

Glossary of Trade Terms

A

Acceptance	An undertaking by the drawee (who then becomes the “acceptor”), of a Bill of Exchange to pay to the person presenting the bill (called the <i>holder in due course</i>) the face value of the bill on the due date.
Acceptance Form	An acceptance is made in the following form: SIGHTED AND ACCEPTED (Date) PAYABLE (Bank) FOR AND ON BEHALF OF (Authorised Signatory)
Acceptor	The person who accepts a Bill of Exchange drawn on him/her. Until he accepts it, he is called the drawee. By accepting the bill, the acceptor undertakes to pay the person presenting the bill, the face value of the bill.
Acceptance Credit	A documentary credit, which requires, amongst the documents stipulated, provision of a term bill of exchange. The bill is then generally accepted by the bank on which it is drawn or discounted.
Ad Valorem Duty	A duty assessed as a percentage rate of the value of the imported merchandise.
Advance Payment Guarantee / Bond	A guarantee that advance payments will be returned if the party having received such payments does not perform the contract.
Advance Clause Credit	These documentary credits incorporate a clause which authorises the advising bank to make an immediate payment to the beneficiary (exporter) of an amount up to the total of the credit, or some lesser nominated amount. [The Advance Clause facility thus authorises the beneficiary to draw up to the amount specified prior to producing the relative export shipping documents. In effect, it enables the beneficiary to obtain a loan from the advising bank, guaranteed by the buyer’s bank, and to repay the loan with the proceeds of the drawing(s) made in terms of the credit.]
Advising Bank	The bank that notifies the exporter of the opening of a documentary credit in their favour. The advising bank, usually located in the exporter’s country, fully informs the exporter of the conditions of the documentary credit without obligation on its part.
Advice of Fate	A request for advice of status of payment/non payment (acceptance/non-acceptance) of a Bill of Exchange.
After Date	Payment of a negotiable instrument, such as a bank draft, becomes due a specified number of days after presentation of the draft.
Agent / Agency Agreement	An agent is an independent person or legal entity that acts on behalf of another (the “principal”).

Air Waybill / Air Consignment

Note Document which acknowledges receipt by an air transport company of goods dispatched by air. Normally completed in triplicate with a copy each for the Consignor, Consignee and the Carrier. An Air Waybill is not a document of title to goods in the same manner as a Bill of Lading.

Applicant Normally the buyer or importer who applies (thus, the applicant), to a bank, for a documentary credit in favour of the beneficiary, the seller or exporter.

Appreciation A rise in the value of a currency in terms of foreign currencies or gold.

AQIS Australian Quarantine and Inspection Service.

Assignment of Proceeds The process of assigning proceeds or part proceeds of a negotiation or claim under an export documentary credit by the negotiating bank on behalf of the beneficiary (exporter) to a third party (usually the supplier of the goods).

ATA Carnet "Admission Temporaire/Temporary Admission". An international customs document for the temporary duty-free admission of goods into a country for display, demonstration or similar purpose. System is administrated by the IBCC.

Austrade The Australian Trade Commission – the Federal Government's export and investment facilitation agency.

Aval (Avalisation of a Bill) A bank's guarantee to honour payment of a Bill of Exchange. An irrevocable, unconditional promise to pay on the due date. The use of avals is common in the practice of forfaiting.

B

Back to Back (or Head and Counter) Credits A documentary credit (counter) taken out by an importer to allow purchase of goods required to meet a sale covered under an original (head) credit. Under this type of arrangement, the first credit can be offered in support of security to the importers bank. As applicant for the second credit (counter), the importer is responsible for reimbursing the bank for payment made under it, regardless of whether or not he is paid as a seller under the original credit.

Banker's Acceptance A Bill of Exchange accepted by a bank usually for the purpose of financing a sale of goods to or by the bank's customer. The bill may be drawn by an exporter on the importer's bank and be sold on the open market at a discount.

Bank to Bank Payment A transfer of funds between remitter and beneficiary via the banking system.

Barter The direct exchange of goods and/or services for other goods and/or services without the use of money and without the involvement of a third party.

Basis Points 100 basis points are equal to 1%.

