

Glossary of trade terms



Glossary

**Glossary
summary**

This Glossary provides a definition of terms commonly used in this manual and general trade business.

AAR

Against all risks.

**Acceptance
(also, acc.)**

The agreement written on a draft and signed by the drawee - who becomes the acceptor - to pay the specified amount on the due date. The term is also applied to the accepted time draft itself. **See also 'Bill of exchange'.**

**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. The practical result is that the beneficiary is paid promptly at a discount.

Acceptor

The person who accepts a bill of exchange drawn on them. Until they accept, they are called the drawee. By accepting the bill the acceptor undertakes to pay the person presenting the bill the face value of that bill. On payment the acceptor retires the bill. Where the acceptor is the initial provider of the credit, by arrangement, on maturity of the bill, they require the borrower to place their funds on an amount equivalent to the face value of the bill.

**Ad valorem
duty**

A duty assessed as a percentage rate of the value of the imported merchandise. **See also Customs duty'.**

Advance clause credit

These credits incorporate a clause which authorises the advising bank to make an immediate payment to the beneficiary of an amount up to the total of the credit, or some lesser nominated amount. The Advance clause facility may in some instances stipulate that the advance is to be made against production of specified documents (e.g. storage warrants, insurance cover note), but more often is not subject to any special conditions.

The advance 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 an overdraft 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. **See also 'Red Clause Letter of Credit'.**

Advance payment guarantee/bond

This is a guarantee that advance payments will be returned if the party having received such payments does not perform its part of the contract.

Advice of fate

A request for advice of payment/non-payment (acceptance/non-acceptance) of a bill of exchange.

Advising bank

The bank that notifies or advises the exporter that a credit has been opened in the exporter's favour. The advising bank, usually located in the exporter's country, fully informs the exporter of the conditions of the documentary credit without itself making a payment commitment. **See also 'Documentary credit'.**

After date

Payment on 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 which acts on behalf of another (the 'principal'). In international transactions, generally refers to a sales representative who prospects on behalf of a foreign principal, earning commission on sales eventually concluded between the principal and the ultimate client (see also 'Foreign sales agent'). To be distinguished from sales through employees and subsidiaries - who are not independent, or through distributorship relations, which involve the distributor's buying and re-selling in their own name. Sales agents should also be distinguished from buying or purchasing agents, as the respective rights and obligations are quite different.
Air Waybill (also airbill or AWB)	A non-negotiable shipping document used by the airlines for air freight. It is a contract for carriage that includes carrier conditions, such as limits of liability and claims procedures. In addition, it contains shipping instructions to airlines, a description of the commodity and applicable transportation charges. It performs the functions of a bill of lading in land surface transport. See also 'Bill of lading' .
All risks (AR)	A type of insurance coverage providing somewhat more than the minimum coverage, at a premium above the base amount paid under a particular policy. Unfortunately, all risks coverage does not in fact cover all risks - thus, for example, coverage of war, riots and strikes is not usually included; moreover, there is no standard nomenclature for all risks coverage. Traders should understand what exactly is covered in all risks coverage, and decide whether or not they need additional coverage, before agreeing to such a term.
Applicant	In the documentary credit process, normally the buyer or importer, who applies (thus, the applicant) for a documentary credit in favour of the beneficiary, the seller.
Appreciation	A rise in the value of a currency in terms of foreign currencies.

Arbitrage Simultaneous buying and selling of foreign exchange for the sake of realising profits from discrepancies between exchange rates prevailing at the same time in different countries, or between forward margins for different maturities, or between interest rates prevailing at the same time in different centres or in different currencies.

Arbitration A process of dispute resolution in which a neutral third party (arbitrator) renders a decision after a hearing at which both parties have an opportunity to be heard. Arbitration may be voluntary or contractually required. The advantages of arbitration - compared to litigation - are neutrality, confidentiality, reduced costs, faster procedures and the arbitrator's expertise. Internationally, the main arbitration body is the International Chamber of Commerce, other arbitration institutions include the London Court of International Arbitration, the Stockholm Court of Arbitration, and the American Arbitration Association (AAA).

