (компанія, що пропонує послуги з організації транспортування вантажів, оформлення транспортних і митних документів, виконання розрахунків і т. д.)

clean bill of lading – чистий коносамент, коносамент, що засвідчує хороший стан вантажу

confirmed letter of credit – затверджений акредитив (акредитив, виданий іноземним і підтверджений вітчизняним банком)

payable at sight – з оплатою після пред'явлення

on the maturity date – на день платежу

deferred payment – відстрочений платіж

advising bank - банк, що виконує виплату за акредитивом

issuing bank – банк-емітент

nominated bank – виконуючий банк

shop around – шукати найкращу ціну

customs clearance – очищення від митних зборів

I. Translate the text.

A letter of credit adds a bank's promise to pay the exporter to that of the foreign buyer provided that the exporter has complied with all the terms and conditions of the letter of credit. The foreign buyer applies for issuance of a letter of credit from the buyer's bank to the exporter's bank and therefore is called the applicant; the exporter is called the beneficiary.

Payment under a documentary letter of credit is based on documents, not on the terms of sale or the physical condition of the goods. The letter of credit specifies the documents that are required to be presented by the exporter, such as an ocean bill of lading (original and several copies), consular invoice, draft, and an insurance policy. The letter of credit also contains an expiration date. Before payment, the bank responsible for making payment, verifies that all document conform to the letter of credit requirements. If not, the discrepancy must be resolved before payment can be made and before the expiration date.

A letter of credit may either be irrevocable and thus, unable to be changed unless both parties agree; or revocable where either party may unilaterally make changes. A revocable letter of credit is inadvisable as it carries many risks for the exporter.

A change made to a letter of credit after it has been issued is called an amendment. Banks also charge fees for this service. It should be specified in the amendment if the exporter or the buyer will pay these charges. Every effort should be made to get the letter of credit right the first time since these changes can be time-consuming and expensive.

To expedite the receipt of funds, wire transfers may be used. Exporters should consult with their international bankers about bank charges for such services.

II. Find the synonyms:

- | | |
|----------------|---------------|
| 1) applicant | a) admissible |
| 2) beneficiary | b) difference |
| 3) draft | c) correction |
| 4) discrepancy | d) subscriber |
| 5) amendment | e) dearly |
| 6) to alert | f) to load |
| 7) to delay | g) receiver |

- | | |
|-----------------|---------------------|
| 8) acceptable | h) agreement |
| 9) expensive | i) responsible |
| 10) liable | j) to curtail |
| 11) to reduce | k) to change |
| 12) to freight | l) to gather |
| 13) to assemble | m) to postpone |
| 14) consent | n) bill of exchange |
| 15) to alter | o) to warn |

III. Read and translate.

A Typical Letter of Credit Transaction

Here are the typical steps of an irrevocable letter of credit that has been confirmed by a U.S. bank:

1. After the exporter and buyer agree on the terms of a sale, the buyer arranges for its bank to open a letter of credit that specifies the documents needed for payment. The buyer determines which documents will be required.

2. The buyer's bank issues, or opens, its irrevocable letter of credit includes all instructions to the seller relating to the shipment.

3. The buyer's bank sends its irrevocable letter of credit to a U.S. bank and requests confirmation. The exporter may request that a particular U.S. bank be the confirming bank, or the foreign bank may select a U.S. correspondent bank.

4. The U.S. bank prepares a letter of confirmation to forward to the exporter along with the irrevocable letter of credit.

5. The exporter reviews carefully all conditions in the letter of credit. The exporter's freight forwarder is contacted to make sure that the shipping date can be met. If the exporter cannot comply with one or more of the conditions, the customer is alerted at once.

6. The exporter arranges with the freight forwarder to deliver the goods to the appropriate port or airport.

7. When the goods are loaded, the freight forwarder completes the necessary documentation.

8. The exporter (or the freight forwarder) presents the documents, evidencing full compliance with the letter of credit terms, to the U.S. bank.

9. The bank reviews the documents. If they are in order, the documents are sent to the buyer's bank for review and then transmitted to the buyer.

10. The buyer (or the buyer's agent) uses the documents to claim the goods.

11. A draft, which accompanies the letter of credit, is paid by the buyer's bank at the time specified or, if a time draft, may be discounted to the exporter's bank at an earlier date.

IV. Translate the text.

The L/C payment procedure is usually as follows:

a. You (the importer) apply to open the L/C to us (the seller) through a bank who can open the L/C in your country.

b. The opening bank will inform The Bank of China that the L/C has been opened.

c. The Bank of China will inform us that the L/C has been established.

d. We'll check all the terms and conditions listed in the L/C. If all terms and conditions are acceptable, we'll arrange the shipment within the time specified in the L/C.

e. After the goods are loaded onto the ship without any damage, the captain will issue the clean bill of lading to us.

f. We will submit the clean bill of lading and other relevant documents to The Bank of China to gather the payment. Only with clean bill of lading can you claim the ownership of the goods.

g. The Bank of China will send the clean bill of lading and relevant documents to your bank (the opening bank).

h. The opening bank will inform you that all documents are received.

i. You will go to the bank to make the payment to get the clean bill of lading and relevant documents.

j. With all of these documents, you can clear the import Customs and pick up the goods after the goods arrive on the destination sea port.

The typical L/C scenario takes 14-21 days to complete.

V. Read and translate the text.

L/C, its Forms and Types

Letters of Credit are regulated by International Chamber of Commerce under the Uniform Customs and Practice for Documentary Credits (UCP 600). I strongly recommend you obtain this document from the International Trade Department of your financial institution or from ICC Australia* and read it very carefully. Sometimes it's difficult to understand what it means, as the document is drafted for the banking professionals and its language is very technical. Do not hesitate to call your bank and ask questions. Any mistakes, unclear or incorrectly stipulated terms, even typos in a L/C may cost you dearly.

In "plain English", L/C is a conditional bank guarantee of payment for supplied goods. "Conditional" means that to get paid you have to present the bank-guarantor with documents, which strictly comply with the terms and conditions specified in the L/C.

There are different forms and types of L/C, which you may (or should not) use in your operations.

Revocable and Irrevocable L/C "A revocable L/C may be amended or cancelled by the Issuing Bank at any moment and without prior notice to the Beneficiary." (UCP 500, Article 8,a). This is as simple, as that. Never accept this form of L/C in your export arrangements.

Agree that the L/C is irrevocable before you go any further in your L/C negotiations. Although UCP 500 requires that L/C should indicate whether it is revocable or irrevocable (Article 6, b), it also says "in the absence of such indication the Credit shall be deemed to be irrevocable." (Article 6, c)

Confirmed L/C When you export to a country with economical or political instability or if you are unfamiliar with the Issuing Bank, you should require that the L/C be confirmed by a first-class bank. If L/C is confirmed, the confirming bank is liable for the payment.