Beneficiary	Normally the seller or exporter in whose favour the documentary credit has been established.
Bid (buying) Rate	Exchange rate at which foreign exchange dealers are prepared to buy foreign exchange in the market from other dealers, and at which potential sellers are therefore able to sell foreign exchange to those dealers.
Bid / Tender Bond	Provides an assurance of the intention of the party submitting a tender (i.e. the principal) to sign a contract if his tender is accepted.
Bill of Exchange	<p>Defined by the Bills of Exchange Act as: “An unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of, a specified person, or to bearer”.</p> <p>A bill is signed by the drawer and addressed to a drawee, who becomes the acceptor by writing his name across the face of the bill. The person to whom the bill is payable is referred to as the payee.</p> <p>A Bill of Exchange is a negotiable instrument.</p>
Bill of Lading	<p>Receipt issued by a shipowner or his agent incorporating a contract setting out the rights and obligations of a shipping company in transporting goods by sea. It specifies the name of the ship, the port and destination of the ship, the goods and the consignee. In some instances, a Bill of Lading could cover goods transported by more than one means e.g. sea, rail, etc.</p> <p>A Bill of Lading is not automatically a negotiable instrument, but it does possess a certain similarity to a negotiable instrument insofar that it is drawn “to the order” of the person named; it may be endorsed and transferred by delivery thereby giving the transferee right to the goods. Delivery of the goods is made upon the surrender of one valid “negotiable copy” of the bill of lading fully endorsed. All other copies are then rendered void.</p> <p>A Bill of Lading is a document of title.</p>
Bill of Lading Guarantee	A letter usually from an importer to the shipping company in which the importer undertakes to indemnify the shipping company against the consequences of delivering goods without production of a Bill of Lading. The importers letter of undertaking usually requires the prior endorsement or guarantee by his bankers before it is acceptable to the shipping company who will then release the goods - see <i>Trade Guarantees</i> .
Blank Endorsement	<p>An endorsement in blank specifies no endorsee and a bill so endorsed becomes payable to bearer and may be negotiated by delivery.</p> <p>When a bill has been endorsed in blank, any holder may convert the blank endorsement into a special endorsement by writing above the endorser’s signature a direction to pay the bill to the order of himself, or some other person.</p>
BOLERO	Electronic platform for the transmission of all trade documents developed by <i>SWIFT</i> and <i>TT Club</i> as owners.
Bond Warrant	The document of title to goods being held in bond storage.

Bonded Goods	Goods held in store under customs control after removal from wharf or airport pending payment of import duty. Goods are said to be “in bond” and may be re-exported from bond without payment of duty. Insurance may be taken out over the goods held in bond; this is referred to as “Bonding and Insurance”.
C	
CAD	Cash against documents.
Call	A demand for payment under a loan or guarantee.
CAP	A structure using an option that results in the setting of a maximum interest/foreign exchange rate on a liability.
Case of Need	The drawer of a bill, and any endorser, may insert therein the name of a party to whom the holder may resort in case of need, i.e. in case the bill is dishonoured by non-acceptance or non-payment. Such a party is called the referee in case of need.
Cash Against Documents (CAD)	Indicates invoice amount to be paid by the buyer/importer at sight on presentation of relative commercial documents e.g. Bill of Lading, insurance certificate etc.
Certificate of Origin	Certificate given by the exporter certifying the origin of either the materials or production of goods being shipped.
Certificate of Inspection	A document certifying the quality, quantity and/or price of a given shipment of goods. May involve the buyer stipulating an independent inspection agency.
CFR	Cost and Freight – see <i>Incoterms</i> .
Charter Party	A contract under which a charterer agrees to rent/hire the use of a ship or part of a ship from a shipowner. The charterer will, in some cases, be empowered to issue their own Bills of Lading, known as Charter Party Bills of Lading, subject to the conditions of the original charter party contract.
CIF	Cost, Insurance and Freight – see <i>Incoterms</i> .
CIP	Carriage and Insurance Paid to(named point) – see <i>Incoterms</i> .
Clean Bills	Bills of Exchange (drafts, cheques etc.) drawn payable overseas and which are not accompanied by commercial documents.
Clean Bills of Lading	A Bill of Lading indicating that the goods were received in apparent good condition. A clean bill is one that contains no notations of defect, damage or loss and signed by the carrier or it’s authorised representative or agent.
Collar	A simultaneous purchase and sale of an option with different strike prices.