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 purposes. ATA Carnets are issued by National chambers of commerce, which guarantee the payment of duties to local customs authorities should the goods not be ultimately re-exported.

Aval A bank's guarantee to pay 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.

AWB See 'Air Waybill'.

**Back to back
(or head and
counter)
credit**

A documentary credit (counter) taken out by a seller (importer) to allow purchase of goods required to meet a sale covered under original (head) credit. Under this type of arrangement the first credit (head) can be offered in support of security to the importer's 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 they are paid under the original credit. Should be distinguished from a transferable credit.

**BAF (Bunker
Adjustment
Factor)**

A surcharge levied by the shipping company to cover any extra fuel costs incurred between the time a rate is quoted and when the goods are shipped. BAF could be a rebate if bunkering if bunkering costs have decreased in the meantime.

**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, for example, by an exporter on the importer's bank and be sold on the open market at a discount. **See also 'Bill of exchange'.**

**Banker's
cover note**

See 'Cover note'.

**Bank
guarantee**

Contract between a bank as guarantor and a beneficiary in which the bank commits itself to pay a certain sum under certain, specified conditions. Thus, a demand guarantee is one in which the bank agrees to pay against the simple written demand of the beneficiary.

**Bank to bank
payment**

A transfer of funds (airmail or cable) 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. Barter is an important means of trade with countries using currency that is not readily convertible. See 'Countertrade'.

Basis points One thousandths; 1/100 of 1%, i.e. 100 basis points is equal to 1%.

B/B See 'Breakbulk (BB)'.

Beneficiary Documentary credit context: generally, the exporter-seller; the one on whose behalf the documentary credit is opened by the applicant (the importer-buyer). Guarantee/bond context; the one who will receive payment under the bond should the specified documents or contingencies be produced.

Berne Union International Union of Credit and Investment Insurers.

B/G Bonded Goods. See also 'Bonded Warehouse'.

Berth terms See 'Linear Terms'.

Bid (buying) rate Exchange rate at which 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 their tender is accepted. Usually takes the form of a bank guarantee.

Bill of Exchange

A negotiable instrument that represents an unconditional demand for payment. Together with the Bill of Lading it forms the basis for the documentary collection procedures and together with the exporter's commercial invoice it can be used to charge the importer for the goods.

Defined by the Bill 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 a bearer'.

A bill is signed by a drawer and addressed to a drawee, who becomes the acceptor by writing their name across the face of the bill. The person to whom the bill is payable is referred to as the payee.

Bill of Lading (B/L)

A document issued when goods are entrusted to a shipping company for carriage. It can serve as a formal receipt for the goods by the ship owner, a memorandum of the contract of carriage, and documentary evidence of control over the goods. The holder or consignee of the bill has the right to claim delivery of the goods from the shipping company when they arrive at the port of destination. Bills of lading may be negotiable (order B/L) or non-negotiation (straight B/L). Bills of lading may also be distinguished by the mode of transport used for the shipment. See marine bill of lading, multimodal transport bill of lading, air waybill, railway consignment note and sea waybill.

B/L terminology:

- **ocean/marine** the classic B/L, a negotiable instrument used for goods shipped on board ocean-going vessels.
 - **on board/shipped** a B/L evidencing the loading on board of cargo in good condition.
 - **received for shipment** a B/L which only evidences that goods have been received, not that they have been loaded on board; common with container shipments delivered to port terminal; must be converted by subsequent "on board" notation if shipper needs an 'on board' or 'shipped' document for payment under a documentary credit.
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**Bill of Lading
(B/L)
(cont.)**