Transferable L/C Transferable L/C is a perfect financial tool for middlemen to secure their margin without involving any funds. It allows dealing with more than one beneficiary. When a transferable L/C is issued in your favour, you can transfer it to your seller and use it as a payment. L/C "can be transferred only if it is expressly designated as "transferable". Transferable L/C must correspond with the original L/C, "with the exception of:

- the amount of the L/C,
- any unit price,

- the expiry date,
- the last date for presentation of documents,
- the period for shipment,

any or all of which may be reduced or curtailed." (UCP 500, Article 48, h)

L/C payable at sight "Payable at sight" means that you'll be paid "immediately" (in fact, it may take up to 7 days) after presentation of the documents stipulated in the L/C to the Issuing Bank or to the Confirming Bank if it was confirmed.

L/C payable on the maturity date If deferred payment was agreed, you'll be paid on the maturity date indicated in the L/C after presentation of the documents stipulated in the L/C to the Issuing Bank. Don't forget to specify the date from which the deferring period starts (e.g. 90 days after date of transport document).

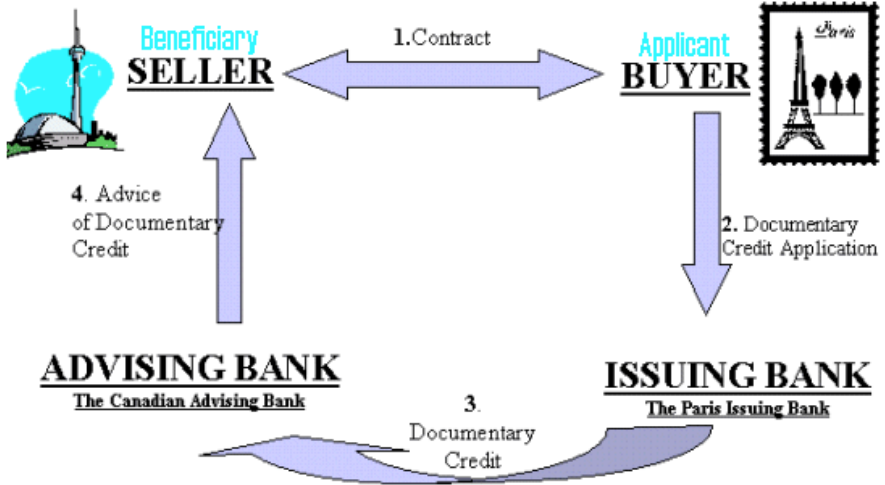
The payments under L/C are usually made by the bank upon receipt of the documents stipulated in the L/C and a bill of exchange issued by you.

The bill of exchange (the draft) is an unconditional order in writing, signed and addressed by the drawer (you) to the drawee (the paying bank), requiring the drawee to pay the drawer a certain sum of money according to the terms of the L/C.

Under L/C, always draw the draft on the bank, not on the buyer.

The Documentary Credit Cycle

Letter of Credit



The Advising Bank

The Advising Bank advises you that a L/C is received and available to you and informs you about the terms and conditions of the L/C. The advising bank is not responsible for the payment of the L/C.

The Advising Bank is not necessarily a bank where you usually banking. Shop around. Try to find a bank, which has a corresponding bank in your buyer's country and can offer you a better deal in terms of charges involved in the payment under L/C.

The Issuing Bank

The Issuing Bank is the key player in the procedure, the one who makes the payment. Try to negotiate with the buyer which bank will issue the L/C. Ask the Advising Bank if it has a corresponding bank in the buyer's country and suggest this bank to the buyer as the issuing bank.

If the Advising Bank does not have a corresponding bank in the buyer's country, ask the bank to recommend you a well-known bank with high credit rating and insist your buyer has the L/C issued by this bank. The Advising Bank will be able to provide you with the information on financial status and credibility of the Issuing Bank.

If the Issuing Bank is not internationally recognised and your banker or you have any doubts that the Issuing Bank, for any political or economical reason, may fail to make a payment under the L/C, I would strongly recommend that the L/C be confirmed by another bank.

The Nominated Bank

The Nominated Bank is the bank, which is authorized by the Issuing Bank "to pay, to incur a deferred payment undertaking, to accept Draft(s) or to negotiate."

The Issuing Bank may authorise the Nominated Bank to negotiate the drafts and/or documents. Negotiation means that the nominated Bank – in this case the Negotiating Bank - gives value to such draft(s) and/or documents, not just examination of the documents.

Confirmation of L/C

The confirmation of the L/C by another bank - the Confirming Bank - means that if the Issuing Bank refuses to make the payment, the Confirming Bank is responsible for this payment.

The best-case scenario is when the Advising Bank confirms the L/C. If the Advising Bank does not agree to confirm the L/C, ask the bank to recommend you another bank to be the Confirming Bank.

Keep in mind that "Branches of a bank in different countries are considered another bank."

That means that Citibank in Poland, for instance, is an independent financial institution and has its own financial status and credit rating, which is very different compared with the rating of Citibank in Australia. If you are dealing with a buyer from a country with an unstable political or economical situation, always ask for the confirmation of the L/C.

There are additional charges for the confirmation of the L/C, which depend on the risk involved in dealing with the particular country. The responsibility to pay for the confirmation is negotiable and usually is paid by the buyer. However, if it wasn't agreed prior to the issuance of the L/C, you are the one who will pay for this service.

Information that an L/C must have

Although the buyer applies for L/C, it is essential for you to be absolutely sure that the L/C was prepared correctly and there is no legitimate ground for refusal of payment under the L/C. L/C must enclose:

- Full Applicant's name and address
- Full Beneficiary's name and address
- Issuing Bank details
- Advising Bank details
- Form and type of credit (e.g. irrevocable, transferable)
- Issue date
- Expiry date
- The latest date of shipment (usually "no later than")
- Expiry date for presentation of documents
- Amount payable under L/C
- Currency of payment
- Port of loading
- Port of discharge
- Terms of delivery
- Indication of the payment of the freight (Freight Prepaid/Freight Collect)
- Allowances for partial shipment or transshipment if needed
- Type of payment availability (e.g. at sight, on the maturity date)
- Description of goods (must correspond with the description given in the invoice)
- List of documents required for the payment
- Accountability for bank charges

Documents that may be stipulated in an L/C

You should negotiate which documents are to be included in the L/C before the L/C is issued. Always try to keep this list as short as possible. Never agree to include a document that must be signed or authorized by the buyer's representative or a document that may never be produced (say, a certificate, which should be issued by a foreign agency).