Collection of a Bill	Where an exporter hands a Bill of Exchange, which may be accompanied by documents, to his bank, together with instructions as to the manner in which they are to be made available to the importer through a bank in the buyer's country.
Collecting Bank	Is any bank, other than the <i>remitting bank</i> , involved in processing the collection.
Commercial Invoice	The basic document of international trade containing a record of the transaction between the seller (exporter) and buyer (importer) containing description of goods, price, discounts, quantities and delivery and payment terms.
Confirmation of a Documentary Credit	If the local bank is agreeable to add its confirmation, it will add its own separate engagement (normally under authority from issuing bank) to the credit and by its engagement it undertakes that correct drawings under the credit will be honoured. Thus the local bank adds to the credit its own backing in addition to that of the issuing bank. This undertaking is provided upon payment of a confirmation fee.
Confirming Bank	The bank, which, upon authorisation or request of the <i>issuing bank</i> , adds its confirmation to the documentary credit.
Consignment	This is a method of financing trade. When goods are shipped on a consignment basis, related shipping documents are dispatched either directly to the importer or through his bank, which will be instructed to deliver them, free of payment, against a simple form of receipt undertaking payment when the merchandise is sold, or within a specified time. Payment is usually made when the goods are sold, or within a specified time thereafter, and title to the goods remains with the exporter until they are sold by the consignee.
Consignee	The intended receiver of a cargo shipment.
Consular Invoice	A specifically printed invoice which is completed by the exporter and presented to the Consul of the country of import for stamping and signature.
Correspondent Bank	Formal relationships which is established between an overseas bank and a domestic bank to facilitate international banking transactions.
Cost and Freight (C & F)	The seller/exporter of goods must pay the cost and freight necessary to bring the goods to the named destination but the risk of loss or damage to the goods, as well as of any cost increases, is transferred from the seller to the buyer/importer when the goods pass the ships rail in the port of shipment. Any insurance premium becomes the care of the buyer/importer – see <i>Incoterms</i> .
Countertrade	Includes barter, buy-back, counterpurchase, offset requirements, and swaps relating to exporters commitments to take products from the importers or from their respective countries in full or part payment for their exports.
Cross Rate	In calculating a spot or future price between two currencies, reference to their respective quotations in a third currency determines the cross rate.

Currency Option	A Foreign Currency Option gives the holder the right but not the obligation, to buy or sell a currency on or before a future date, at a specified price in return for a premium.
Currency Swap	A transaction in which the two counterparties' exchange specific amounts of two different currencies at the outset and repays over time according to a predetermined rule which reflects interest rates and possibly amortisation of principal. The payment flows in currency swaps, (in which payments are based on fixed interest rates in each currency) are generally like those of spot and forward currency transactions.
Customs Broker	Licensed agent or broker whose function is to handle the process of clearing goods through customs for importers.
Customs Duty	Tax levied by the government on goods crossing their borders, usually a tax imposed on imports.
Customs / Forwarding Agent	A Customs Agent is one specialising in clearance of imports through local customs authorities. A Forwarding Agent is one specialising in arrangements covering the physical movement of goods to overseas. Both tasks may be carried out by the one agent.
D	
DDP	Delivered Duty Paid – see <i>Incoterms</i> .
DDU	Delivered Duty Unpaid – see <i>Incoterms</i> .
Dealing	The buying and selling of foreign currencies in the foreign exchange markets of the world.
Deck Cargo	Goods shipped on the deck of a ship rather than in its holds. Due to the additional risks involved with deck cargo, traders often stipulate that cargo may not be carried on deck.
DEQ	Delivered Ex Quay – see <i>Incoterms</i> .
DES	Delivered Ex Ship – see <i>Incoterms</i> .
Demand Draft	A Bill of Exchange payable at sight or on demand.
Demurrage	The extra charges paid to a shipowner or carrier when a specified period for loading/unloading is exceeded.
Depreciation	A decline in the value of a currency in terms of foreign currencies or gold.
Devaluation	A downward change in the official parity of an exchange rate from that which it was previously set.
Discount a Bill	To discount a bill means to purchase a Bill of Exchange before it is due for payment for the amount estimated to be its value at the date it is bought. The person for whom the bill is discounted remains liable until the bill is paid although the discounter (bank) looks to the acceptor in the first instance should the bill not be paid. When a bill is sold prior to maturity it is also said to be sold at a discount.