- **clean** a B/L which contains no notation indicating that the goods have been wholly or partially lost/damaged.
 - **dirty/foul/claused** a B/L with a notation to the effect that the goods have been partially/wholly lost or damaged.
 - **straight** a non-negotiable B/L; consignee only needs to identify himself to pick up the goods.
 - **order** a negotiable B/L, issued 'to the order' of a particular party, commonly the shipper.
 - **through** a B/L used when shipment involves successive transport stages with different carriers.
 - **direct** a B/L for direct transport between loading and discharging ports.
 - **multimodal/combined transport** a B/L issued to cover transport involving successive stages via different transport modes, e.g. road transport followed by sea followed again by road transport.
 - **FIATA FBL (FBL)** a standard form B/L issued by a freight forwarder; considered under the *UCP500* - along with other forwarder bills in which the agents accept full responsibility as a carrier - as acceptable as a clean on board B/L issued by a carrier.
 - **house** a B/L issued by a forwarder in its own name (house) covering grouped consignments.
 - **freight pre-paid** a B/L indicating on it that the freight has been paid.
 - **liner** a B/L issued subject to the terms and conditions of a shipping line.
 - **short-form** a B/L which does not contain the full terms and conditions of the contract of carriage; instead, it contains an abbreviated version of the carrier's condition, with a reference to the full set of conditions.
 - **stale** a B/L which is presented late (for documentary credit purposes, a B/L must be presented within a certain number of days after shipment).
 - **full set of originals** for documentary credit or collection purposes, the buyer may require the seller to produce a full set (commonly up to three) of signed originals - that is, B/L's which bear the original signature of the ship's master or agent.
 - **waybill** a non-negotiable transport document.
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**Bill of Lading
Guarantee**

A letter 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 an original bill of lading. The importer's letter of undertaking requires the prior endorsement or guarantee by their bankers before it is acceptable to the shipping company.

**Blank
endorsement**

An endorsement in blank specifies no endorsee and a bill so endorsed becomes payable to bearer and may be negotiated by delivery.

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.

BOLERO

Originally a system for transmission of electronic bills of lading. In the process of being expanded by SWIFT into an electronic platform for transmission of all trade documents.

**Bonded
warehouse**

A warehouse authorised by customs authorities for storage of goods on which payment of duties is deferred until the goods are removed for domestic consumption. If the goods are re-exported, no duty has to be paid at all. See Foreign trade zone.

Bond warrant

The document of title to goods being held in bond storage.

Box rate

A specific freight rate (usually defined by individual commodity) for shipment of a full container, irrespective of the volume it contains.

Breakbulk (BB)

Non-containerised cargo which is grouped or consolidated for shipment, and then is later broken down, sub-divided or distributed at a further destination point. Breakbulk cargo is often unitised cargo on pallets or packed in boxes; specialised breakbulk vessels tend to carry their own loading/unloading machinery.

Bunker adjustment factor (also, BAF)

See 'BAF'.

Business day and non-business day

Business day means any date that is not a non-business day.

Non-business day means any Saturday or Sunday or any bank holiday (not being a part holiday) within the meaning of 'The Banking Act 1908' and includes in respect of any bank premises every day on which those premises are not opened for business.

Buy-back (compensation)

A form of countertrade under which exporters of, e.g. heavy equipment, technology, or plant facilities agree to purchase a certain percentage of the output of the new facility once it is in production. See also 'Countertrade'.

CABAF

An adjustment factor incorporating the bunker and currency adjustments.

CAF

See 'Currency Adjustment Factor'.

Call

A demand for payment under a loan or guarantee. In the case of demand guarantees, the abusive resort to the guarantee (i.e. in the absence of non compliance by the principal) is sometimes referred to as an unfair call.

Case of need The drawer of a bill, and any endorser, may state 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) Indicated 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.

CBD Cash before delivery.