I would like to underline that there is a difference between the documents you have to present under the L/C and the documents you have to supply according to the contract. It is not necessary to mention all documents required by the contract in the L/C.

Most likely, you will be required to present a commercial invoice, a transport document and an insurance policy (certificate).

The list of additional documents depends on the agreement made between you and the buyer. Usually the buyer will include documents needed for the customs clearance. The list may include:

- Certificate of origin

- Certificate of quality
- Weight certificate
- Pre-shipment inspection certificate
- Packing declaration
- Packing list
- Fumigation certificate, and so on

The detailed explanation of the above documents is given in the "Export Documentation" section of these tutorials.

In relation to L/C, there are several issues about the documents you should keep in mind:

- Specify how many original documents and how many copies are to be presented.
- The description of goods stipulated in the L/C must correspond with the description given in the invoice. "Must", in this case, means "must". If the invoice states "100% Fruit Juice" and the L/C – "Australian Fruit Juice", it is enough for the bank to refuse the payment and this decision most likely be supported by the court.
- L/C may require a "clean" transport document. That means the document "which bears no clause or notation which expressly declares a defective condition of the goods and/or the packaging".

Delays cause troubles

L/C indicates three dates, which must be met to be paid:

- the latest date for shipment,
- the expiry date for presentation of documents and
- the expiry date of the L/C

When negotiating the date of shipment, be sure that you are able to ship the goods before this date. Always allow extra time for the amendments of the L/C. If the L/C contains any errors or you cannot fulfill all terms and conditions stipulated in the L/C do not ship the goods until all necessary amendments are made. Do not forget to include the amendment allowing "later shipment".

Try to obtain all possible documents before the shipment. If the document can be issued only after the goods are shipped (e.g. transport documents), be sure that you'll get it before the date stated in the L/C. If L/C does not indicate the date of presentation of the documents, "banks will not accept documents presented to them later than 21 days after the date of shipment". (UCP 500, Article 43, a)

The expiry date of the L/C should allow you not only to assemble and check all documents but also to correct errors, which might be identified by the bank. The bank has up to 7 days to examine the documents and inform you if there are any discrepancies. These discrepancies must be corrected and the documents must be resubmitted to the bank prior to the expiry date. "In any event, documents must be presented not later than the expiry date of the Credit." (UCP 500, Article 43, a)

Freight Payment

"Freight" is the term, which refers to the transportation charges. L/C usually requires indicating whether you or the buyer is liable for the freight payment. The responsibility to pay freight depends on the agreed terms of delivery.

If the agreed delivery terms include freight (e.g. CFR, CIF, CIP), then the L/C will require that the transport document clearly indicate that freight has been paid or prepaid and the words "Freight Prepared" appear on the transport document.

"The words "freight prepayable" or "freight to be prepaid" or words of similar effect, if appearing on transport documents, will not be accepted as constituting evidence of the payment of freight" .

If the agreed delivery terms do not include freight (e.g. EXW, FCA, FAS, FOB), then the L/C will require that the transport document indicate that freight is to be paid by the buyer and the words "Freight Collect" appear on the transport document.

Minimizing the risks

When dealing with L/C pay careful attention to the following:

- Prior to the issuance of the L/C, negotiate exactly what documents must be presented to the bank.
- Try to agree to present as few documents as possible and to have descriptions as simple as possible.
- Always include your requirements for the L/C in the pro-forma invoice.
- Once issued, the L/C can only be altered or cancelled by consent of all parties.
- Remember that L/C is a bank-to-bank agreement and is not a substitute for the contract between you and the buyer.

- Be sure that you are in a position to provide the bank with all documents stipulated in the L/C in time.
- Always indicate L/C as "irrevocable".
- Check the Additional Conditions and be sure that you are able to meet them.
- If you have any doubts that the Issuing Bank, for any political or economical reason, can fail to make a payment, the L/C must be confirmed by the Advising Bank or by any other bank, whose confirmation will be accepted by the Advising Bank.
- If there are any discrepancies and the L/C has to be amended, do not ship goods before these amendments are made.

VI. Give explanation to the following words:

1. letter of credit
2. applicant
3. beneficiary
4. draft
5. revocable letter of credit
6. amendment
7. irrevocable letter of credit
8. shop around
9. Fumigation certificate
10. invoice
11. "Freight Prepared"
12. "Freight Collect"

VII. Translate into English:

Акредитив (лат. acce-ditivus — довірчий) — це документ, який містить грошове зобов'язання, відповідно до якого банк, що відкрив акредитив за дорученням клієнта (платника) і згідно з його вказівками (банк-емітент), зобов'язується провести платіж у разі подання одержувачем коштів або зазначеною ним особою (одержувач коштів) документів і виконання інших умов, передбачених акредитивом. Акредитив видається банком за дорученням клієнта на користь його

контрагента за договором. Згідно з ним цей банк зобов'язаний здійснити платіж за виконання контрагентом договору (поставку товарів, надання послуг, виконання роботи) або надати повноваження іншому банку здійснити цей платіж.

Види акредитивів

1 За способом використання: документарні (товарні) і грошові (циркулярні).

Документарні акредитиви — це акредитиви, які використовуються для розрахунків за товари та послуги при наданні обумовлених в акредитиві документів.

Грошові акредитиви — це іменовані грошові документи, в яких зазначаються розпорядження банку про виплату власнику вказаної суми повністю або частинами.

2 За ступенем гарантованості оплати сум, які мають бути сплачені експортеру: *відкличні* (покупець має право в довільний час анулювати акредитив або змінити умови) і *безвідкличні* (протягом встановленого терміну дія акредитиву не може бути анульована без згоди постачальника).

3 За наявністю або відсутністю підтвердження з боку авізуючого або іншого банку: *підтверджений* і *непідтверджений*.

Підтверджений — акредитив, за яким банк-емітент звертається з проханням до іншого банку (часто до авізуючого) взяти на себе зобов'язання за цим акредитивом (підтвердження).

Непідтверджений — це акредитив, який не містить зазначеного вище зобов'язання.

4 Залежно від наявності депонованих грошових коштів у підтверджуючому банку: *покриті* і *непокриті*.

Покритими вважаються такі акредитиви, при відкритті яких банк-емітент попередньо надає у розпорядження виконуючого банку валютні кошти (покриття) у сумі акредитива на строк дії зобов'язань банку-емітента з умовою можливості їх використання для виплат за акредитивом.

Непокритими вважаються такі акредитиви, при виставленні яких банк не депонує кошти клієнта на окремому рахунку і відповідно не надає попередньо у розпорядження виконуючого банку валютні кошти (покриття).