Discount Interest Rate	Discount refers to the amount of interest for the period of finance deducted from the face value of a term Bill of Exchange or promissory note. A discount rate is the discount expressed as a rate per cent per annum related to the face value of the Bill of Exchange or Promissory Note.
Discrepancy	Irregularity in trade documentation presented for payment under a documentary credit. The bank will refuse to pay against the documents unless the applicant (buyer) agrees to amend the credit or waive objections to payment under the credit.
Documentary Bill	A Bill of Exchange drawn payable overseas and accompanied by commercial documents such as Bills of Lading, invoice and insurance papers.
Documentary Credit - Irrevocable	An irrevocable documentary credit is a definite undertaking by the issuing bank that the provision for payment, acceptance or negotiation embodied in the credit will be fulfilled, provided all terms and conditions of the credit are met. An irrevocable credit cannot be cancelled or amended without the consent of all parties, thus once he is in possession of an acceptable credit with which he is able to comply fully, an exporter can fulfil the sales order and shipment of goods, secure in the knowledge that this security of payment cannot be withdrawn or varied without his consent and only exceptional circumstances prevailing in the issuing bank's country could frustrate due payment. If the irrevocable credit is also confirmed by a bank, these contingent risks are removed – see <i>Confirmation of a Documentary Credit</i> .
Documentary Credit - Revocable	As the name implies, the fundamental difference between this type of instrument and an irrevocable credit is that it can be amended or cancelled by the issuing bank (possibly on request from the applicant), without the consent of the beneficiary.
Documentary Credit - Limit	A documentary credit limit is the maximum amount for which an importer may have balances outstanding under documentary credits at any one time.
Documents Against Acceptance (D/A)	The exporter draws a term bill on the overseas buyer and lodges it, together with shipping documents, with instructions to obtain acceptance of the bill and to release the documents against the acceptance. The collecting bank is also instructed to arrange for presentation of the bill for payment on due date to the drawee (importer/buyer) – see <i>Remittance – Documents Against Payment</i> .
Documents Against Payment (D/P)	The exporter draws a sight bill on the overseas buyer and hands it, together with shipping documents, to his bank with instructions to arrange presentation to the drawee for release of the documents only on payment of the relative bill – see <i>Remittance – Documents Against Acceptance</i> .
Document of Title	An instrument that enables the holder to deal with the property described in it as if he were the owner e.g. Bill of Lading.

DOCDEX Rules	ICC Rules for Documentary Credit Dispute Resolution Expertise. Rules for disputes related to documentary credits.
Draft	See <i>Bill of Exchange</i> .
Drawee	The individual or entity on whom a draft is drawn.
Drawer	The individual or entity that issues or signs a draft instructing the drawee to pay a specified sum of money to, or to the order of, a named person (payee) or to bearer.
Due Date	The date on which a bill of exchange or other instrument becomes due and payable.
E	
EFIC	Export Finance and Insurance Corporation – a statutory corporation promoting the export of Australian goods and services by providing finance and insurance to exporters.
Endorsement	<p>A writing on the back of an instrument (e.g. Bill of Exchange). It is a means of transference of liability/title of Bill of Exchange, Bill of Lading etc. and the writing need not necessarily be on the back of the instrument to be operative.</p> <p>An endorsement may be:</p> <p>[a] In Blank: where the person to whom the instrument is payable merely signs (endorses) and delivers the instrument to another</p> <p>[b] Special: where the name of the transferee is specified</p> <p>[c] Restrictive: where further transfer of the bill is prohibited or which expresses a mere authority to deal with the bill as directed and not a transfer of ownership thereof</p> <p>[d] Conditional: where the endorsement contains certain conditions</p> <p>[e] Without Recourse: an endorsement having the effect of negotiating a bill but negating the liability of the endorser</p>
Euro	Official currency of the participating member states introduced on January 1, 1999. Westpac does not deal in the legacy currency of member countries.
Exchange Control	Government regulations covering the inflow and outflow of foreign exchange or securities.
Exchange Rate / Foreign Exchange Rate	The rate which would apply when changing the money (currency) of one country to that of another country.
EXDOC	Electronic Export Documentation System – AQIS system enabling exporters to obtain export approval and health certification.
EXIT	Export Integration – customs electronic clearance and reporting system for exports administered by Australian Customs Service
Export Credit Insurance	Insurance coverage for exporters to protect against commercial and political risks of making an international sale.

**Export Documentary Credit
Negotiated**

A bank facility which records the liability for negotiation or purchase of Bill of exchange under export documentary credits which have not been confirmed – see *Westpac Banking Corporation*.

F

FAS

Free Alongside Ship – see *Incoterms*.

FCA

Free Carrier – see *Incoterms*.

FCL

Full container load – see *Incoterms*.

FIATA

International Federation of Freight Forwarders Associations based in Zurich, Switzerland.

Foreign Exchange

The system or process of converting one national currency into another and of transferring money from one country to another.

Foreign Currency Account

Deposit account expressed in a foreign currency maintained with a domestic bank.