Certificate of inspection (also, certificate of quality) A document certifying the quality, quantity and/or price of a given shipment of goods. The inspection certificate is often required by buyers, especially those paying via documentary credit, from sellers, in order to assure that the goods are of contract quality. Generally, the buyer designates a neutral, independent inspection company.

Certificate of origin A certificate that is usually issued by a local Chamber of Commerce. It establishes the country where the merchandise was produced or manufactured.

It is often required by the customs authorities of a country as part of the entry process, for instance to grant preferential tariff treatment on imports of goods originating in a particular country.

c&f (C&F) Cost and freight. **Warning!** This is a common but non-standard version of the Incoterm 'CFR'. **See also 'Incoterms 2000'.**

CFR Cost and Freight. **See also 'Incoterms 2000'.**

Charter party A contract under which a charterer agrees to rent/hire the use of a ship or part of a ship from the ship owner. The charterer in some cases is empowered to issue their own bill of lading, known as charter party bills of lading, subject to the conditions of the original charter party contract. the charter party itself is not a bill of lading, but rather a contract between the ship owner and charterer under which the ship owner hires out all or part of their ship for a given period to the charterer.

CIA Cash in Advance.

CIF (also c.i.f.) Cost, Insurance and Freight. The exporter must procure and pay for insurance for the benefit of the importer. A documentary credit application necessarily reflects the insurance obligation, and the seller must present an insurance document in order to receive payment. **See also 'Incoterms 2000'**.

CIF&CI (also CIF&C or CIF&I) Cost, insurance, freight, and commission (C) and/or interest (I). **Warning!** These are variants on the standard Incoterms 2000 term 'CIF', so the additional abbreviations are not covered by international standard definitions. Traders may, therefore, wish to inquire and expressly stipulate as to the precise requirements implied by the additional 'C', 'I' or 'CI'. **See also 'CIF'**.

CIP Carriage and Insurance Paid To... (named point). **See also 'Incoterms 2000'**.

CISG UN Convention on Contracts for the International Sale of Goods (Vienna 1980).

Claused bill of lading A cloused, or foul bill of lading contains notations or remarks as to defects in the goods and/or packaging. **See 'Bill of lading' and 'Clean bill of lading'**.

Cld. Cleared (through customs).

Clean bill of lading A bill of lading indicating that the goods were received in apparent good order and condition. A clean bill is one which contains no notations of defect, damage or loss, and is signed by the carrier or its authorised representative. Note that a clean bill does not have to have any positive affirmation or mention to the effect, e.g. 'clean bill' or 'merchandise in good order'. If a bill does contain a notation of damaged or missing merchandise, the bill of lading is called 'claused', 'foul' or 'dirty'. **See also 'Bill of lading' and 'Claused bill of lading'.**

Clean bills Bills of Exchange (drafts, cheques, etc.) drawn payable overseas and which are not accompanied by commercial documents.

CMR International road transport convention.

Collecting bank In a documentary collection, the bank acting as an agent for the seller's bank in collecting payment or acceptance of a time draft from the buyer to be forwarded to the seller's bank (the remitting bank). **See also 'Documentary collection'.**

Commercial Invoice A document containing a record of the transaction between a seller (exporter) and a buyer (importer), containing information such as a complete listing and description of the goods including prices, discounts and quantities, and the delivery and payment terms. A commercial invoice is often used by government's to determine the true value of goods for the assessment of Custom duties, and must therefore conform to the regulations of the importing country.

Commission agent

A foreign sales representative who is paid a percentage of the sales they generate. **See also 'Agent' and 'Foreign sales agent'.**

Common carrier

In some jurisdictions, a legal term referring to carriers who offer transport services to the general consumer or business public. In contrast, for example, to carriers who may work as employees, sub-contractors or agents of the manufacturer/shipper.