Акредитив вважається однією з найбезпечніших форм міжнародних розрахунків з погляду як наказодавця (платника), так і

бенефіціара (одержувача). Але ризики має і акредитив. Так, можуть надаватися невідповідні документи, акредитив може відкликатися, банк-емітент може не платити, у державі можуть змінюватися валютні правила, а курси валют — коливатися.

UNIT 3

DOCUMENTARY COLLECTION (DRAFT)

Vocabulary

documentary collection - документарне інкасо (різновид інкасо, при якому банк постачальника зобов'язався отримати від покупця певну суму або згода на оплату векселя і натомість видати покупцеві документи на товари)

draft Dft - тратта

sight draft SD, S/D - тратта [переказний вексель] до запитання (переказний вексель, що оплачується при пред'явленні)

time draft - термінова тратта, терміновий переказний вексель (переказний вексель, що підлягає оплаті протягом певного терміну після видачі або акцепту)

drawer - трасант, векселедавець

drawee - трасат

first of exchange - перший екземпляр векселя [тратти] (перший, оригінальний, екземпляр переказного векселя; векселі можуть виписуватися в 2-3 екземплярах, але сплачується лише один)

trade acceptance - акцептований торговий вексель

banker's acceptance - банківський акцепт

I. Translate the text.

Documentary Collection or Draft is the term when you ship the goods before the payment is made and then draw a draft on the buyer, not on the bank, like under L/C. Under documentary collections banks have no responsibility for the payment.

There are two types of documentary collections - sight draft, also known as "Documents Against Payment", and time draft, also known as "Documents Against Acceptance".

Sight Draft

"Sight draft" is payable by the buyer immediately after notification by the buyer's bank of the receipt of the draft and transport documents.

Under this method of payment you (the Drawer) negotiate the terms with the buyer (the Drawee), specify the documents required for the payment, ship the goods and draw the draft on the buyer. The draft and the documents required for the payment are presented to your bank (Remitting Bank) and after examination are forwarded to the buyer's bank (Presenting Bank). The Presenting Bank holds the title documents (usually the transport documents) and will release them to the buyer only after the payment was made.

Sight draft procedure:

1. The Drawer and the Drawee negotiate terms and conditions of the transaction
2. The Drawer ships the goods
3. The Drawer draws a draft and presents it to the Remitting Bank along with other documents
4. The Remitting Bank examines the documents and the draft and forwards them to the Presenting Bank
5. The Presenting Bank notifies the Drawee of receipt of the documents
6. The Presenting Bank holds the documents until the payment is made by the Drawee
7. The Drawee examines the documents and makes the payment for the supplied goods
8. The Presenting Bank releases the documents to the Drawee

Sight drafts have some similarity with L/C. You deal with documents and through banks, and the buyer cannot take the possession of the goods before the payment is occurred.

However, the payment is not guaranteed. If the buyer for any reason refuses to pay, you have to deal with goods "on the water" or stacked in the customs zone in a foreign country. It can be very costly to ship your goods back or to sell them urgently. In both cases, there are substantial additional expenses (warehousing, cost of transportation to a new destination, significant discount, etc.). In some cases, the buyer who failed to pay was

one of the bidders at the resulting auction and had bought the goods for a fraction of the initial price.

It is also possible, that the buyer will delay the payment. Although legally the payment has to be made immediately upon receipt of the draft by the buyer's bank, the buyer may hold the payment until the goods are delivered.

A sight draft is used when the exporter wishes to retain title to the shipment until it reaches its destination and payment is made. Before the shipment can be released to the buyer, the original ocean bill of lading (the document that evidences title) must be properly endorsed by the buyer and surrendered to the carrier. It is important to note that air waybills of lading, on the other hand, do not need to be presented in order for the buyer to claim the goods. Hence, risk increases when a sight draft is being used with an air shipment.

In actual practice, the ocean bill of lading is endorsed by the exporter and sent via the exporter's bank to the buyer's bank. It is accompanied by the sight draft, invoices, and other supporting documents that are specified by either the buyer or the buyer's country (e.g., packing lists, consular invoices, insurance certificates). The foreign bank notifies the buyer when it has received these documents.

As soon as the draft is paid, the foreign bank turns over the bill of lading thereby enabling the buyer to obtain the shipment.

There is still some risk when a sight draft is used to control transferring the title of a shipment. The buyer's ability or willingness to pay might change from the time the goods are shipped until the time the drafts are presented for payment; there is no bank promise to pay standing behind the buyer's obligation. Additionally, the policies of the importing country could also change. If the buyer cannot or will not pay for and claim the goods, returning or disposing of the products becomes the problem of the exporter.

II. Find the synonyms:

- | | |
|---------------------|-----------------|
| 1) supplied | a) considerable |
| 2) possession | b) suitable |
| 3) substantial | c) liabilities |
| 4) endorsed | d) delivered |
| 5) convenient | e) solvency |
| 6) creditworthiness | f) signed |

7) indebtedness

g) ownership

III. Translate the text.

Time Draft

Unlike the sight draft, when dealing with time drafts, the buyer may take possession of the goods before the payment. Under the time draft, you agree on a deferring period, ship the goods and draw a draft. For the title documents to be released, the buyer has to accept the draft by issuing written evidence of his willingness to pay on the agreed maturity date (usually by signing and dating the draft).

Dealing with the 'time draft', always draw a draft against the certain date specified in the other document. (For example, "Payable at 60 days after invoice date/bill of lading date/the draft date")

The time draft, in fact, is very similar to "open account" terms – you have no control over the goods, nor over the payment. The only difference is that, in addition to the contract of sale, you have the buyer's written guarantee to make a payment on a certain date. You have to rely on the buyer. The consequences of the refusal to pay are the same as the consequences of the refusal to pay under "open account".

Drafts are normally issued in a set of two (First of Exchange and Second of Exchange) or singly (Sola Bill of Exchange).) Two drafts are usually drawn to ensure that at least one draft reaches the Drawee when they are dispatched separately. When two drafts are issued they may be numbered "1" and "2" and marked "First of Exchange (Second Unpaid)" and "Second of Exchange (First Unpaid)".

Documentary collection is cheaper than L/C but the risk involved is much greater, especially with the time draft. I wouldn't recommend these terms, unless you are dealing with a well-known trusted buyer or the transaction is insured.

A time draft is used when the exporter extends credit to the buyer. The draft states that payment is due by a specific time after the buyer accepts the time draft and receives the goods (e.g., 30 days after acceptance). By signing and writing "accepted" on the draft, the buyer is formally obligated to pay within the stated time. When this is done the time draft is then called a trade acceptance. It can be kept by the exporter until maturity or sold to a bank at a discount for immediate payment.