Forfaiting

The purchase by the forfaiter of an exporter's accounts receivable, which are based on negotiable instruments such as Bill of Exchange and Promissory Notes. In contrast to factoring, forfaiting involves a series of independent, medium to longer term obligations of higher value. The forfaiter purchases the bills on a non-recourse basis and assumes the commercial and political risk.

Forward Deal

An agreement to buy or sell foreign currency against the local currency or another foreign currency for value on a date more than two business days from date of deal.

**Forward Exchange Contract
(FEC)**

An agreement entered into between customer and his bank wherein customer agrees to buy or sell foreign currency from or to his bank for delivery at an agreed future date.

Forward Margin

The premium or discount on forward exchanges against spot exchanges.

Forward Discount

The term applied to a foreign currency which is less expensive to trade forward than for spot settlement. A forward discount favours the buyer of the foreign currency.

Forward Premium

The term applied to a foreign currency which is more expensive to trade forward than for spot settlement. A forward premium favours the seller of a foreign currency.

Free On Board [FOB]

A shipping term, which applies, when the goods are placed on board a ship by the seller at the port of shipment named in the sales contract. The risk of loss of, or damage to, the goods is transferred from the seller to the buyer when the goods pass the ships rail. Freight charges and any insurance premium then becomes the care of the overseas buyer/importer – see *Incoterms*.

Freight Forwarder Assembles and consolidates small shipments into a single lot and assumes, in some cases, full responsibility for transportation of the goods from point of receipt to point of destination.

Futures Contract A contract for future delivery of a commodity, currency or security on a specific date. In contrast to forward contracts, futures contracts are for standard quantities and for standard periods of time and are primarily traded on exchanges such as the Sydney Futures Exchange.

G

H

Hague Rules International Convention for the Unification of Certain Rules relating to Bills of Lading – Brussels Convention of 1924 – a set of rules for international transport contained in an international treaty first published in 1924 and subsequently implemented by most trading nations.

Hague-Visby Rules Set of rules amending the Hague rules, published in 1968, which have not been implemented by as many countries as their predecessor Hague Rules.

Holder The payee or endorsee of a Bill of Exchange or Promissory Note who is in possession of it, or the bearer thereof.

Holder in Due Course A holder who takes a bill, complete and regular on the face of it, under the following conditions:
(a) that he becomes the holder of it before it was overdue, and without notice that it has been previously dishonoured, if such was the case, and;
(b) that he took the bill in good faith and for value, and that at the time the bill was negotiated to him, he had no notice of any defect in the title of the person who negotiated it
Until the contrary is proved, every holder is deemed to be a holder in due course. This applies to all holders except the original payee as it has been held that he cannot be a holder in due course.
The rights of a holder in due course are not affected when the acceptor or other party has been induced to sign the bill by fraud.

House Air Waybill A transport document issued by an air freight consolidator.

House Bill of Lading A Bill of Lading issued by a freight forwarder. Often covers a consignment of parcels from various shippers that has been grouped or consolidated by the forwarder.

I

IATA International Air Transport Association, air transport industry association and issuer of standard air waybill form.

IBCC International Bureau of Chambers of Commerce – an ICC administered network of national, local and municipal chambers of commerce charged with administration of ATA Carnet system for temporary duty-free admission of industrial/commercial samples.

ICC	International Chamber of Commerce, the world business organisation, headquartered in Paris, France.
Indemnity	A form of contract when a person (who thereby becomes primarily liable), undertakes to compensate another for loss he may suffer as a result of a transaction with a third party.
Instrument	A formal legal document in writing e.g. bill of exchange
Incoterms 2010	A set of 13 internationally standard trade terms which allows the parties to designate a point at which the costs and risks of transport are precisely divided between the seller and buyer. Since the last revision in 2000, much has changed in global trade. Cargo security is now at the forefront of the transportation agenda for many countries. In addition, the United States' Uniform Commercial Code was revised in 2004, resulting in a deletion of US shipment and delivery terms. The latest version of the Incoterms rules will reflect these changes and others. Incoterms 2010 will come into effect on January 1 2011.
Institute Clauses	Standard international transport insurance clauses published by the Institute of London Underwriters. The Institute Cargo Clauses are 3 sets of clauses providing different levels of protection. The "A" clauses correspond to the general notion which is commonly referred to as "all risks" coverage, while clauses "B" and "C" indicate a lower level of coverage and a greater number of exclusions.
Internet	Worldwide, publicly available, communication and information network.
Issuing bank	The bank which establishes a documentary credit at the request of the buyer, in favour of the beneficiary (the seller/exporter). Also known as the buyer's bank or opening bank.
L	
Letter of credit	See <i>Documentary Credit</i> .
Lodgement Instructions	The written instructions from a customer which constitutes the bank's authority to act in respect of collection of proceeds on customer's behalf.
M	
Main / Spread	The difference between the buying and selling rates of a foreign exchange quotation or between the borrowing and lending rates in deposits.
Marine Bill of Lading (also Ocean Bill of Lading)	See <i>Bill of Lading</i> .
Marine Insurance	Insurance covering international transport of goods. Marine insurance can be provided either in terms of a specific policy or certificate or by open cover under which the insurer covers an indefinite number of future shipments and declares each shipment to the insurer as they are made. Policy terms can include: <ul style="list-style-type: none"> • Average – loss or damage