A date draft differs slightly from a time draft in that it specifies a date on which payment is due, rather than a time period after the draft is accepted. When either a sight draft or time draft is used, a buyer can delay payment by delaying acceptance of the draft. A date draft can prevent this delay in payment though it still must be accepted.

When a bank accepts a draft, it becomes an obligation of the bank and thus, a negotiable investment known as a banker's acceptance. A banker's acceptance can also be sold to a bank at a discount for immediate payment.

Documentary Drafts

A draft, sometimes also called a bill of exchange, is analogous to a foreign buyer's check. Like checks used in domestic commerce, drafts carry the risk that they will be dishonored. However, in international commerce, title does not transfer to the buyer until he pays the draft, or at least engages a legal undertaking that the draft will be paid when due.

Open Account

In a foreign transaction, an open account can be a convenient method of payment if the buyer is well established, has a long and favorable payment record, or has been thoroughly checked for creditworthiness. With an open account, the exporter simply bills the customer, who is expected to pay under agreed terms at a future date. Some of the largest firms abroad make purchases only on open account.

However, there are risks to open account sales. The absence of documents and banking channels might make it difficult to pursue the legal enforcement of claims. The exporter might also have to pursue collection abroad, which can be difficult and costly. Another problem is that receivables may be harder to finance, since drafts or other evidence of indebtedness are unavailable. There are several ways to reduce credit risk, through such means as export credit insurance and factoring.

Exporters contemplating a sale on open account terms should thoroughly examine the political, economic, and commercial risks. They should also consult with their bankers if financing will be needed for the transaction before issuing a pro forma invoice to a buyer.

IV. Give explanation to the following word combinations:

Sight draft; time draft; goods "on the water"; buyer who failed to pay was one of the bidders at the resulting auction; there is no bank promise to pay standing behind the buyer's obligation; First of Exchange and Second of Exchange; It (a trade acceptance) can be kept by the exporter until maturity; drafts carry the risk that they will be dishonored;

V. Translate into English:

Закон України «Про цінні папери та фондову біржу» від 18 червня 1991 р. визначає вексель як цінний папір, що засвідчує нічим не обумовлене зобов'язання векसेледавця (простий вексель) або вказаного у векселі платника (переказний вексель) виплатити з настанням передбаченого векселем строку певну суму грошей власнику векселя (векселедержателю). Таким чином, вексель є безумовне, абстрактне, строго формальне зобов'язання або наказ сплатити певну грошову суму.

Основними учасниками вексельних правовідносин є векселедавець, векселедержатель та платник. Залежно від того, хто виступає в якості платника за векселем - векселедавець або третя особа - розрізняють два різновиди векселів: простий і переказний.

Простий вексель — цінний папір, який засвідчує безумовне грошове зобов'язання векселедавця сплатити у визначений строк встановлену суму грошей власнику векселя (векселедержателю) за поставлені товари чи надані послуги.

Переказний вексель — вексель, який містить письмовий наказ однієї особи (юридичної або фізичної) іншій особі сплатити у встановлений строк визначену суму грошей третій особі. Переказний вексель інакше називається траттою.

Отже, сторонами простого векселя є:

- векселедавець — особа, що виписує вексель і водночас платник за векселем;
- ремітент — перший отримувач за векселем або перший векселедержатель, перед яким платник приймає зобов'язання про платіж.

У переказному векселі первісними учасниками є:

- трасант (векселедавець) — особа, що виписує вексель;

- трасат (платник), до якого трасант звертає свій наказ про платіж за векселем;
- ремітент — перший отримувач або перший векселедержатель, на користь якого виставляється вексель.

Залежно від характеру угод, що спричинили появу векселя, розрізняють комерційні та фінансові векселі.

Комерційний вексель з'являється в обігу в результаті реальної угоди з купівлі-продажу цінностей, виконаних робіт, наданих послуг. Звідси походять синоніми комерційного векселя: товарний, торговий.

Фінансовий вексель виникає внаслідок фінансової операції і засвідчує отримання грошової позики. Векселі, в основу яких покладено реальні фінансові угоди і котрі виписані (акцептовані) авторитетними особами, передусім банками, мають досить широку сферу обігу.

VI. Write your letter of exchange using examples.

Переказний вексель та його реквізити

АКЦЕПТОВАНО

Підпис платника

ПЕРЕКАЗНИЙ ВЕКСЕЛЬ ^① № 673114090004		1 жовтня 1998 р. ^⑦ дата складання
грн 7000 — 00 в алфавіт платіжу сумою прописом ^④	1 грудня 1998 р. ^⑤ заплатити проти цього векселя ^② КСП «ГРОНО» ^⑥	
місце складання 1 грудня 1998 р. ^⑤ заплатити проти цього векселя ^② КСП «ГРОНО» ^⑥		найменування того, ^⑧ чи його наказу
грн сумою або за показом кого платіж повинен бути здійснений вальва сім тисяч грн 00 коп.		
Платник <u>Торговий дім «Комета»</u> ^③ (трасат) <u>м. Київ, вул. Поповича, 36</u> місце платежу <u>м. Київ, вул. Поповича, 36</u> точна адреса		сумою прописом
Підлягає сплаті в <u>м. Київ, вул. Стендаля, 7</u> <u>2-га філія АБ «Сорекс»</u> ^⑤ місце платежу <u>вул. 2600439319</u> найменування банку/банку <u>МФО 322147</u> установи		АТ «МАСКА» ^⑧ м. Яготин, вул. Польова, 98
Замість нас записав фірму «Хмаро», м. Київ, КСП «Фронт»		Назва, підпис і точна адреса вказані двічі Зворотний бік векселя
Замість наказу ЗАТ «Укробанк» м. Одеса, «Хмаро»		

Рік введет за

Простий вексель та його реквізити

① ПРОСТИЙ ВЕКСЕЛЬ № 673114090206	
грн валюта платежу	7000 – 00 сума цифрами
м. Полтава місце складання	⑥ 1 жовтня 1998 р. дата складання
③ 1 грудня 1998 р. ми заплатимо проти цього векселя	② найменуваного,
ТОВ «ТЕМП» кому або за наказом кого платіж по винку бути здійснений	чи його наказу
грн валюта	сім тисяч грн 00 коп. сума прописом
Підлягає сплаті в м. Полтава, вул. К. Маркса, 6	⑦ АТ «Профіт» м. Полтава, вул. Матієвської, 5/6 Назва, підпис і точна адреса векселедавця
ПФ АКБ «Елегія» ④	
місце платежу п/р 2600384756	
найменування банківської МФО 322607 установи	

Для запису векселедавця суми
 сім тисяч грн — 00 коп.
 безпроценту
 АБ «Іліма», м. Полтава

Реквізити переказного векселя	Реквізити простого векселя
1. Найменування «Вексель»	1. Найменування «Вексель»
2. Простий і нічим не зумовлений наказ сплатити певну суму	2. Просте і нічим не обумовлене зобов'язання сплатити певну суму
3. Найменування платника	
4. Зазначення строку платежу	3. Зазначення строку платежу
5. Зазначення місця платежу	4. Зазначення місця платежу
6. Найменування того, кому або за наказом кого має бути здійснений платіж	5. Найменування того, кому або за наказом кого має бути здійснений платіж
7. Дата і місце складання векселя	6. Дата і місце складання векселя
8. Підпис векселедавця	7. Підпис векселедавця

UNIT 4

OTHER PAYMENT MECHANISMS

Vocabulary

consignment sales - консигнаційний продаж, продаж на консигнацію (продаж товару із складу комісіонера)

credit check - перевірка кредитоспроможності

countertrade - зустрічна торгівля (метод оплати, при якому продавець приймає від покупця товар або послуги в рахунок вартості товару)

foreign exchange - іноземна валюта

cash flow - потік грошових коштів, потік готівки

counterpurchase - взаємна [зустрічна] закупівля (торгівельна операція, при якій покупець здійснює зустрічне постачання певних товарів або послуг продавцеві, при цьому вартість товарів/послуг, що поставляються покупцем може складати як повну вартість первинного постачання, так і лише її частину)

barter - товарообмінна операція; мінова торгівля

swapping - бартерний/натуральний обмін

switching – світч

windfall - несподіваний дохід

exchange fluctuations - коливання курсу

bad debt - безнадійний борг

export credit insurance - страхування експортного кредиту

devaluation - знецінення

depreciation - зниження вартості

I. Read and translate the text.

Consignment sales

International consignment sales follow the same basic procedures as in the United States. The goods are shipped to a foreign distributor who sells them on behalf of the exporter. The exporter retains title to the goods until they are sold, at which point payment is sent to the exporter. The exporter has the greatest risk and least control over the goods with this method. Additionally, receiving payment may take quite a while.

It is wise to consider risk insurance with international consignment sales. The contract should clarify who is responsible for property risk insurance that will cover the merchandise until it is sold and payment is received. In addition, it may be necessary to conduct a credit check on the foreign distributor.

Countertrade

International countertrade is a trade practice whereby one party accepts goods, services, or other instruments of trade in partial or whole payment for its products. This type of trade fulfills financial, marketing, or public policy objectives of the trading parties. For example, a firm might trade by bartering because it or its trading partner lacks foreign exchange.

Many U.S. exporters consider countertrade a necessary cost of doing business in markets where U.S. exports would otherwise not be sold. One consideration for smaller firms is that this type of trade may cause cash flow problems. Therefore, many smaller exporters do not consider this an option as they wish to do business in U.S. dollars.

There are several types of countertrade, including counter purchase and barter. Counter purchase is quite common. In this situation, exporters agree to purchase a quantity of goods from a country in exchange for that country's purchase of the exporter's product. These goods are typically unrelated but have an equivalent value. Another form of this practice is contractually linked, parallel trade transactions that each involve a separate financial settlement. For example, a countertrade contract may provide that the U.S. exporter will be paid in a convertible currency as long as the U.S. exporter (or another entity designated by the exporter) agrees to purchase a related quantity of goods from the importing country.

Barter arrangements in international commerce are not as common, because the parties' needs for the goods of the other seldom coincide and because valuation of the goods may be problematic. This type of countertrade occurs without money exchanging hands as merchandise is traded directly for other merchandise or services. Barter might occur by

swapping (one good for another) or by switching (using a chain of buyers and sellers in different markets to barter).

U.S. exporters can take advantage of countertrade opportunities by trading through an intermediary with countertrade expertise, such as an international broker, an international bank, or an export management company. One drawback to this type of exporting is that there are often higher transaction costs and greater risks than with other kinds of export transactions.

Foreign Currency

A buyer and a seller who are in different countries rarely use the same currency. Payment is usually made in either the buyer's or the seller's currency or in a third mutually agreed-upon currency.

One of the risks associated with foreign trade is the uncertainty of the future exchange rates. The relative value between the two currencies could change between the time the deal is concluded and the time payment is received. If the exporter is not properly protected, a devaluation or depreciation of the foreign currency could cause the exporter to lose money. For example, if the buyer has agreed to pay 500,000 French francs for a shipment and the franc is valued at 20 cents, the seller would expect to receive US\$100,000. If the franc later decreased in value to be worth 19 US cents, payment under the new rate would be only US\$95,000, a loss of US\$5,000 for the seller. On the other hand, if the foreign currency increases in value the exporter would get a windfall in extra profits. Nonetheless, most exporters are not interested in speculating on foreign exchange fluctuations and prefer to avoid risks.

If the buyer asks to make payment in a foreign currency, the exporter should consult an international banker before negotiating the sales contract. Banks can offer advice on the foreign exchange risks that exist with a particular currency. Some international banks can also help hedge against such a risk, by agreeing to purchase the foreign currency at a fixed price in dollars, regardless of the currency's value at the time the customer pays. Banks will normally charge a fee or discount the transaction for this service. If this mechanism is used, the bank's fee should be included in the price quotation.

Payment Problems

In international trade, problems involving bad debts are more easily avoided than rectified after they occur. Credit checks and the other methods that have been discussed in this chapter can limit the risks. Nonetheless, just as in a company's domestic business, exporters occasionally encounter problems with buyers who default on their payment. When these problems occur in international trade, obtaining payment can be both difficult and expensive. Even when the exporter has insurance to cover commercial credit risks, a default by a buyer still requires the time, effort, and cost of the exporter to collect a payment. The exporter must exercise normal business prudence in exporting and exhaust all reasonable means of obtaining payment before an insurance claim is honored. Even then there is often a significant delay before the insurance payment is made. The simplest (and least costly) solution to a payment problem is to contact and negotiate with the customer. With patience, understanding, and flexibility, an exporter can often resolve conflicts to the satisfaction of both sides.

This point is especially true when a simple misunderstanding or technical problem is to blame and there is no question of bad faith. Even though the exporter may be required to compromise on certain points - perhaps even on the price of the committed goods - the company may save a valuable customer and profit in the long run.