- General average – loss occurring when extraordinary measures are taken to preserve the safety of the vessel
- Particular average – partial loss or damage; loss to an individual cargo interest rather than entire vessel
- With Average (WA) or With Particular Average (WPA) – coverage of partial loss provided the claim amounts to at least 3% of the cargo's insured value
- Free of Particular Average (FPA) – coverage does not include partial loss; a very restrictive form of policy

Master Arrangement Form used by importers and exporters processing trade transactions requiring access to multiple trade facilities. Allows company to authorise individual employees to sign for product or service – see *Westpac Banking Corporation*.

Medium Term Supplier Credit Medium term (1 to 5 years) trade financing for overseas buyers of Australian goods through discounting of negotiations under confirmed export documentary credits – see *Westpac Banking Corporation*.

Multimodal Transport Bill of Lading Bill of Lading used for carriage whenever there are at least two different forms of transport, such as shipping by rail and by sea.

N

NCV No commercial value.

Negotiable Instrument A negotiable instrument is one which, by the custom of trade, passes from hand to hand by delivery so as to give a bona fide holder for value, a good title to the instrument notwithstanding that the transferor may have had defective title.
The characteristics of negotiable instruments are:
(a) The title of them passes by mere delivery, or where necessary by endorsement followed by delivery
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(b) No notice of such transfer need be given to the party liable on the instrument
(c) A holder in due course can sue in his own name
(d) A holder in due course does not take the instrument subject to equities and in fact may obtain a better title than the transferor
Bills of Exchange, Cheques and Promissory Notes are three kinds of negotiable instruments.

Negotiate a Bill For these purposes, synonymous to the “discount” of a bill.

Non Business Day A non-business day means any Saturday or Sunday or any bank holiday (not being part holiday) and includes in respect of any bank premises every day on which those premises are not opened for business.

**Non-Circumvention
Non-Disclosure Agreements
[NCND]** A type of contract sometimes requested by international brokers or middlemen in order to prevent buyers from dealing directly with suppliers.

Notary Public	A public officer whose chief duties are certifying deeds and documents, noting and protesting Bills of Exchange etc.
Noting	A minute or memorandum made by a Notary Public on a Bill of Exchange which has been dishonoured. The Bills of Exchange Act instructs that noting be done within 48 hours of dishonour. It consists of his initials, his charges and the date. In the case of a Bill of Exchange drawn and payable outside of Australasia, it is preparatory to a formal protest.
Nostro Account	A bank account held by a local bank with its foreign correspondent bank, in the currency of that foreign country.
O	
Ocean Bill of Lading	Marine Bill of Lading.
Offered (Selling) Rate	Exchange rate at which dealers are prepared to sell foreign exchanges in the market and at which potential buyers are therefore able to buy foreign exchanges from those dealers.
Open Account	A method of settling payments for trade transactions. The supplier ships the required goods to the buyer who, after receiving and checking the related shipping documents, credits the suppliers account in his books with the invoice amount. The account is then settled periodically, say monthly, by the buyer sending a bank draft, or arranging through his bank a telegraphic remittance in favour of his overseas party.
Outright	The purchase or sale of foreign currency for delivery at any forward date beyond two working days ahead.
Overdue (Bill of Exchange)	A Bill of Exchange is said to be overdue when the time for its payment has passed, or if it is a bill payable on demand when it appears to have been in circulation for an unreasonable length of time as defined by the Bills of Exchange Act.
P	
Par	Is the term applied when the forward price of the purchase or sale of foreign currency is the same as the spot price.
Performance Bond / Guarantee	A safeguard against the party to whom the commercial contract is awarded failing to meet an obligation under such a contract, which, by its nature, normally requires a period of time for completion.
Point / Pip	The last decimal place of an exchange rate quotation.
Post-shipment Finance	Finance required for the period of time after goods have been shipped before payment is received by the exporter.
Prepayment	Paying for goods at the time the order is placed and prior to receipt of the goods. When prepaying, the importer carries all the risk. They are placing implicit faith in the supplier to fulfil the terms of the contract.
Pre-shipment Finance	Financing of goods whilst in the manufacturing/collation stage.

Presentation	The act of presenting a Bill of Exchange for acceptance and payment.
Presenting Bank	The <i>collecting bank</i> making presentation (of the collection) to the drawee.
Principal	The party (exporter) entrusting the handling of a collection to a bank.
Pro Forma Invoice	A sample invoice provided by an exporter prior to a sale or shipment of merchandise, informing the buyer of the price, description and quantities of goods offered.
Promissory Note	An unconditional order in writing, made by one person to another, signed by the maker engaging to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person or to bearer.
Protest	A solemn declaration by a Notary Public stating that he has demanded acceptance or payment of a bill of exchange and that it has been refused with the reasons, if any, given by the drawee or acceptor for the dishonour. The object of a protest is to give satisfactory evidence of the dishonour to the drawer or other antecedent party.
Q	
Qualified Acceptance	Is one which in express terms varies the effect of the bill of exchange as drawn, and may be: <ul style="list-style-type: none"> (a) Conditional: one which makes payment by the acceptor dependent on the fulfilment of a condition (b) Partial: an acceptance to pay part of the amount only for which the bill is drawn (c) Local: an acceptance to pay only at a particular or specified place (d) Qualified as to Time: a bill drawn for two months accepted payable in three months (e) Acceptance by Some Drawees Only: the holder may refuse to take a qualified acceptance and if they do not obtain an unqualified acceptance, they may treat the bill as dishonoured
R	
Rebate	An interest adjustment used when retiring a Bill of Exchange before it is due.
Recourse	The right of a holder of a Bill of Exchange to demand payment from a person rather than the acceptor. Bills may be endorsed "without recourse" in which case the endorser does not become liable to any holder.
Red Clause Credit	documentary credit provision, which allows the beneficiary (seller), to draw partial advance payments under the credit. This provision had historically been written/typed in red ink, hence the "red clause".

Remittance – Documents Against Acceptance [Rem D/A]	An advance facility similar to Rem D/P except that the bill of exchange allows for term payment and accompanying documents may be released on acceptance of the bill - see <i>Documents Against Acceptance</i> .
Remittance – Documents Against Payment [Rem D/P]	An advance facility which provides for negotiation or purchases of bills of exchange (sight) drawn outside documentary credits and where accompanying documents are to be released on payment of the bill overseas – see <i>Documents Against Payment</i> .
Remitting Bank	Under documentary collections the bank to which the principal (exporter) has entrusted the handling of a collection.
Retention of Title Clause	A contract clause whereby a seller declares his intention to retain title or ownership over the contract goods until payment by the buyer is completed.
Retire (a Bill of Exchange)	To pay, or take up before maturity, usually under rebate and thus withdraw (or retire) a bill from circulation. If a bill is retired by the acceptor, the bill is discharged in the same way as upon payment at maturity.
Revaluation	An upward change in the official parity of an exchange rate from that which it was previously set.
Revolving Credit	A documentary credit which, after notice of drawing against it is received by the issuing bank, the balance available for drawing again reverts back or “revolves” to its original amount, providing the credit has not expired in the meantime.
Rollover	The extension of a maturing foreign exchange transaction or the extension of a maturing currency deposit/loan.
S	
Sea Waybill	Transport document for marine shipments serving as evidence of contract of carriage and as a receipt for the goods. It is not a document of title.
Shading	A request to narrow, or close up, the spread or margin between foreign currency buying and selling rates of exchange.
Shipper	The party (exporter or importer) who enters into a contract of carriage for the international transport of goods.
Shipping Documents	Documents often attached to bills of exchange payable overseas. The basic documents usually consist of: <ul style="list-style-type: none"> • Invoices • Insurance policy • Bill of Lading/Sea Waybill/Air Waybill/Air Consignment note Others may include: <ul style="list-style-type: none"> • Certificate of origin • Certificate of quality • Veterinary certificate • Consular invoice