However, if negotiations fail and the sum involved is large enough to warrant the effort, a company should obtain the assistance and advice of its bank, legal counsel, and other qualified experts. Since arbitration is often faster and less costly, this step is preferable to legal action if both parties can agree to take their dispute to an arbitration agency. The International Chamber of Commerce handles the majority of international arbitration and is usually acceptable to foreign companies because it is not affiliated with any single country.

Export Credit Insurance

The payments in International Trade can be insured. The credit insurance enables you to expand your exports without fear of loss. I suggest that you try to insure payments under documentary collections, consignment and open account terms. You may even consider the insurance of the unconfirmed L/C.

The export credit insurance, issued by a financial institution in your favour, protects you against non-payments by the buyer or by the Issuing Bank (in case of insuring an unconfirmed L/C) due to commercial

(insolvency, fraud) or political risk. In case of non-payment, you will usually receive 80-90% of the debt.

The credit insurance not only guarantees you the payment, but also enables you to provide better terms to your buyers. Remember the dilemma between high and low risk payment terms? Well, credit insurance is the solution for this predicament.

The insured payment also allows you to obtain additional funds from a bank. Similar to the discounting of funds under confirmed L/C, your bank will usually provide you with trade finance and use your credit insurance as a security.

Mixed Payments

Quite often you can compromise with the buyer by using different terms of payment for one transaction.

Remember that I suggested you insist the buyer pay in advance when the goods are required to be customized? I also mentioned that "cash in advance" is the least preferred term for the buyer. The solution is mixed payments. You estimate the cost involved in customization, which has to be prepaid and the balance may be payable under different terms, L/C, for instance.

When you experience difficulties with cash flow and do not have available funds to prepay freight and other pre-shipment expenses, you also may consider mixed payments.

Using mixed payments, you can avoid losses, which occur when the buyer refuses the payment under the sight draft.

If the mixed payments were negotiated, the proportion has to be clearly indicated in the contract of sale. For example:

"Terms of Payment:

20% cash with the order

80% by irrevocable Letter of Credit confirmed by first class bank and payable at sight via the-advising-bank's-name and location in favour of your-company-name"

II. Find the synonyms:

- | | |
|-----------------|---------------|
| 1) intermediary | a) revenue |
| 2) devaluation | b) difficulty |
| 3) income | c) caution |

- | | |
|----------------|-----------------|
| 4) profit(s) | d) bankruptcy |
| 5) prudence | e) depreciation |
| 6) insolvency | f) gain |
| 7) predicament | g) mediator |

III. Translate into English:

Зустрічна торгівля - це 1) сукупність міжнародних торгівельних угод, при укладанні яких закупівля продукції супроводжується зворотнім постачанням товарів, з метою досягнення балансу експортно-імпортних операцій; 2) торгівля, при здійсненні якої в документах (угодах або контрактах) фіксуються тверді зобов'язання експортерів і імпортерів зробити повний або частково збалансований обмін товарами. У останньому випадку різниця у вартості покривається грошовими платежами.

Виділяють такі основні різновиди міжнародних зустрічних операцій:

а) бартер - без валютний, але оцінений обмін товарами (чистий товарообмін — бартер, багатосторонній бартер);

б) зустрічна закупівля.

в) компенсаційні угоди - це довгострокові угоди (10-20 років), при яких покупець оплачує вартість товарів постачанням інших товарів або наданням послуг, а при необхідності різницю доплачує грошима.

г) кліринг - це система безготівкових розрахунків за товари, цінні папери та послуги, яка базується на зарахуванні взаємних вимог і зобов'язань.

д) угода "світч" - передача зобов'язань, угоди з багаторазовим перепродажем товарів.

е) угода "оффсет" - це поєднання обміну товарів та послуг з вкладанням капіталу, який використовується головним чином для підтримки реалізації товарів на світовому ринку: для реклами, для покращення упаковки.

IV. Fill in the Transmittal Letter

U.S. \$	1		2	19
Pay to the Order of	3		4	of this <i>FIRST</i> of Exchange (Second unpaid)
	5		6	United States Dollars
for Value received and charge the same to account of	7		8	
To	9		10	Authorized Signature
No.	11		12	Date

Gentlemen:

We enclose Draft Number **13** and documents listed below for collection, for for payment/negotiation under L/C

BILLS OF LADING	B/L COPY	COMM. INV.	INS. CTF.	CTF. ORIG.	CONS. INV.	PKNG. LIST	WGT. CTF.	OTHER DOCUMENTS
Please handle in accordance with instructions marked "X"								
<input type="checkbox"/> Deliver all documents in one mailing. <input type="checkbox"/> Deliver documents in two mailings. <input type="checkbox"/> Deliver documents against payment if sight draft, or acceptance if time draft. <input type="checkbox"/> All charges for account of drawers. <input type="checkbox"/> Do not waive charges. <input type="checkbox"/> Protest for <u>non-payment</u> / <u>non-acceptance</u> . <input type="checkbox"/> Do not protest. <input type="checkbox"/> Present on arrival of goods. <input type="checkbox"/> Advise <u>non-payment</u> / <u>non-acceptance</u> by <u>airmail</u> / <u>cable</u> giving reasons. <input type="checkbox"/> Advise <u>payment</u> / <u>acceptance</u> by <u>airmail</u> / <u>cable</u> .							IN CASE OF NEED refer to: Name 20 Address who is empowered by us: a <input type="checkbox"/> To act fully on our behalf, i.e., authorize reductions, extensions, free delivery, waiver of protest, etc. b <input type="checkbox"/> To assist in obtaining acceptance or payment of draft, as drawn, but not to alter its terms in any way.	
OTHER INSTRUCTIONS: 21								

Please refer all questions concerning this collection to:

 Shipper Freight Forwarder: **22****23**

Authorized Signature

Vocabulary

1. U.S. DOLLARS - Enter the entire amount to be collected; if not in U.S. dollars, specify currency.
2. DATE - Enter the date the Draft is issued.
3. OF THIS FIRST EXCHANGE (SECOND UNPAID) - Enter the terms of payment (also called the Tenor of the draft): at 45 Days, at Sight, At 30 days B/L, etc. "Second Unpaid" refers to the duplicate copy of the draft (OF THIS SECOND EXCHANGE, FIRST UNPAID); once payment has been made against either copy, the other becomes void.
4. PAY TO THE ORDER OF - Enter the name of the party to be paid (Seller, "Payee"); this may be the the Seller of the Seller's bank, and will be the party to whom the foreign Buyer's bank will remit payment.
5. UNITED STATES DOLLARS - Enter the amount from Field 1 in words; if payment is not to be made in U.S. Dollars, block out "United States Dollar" and enter correct currency.
6. CHARGE TO ACCOUNT OF - Enter the name and address of the paying party (Buyer, "Drawee"). For Letter of Credit payments, enter the name and address of the Buyer's opening bank as well as the L/C number and issue date.
7. NUMBER - Enter an identification, or Draft, number, as assigned by the Seller to reference the transaction.
8. AUTHORIZED SIGNATURE - The signature of the authorized individual for the Seller or the seller's agents ("Drawer").
9. FORWARD DRAFT TO - Enter the name and address to whom the Draft is being sent. Unless this is a letter of credit being negotiated in the U.S., this should be the name and address of a foreign bank.
10. FORWARDING DATE - Enter the date the Draft is being sent to the bank in Field 9.
11. DRAFT NUMBER - Enter the Seller's Draft number, as noted in Field 7 above.
12. PURPOSE OF DRAFT - Check the applicable box if the draft is part of letter of credit negotiation, a collection, or an acceptance.
13. LIST OF DOCUMENTS - Enter the number and type of each original and duplicate document to be included with this Transmittal Letter. Any document attached will eventually be released to the Buyer.

14. DELIVER ALL DOCUMENTS - Check either "Deliver all documents in one mailing" or "Deliver documents in two mailings." Generally, documents are delivered in one mailing.

15. DELIVER DOCUMENTS AGAINST - Ensure that the type of Draft attached (Block 3) is compatible with the "deliver against" instructions. Sight Drafts should accompany "Deliver against Payment" instructions, while Time Drafts should accompany "Deliver against Acceptance" instructions.

16. BANK CHARGES - The correspondent bank will not pay unless all charges are collected. Based on your agreement with the Buyer, indicate which party is responsible for both the remitting and presenting bank's charges. By checking "all charges for Account of Drawee," the Buyer is responsible for these charges; if the Buyer does not pay (or is not to pay) these charges, and id "Do Not Waive Charges" has not been checked, the Seller will be billed for expenses incurred.

17. PROTEST - Check "Protest" (specify "for nonpayment" or for "non-acceptance," depending on the type of draft attached - see instruction, Field 15) if you wish the correspondent bank to process written, notarized documentation in event that the Buyer refuses to pay or accept the Draft. Additional Bank expenses associated with a protest are usually charged to the Seller.

18. PRESENT ON ARRIVAL - Check if you wish the Draft to be presented on the arrival of the goods to the Buyer.

19. ADVISE - Check the appropriate blocks, and block-out the non-applicable terms, if you wish to be advised of payment/acceptance or non-payment or non-payment/non-acceptance.

20. IN CASE OF NEED - Enter the representative of the Seller in the country to which the Draft and documents are going, if one exists; check the block which describes the representative's authority.

21. OTHER INSTRUCTIONS - Enter any instructions to either the remitting or correspondent banks, such as remittance instructions, clarification of protest procedures, multiple-draft instructions, etc.

22. REFER ALL QUESTIONS - Enter the name of the contact, and his/her address & telephone number, in the Seller's country; specify if this contact is employed by the Shipper (Seller) or the Seller's agent (Freight Forwarder).

23. AUTHORIZATION - Enter the person authorized to sign the Transmittal Letter (see Field 8 above), the date prepared, and the authorized person's signature.

FOR YOUR INFORMATION

Terms Ranked from LEAST RISK to MOST RISK for the Seller.

CASH IN ADVANCE

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
Before shipment	After payment	None	Complete - relies on seller to ship exactly the goods expected, as quoted and ordered	Seller's goods must be special in one way or another, or special circumstances prevail over normal trade practices (example, goods manufactured to buyer-only specification).

CASH AGAINST DOCUMENTS

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments

After shipment	After payment	If payment not honoured, goods must be returned or resold. Storage, handling, return freight expenses may be incurred	Assures shipment but not content, Unless inspection or check-in is allowed before payment	Security to the seller is assured if the transfer of funds is Confirmed prior to buyer taking Possession of the goods.
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LETTER OF CREDIT (See next two items.)

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
		Commercial Invoice must match the Letter of Credit exactly. Dates must be carefully headed - "Stale" documents are unacceptable for collection.		Letters of Credit require total accuracy in conforming to terms, conditions, and documentation.

Confirmed Irrevocable Credit

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments

After shipment is made, documents presented to the Bank	After payment	Gives the seller a double assurance of payments - Depends on the terms of the letter of credit.	Assures shipment is made but relies on exporter to ship goods as described in documents. Terms may be negotiated prior to letter of credit agreement, alleviating buyer's degree of risk.	The inclusion of a second assurance of payment (usually a "reputable" Bank) prevents surprises, adds assurance that issuing bank has been deemed acceptable by confirming bank. Adds cost and an additional requirement to seller.
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Unconfirmed Irrevocable Credit

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
Same as above	Same as above	Seller has single bank assurance of payment and seller remains dependent on foreign bank. Seller should contact his banker to determine whether or not the issuing bank has sufficient assets to cover the amount.	Same as above	Credit can be changed only by mutual agreement, as stipulated in a sales agreement. Becomes open account with buyer's bank as collection agent. Foreign bank may have problems making payment in sum or timeliness.

DRAFTS/ BILLS OF EXCHANGE (See next two items.)

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
Remittance time from buyer's bank to seller's bank may still take one week to one month		Drafts, by design, should contain terms and conditions mutually agreed upon		A draft may be written with virtually any term or condition agreeable to both parties. When determining draft tenor (terms and conditions) consult with your banker and freight forwarder to determine the most desirable means of doing business in a given country

Sight Draft (with documents against acceptance)

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments

On presentation of draft to buyer.	After payment to buyer's bank.	If draft not honored, goods must be returned or resold. Storage, handling, return freight expenses may be incurred.	Assures shipment but not content, unless inspection or check-in is allowed before payment.	A draft can be a collection instrument used to exchange possession and title to goods for payment. Seller is essentially drawing a check against the bank account of the buyer. Buyer's bank must have pre approval, or seek approval of the buyer prior to honoring the check. Payable upon presentation of documents.
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Time Drafts (with documents against acceptance)

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments

On maturity of the draft	Before payment, after acceptance	Relies on buyer to honor draft upon presentation.	Assures shipment but not content, time of maturity allows for adjustments, if agreed to by seller.	Payable based upon the acceptance of an obligation to pay the seller at a specified time. Although a time draft has more collection leverage than an invoice, it remains only a promissory note, with conditions.
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OPEN ACCOUNT

Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
As agreed, usually by invoice	Before payment	Relies completely on buyer to pay account as agreed	None	All terms of payment, including extra charges and terms should be mutually understood and agreed upon prior to open account initiation. Companies conducting on-going business are candidates for open account terms of payment. Seller must measure not only buyer's credit reliability but the country's as well.