- Weight certificate
- Inspection certificate
- Packing list

Sight Bill	A Bill of Exchange payable at sight is treated as being payable by the drawee on presentation or on demand.
Smart Forward Contracts	A Smart Forward Contract enables both importers and exporters to protect themselves against adverse movements in exchange rates, while providing some potential for them to benefit from favourable movements in exchange rates. – see <i>Westpac Banking Corporation</i> .
Sola Draft	A single Bill of Exchange as distinguished from one in a set, the latter being marked as “First of Exchange” and the former “Sola of Exchange”.
Spot Exchange	Foreign exchange bought and sold for immediate delivery. In practice, almost invariably for delivery two business days after the conclusion of the deal.
Standby Letter of Credit	A form of guarantee such as a demand guarantee. Used as security for a contingent event i.e. an importer failing to honour the exporter’s invoices under open account – the importer claims against the standby letter of credit.
Swap	An agreement where one party provides foreign currency or local currency to another in a spot transaction while at the same time entering into a contract to repurchase the currency at some future time.
SWIFT	Society for Worldwide Inter-bank Financial Telecommunications – organisation providing international electronic funds transfer and messaging system used by most major banks.
T	
Tender Bond / Guarantee	A guarantee provided by a company responding to an international invitation to submit bids or tenders. The tender bond is required to discourage frivolous bids and ensures that the winning bidder will execute the contract.
Tenor (of a Bill of Exchange)	The period for which a bill is drawn e.g. sight, 30 days after date etc.
TEU	Twenty-foot equivalent units. A means of measuring the carrying capacity of container ships. A 2000 TEU capable ship is capable of carrying 2000 standard containers.
Through Bill of Lading	A Bill of Lading issued to cover transport by at least two successive modes of transport - see <i>Multimodal Transport Bill of Lading</i> .
TT Club	Through Transport Club – London based mutual, which provides insurance services to over two thirds of the world’s container fleet plus port and terminal operators.

Trade Finance The term “Trade Finance” may simply be described as finance for working capital. The main distinguishing feature about trade finance is that it relates to the movement, purchase and/or sale of goods, services and “know-how” and it applies to international trade, therefore, foreign currencies and exchange risks can be involved – see *Westpac Banking Corporation*.

Transferable Credit A documentary credit under which the bank called upon to effect payment or acceptance, or to any bank entitled to effect negotiation, makes the credit available in whole or in part to one or more third parties (second beneficiaries).

U

UCP 600 Uniform Customs and Practice for Documentary Credits, ICC Publication No. 600, the set of rules that govern international documentary credit practice – see *ICC*.

UNCITRAL United Nations Commission on International Trade Law – UN agency based in Vienna, specialising in the development of model legal instruments and conventions in the area of international trade law.

Unfair Calling Insurance Insurance coverage to protect principals who have issued demand guarantees, bonds or standby letters of credit against unfair or abusive call of the bond/guarantee. – see *EFIC*.

Usance Draft Term draft, a written demand for payment which comes due at a specified future date.

URC 522 Uniform Rules for Collections, ICC Publication No. 522, the set of rules that govern collections practice – see *ICC*.

V

Value Date The date on which foreign exchanges bought and sold have to be delivered and the prices payable for them in local currency have to be paid. Also, date entry to an account becomes effective and subject to interest.

Vostro Account A bank account held by a foreign correspondent of the local bank with that bank, in the local currency.

W

Warehouse to Warehouse Insurance coverage of international cargo from exporter’s warehouse to importer’s warehouse.

Waybill A non-negotiable transport document, issued for either ocean transport (sea waybill) or air transport (air waybill).

Without Recourse The purchase and discounting of trade documentation issued by an exporter under, and in full compliance with the terms of a documentary credit with the negotiating bank’s sole recourse to the documentary credit issuer.

**World Wide Web
(www: the Web)**

Internet sub-set which hosts “home pages” of commercial, individual, academic and government departments.
Visit www.westpac.com.au/trade

**Westpac Banking
Corporation**

Australia's First Bank, committed to providing customers with solution focussed, reliable and easy to understand trade services and finance. Contact Westpac for your trade finance needs.

Y

Yield Interest Rate

The actual rate of interest expressed as a rate percentage per annum relating to the net proceeds or outlay. This method of quoting is preferred in the market.

If you have any queries contact your International Business Manager or call our International

Advisory line on:

1300 139 152

8am - 5pm AEST Monday to Friday

Comments on content or suggestions may be made to:

**Westpac Institutional Bank
A division of Westpac Banking
Corporation
International Business
Level 1 275 Kent Street
Sydney NSW 2000**

**Visit our trade home page
www.westpac.com.au/trade**

This glossary of trade terms has been developed for information purposes only and does not in any way attempt to explore or offer solutions to risks associated with documentary trade and is provided without obligation on the part of Westpac Banking Corporation.