Compound duty

A combination of both a specific rate of duty and an ad valorem rate of duty. Whereas specific duties are based on factors such as weight or quantity, ad valorem duties are based on the value of the goods. **See also 'Customs duty'.**

Conference

(also steamship conference, shipping conference) A group of steamship companies or shipping lines which have associated to offer regular service on specific routes at publicly-announced prices. Conferences generally offer specific rebates for regular or high-volume shipments. Shipment by conference lines is sometimes referred to as liner shipping and the freight rates are referred to as 'liner terms'. Shipping lines which are not members of a conference for a particular route are known as outsiders, independent lines, or non-conference liners. **See also 'Liner terms'.**

Confirmation of documentary credit

If the beneficiary, upon receipt of a documentary credit in their favour, has any doubts as to the standing of the issuing bank or the economic stability of the buyer's country, they may request their local bank to confirm that credit. Additionally requests to confirm a credit can be incorporated into the documentary credit terms and conditions by the issuing bank.

If the local bank is agreeable to add its confirmation, it adds its own separate engagement (normally under authority from issuing bank) to the credit and by this 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.

Confirming bank In documentary credit transactions, the bank which adds its own irrevocable undertaking for payment in addition to that given by the issuing bank. The confirming bank is usually located in the exporter's country. **See also 'Documentary credit'.**

Consignee In international export transactions: the intended receiver of a cargo shipment. The named person or legal entity having the right to claim the merchandise from the carrier at destination, and generally recognised as the legal owner for customs purposes.

In international representation or distributorship relations (viz. consignment sales): the holder and re-seller of merchandise, who receives payment in the form of commission or a discount as and when sales are made but does not have to purchase the goods in advance.

Consignment This is a method of financing trade. When goods are shipped on a consignment basis, related shipping documents are despatched either directly to the importer or through their bank, which is instructed to deliver them, free of payment, against a form of receipt under-taking 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.

Consular declaration A description of goods to be shipped, made in official form to a consulate.

Consular Invoice An invoice covering a shipment of goods certified by the consul of the country for which the merchandise is destined. The invoice is used by customs officials of the country to verify the value, quantity and nature of the merchandise imported to determine the import duty. In addition, the export price may be examined to ensure that dumping is not taking place.

Contingency insurance (or difference in conditions)

Insurance coverage taken out by one party to an international transaction to complement and fill in any gaps in the coverage taken out by the counterparty. Thus, the open account exporter on FOB Incoterms does not have an obligation to insure the goods during the main international transport, but may wish in any event to take out contingency insurance so that if the goods are lost or damaged there is no loss to the buyer (such a loss might lead to disagreements or disruption of commercial relations with the buyer, even if the seller was not legally at fault).

Contract of carriage

This is an agreement between the shipper and the carrier (or their agent). Incoterms are not embedded in the contract.

Contract of sale

This is an agreement between the seller and the buyer. Incoterms are embedded in the contract.

Correspondent bank

A bank which performs certain operations on behalf of another bank, usually in a different country. Correspondent banks hold deposits with each other, and accept and collect items on a reciprocal basis. It is through networks of correspondent banks that trade banks are able to service and support international business transactions.

Counter-purchase

Counterpurchase is the agreement of an exporter to purchase a quantity of unrelated goods or services from a country in exchange for and approximate in value to the goods exported.

Countertrade

All foreign trade transactions resulting from exporters' commitments to take products from the importers or from their respective countries in full or part payment for their exports. Countertrade is typical of trade with East European and less developed countries, which often suffer from a lack of foreign exchange and/or credit facilities. Countertrade transactions include barter, buy-back or compensation, counterpurchase, offset requirements, and swap. **See each of these respective terms.**

Courtage

This is the French term for brokerage; brokerage fee.

Cover

Term given to describe the Bank's procedure to protect itself from the risk of adverse fluctuations in foreign exchange dealings.

Cover note

An insurance document indicating coverage of a particular shipment under an open cover policy. To be distinguished, particularly as regards presentation under a documentary credit, from an insurance policy or an insurance certificate. Also known as a 'banker's cover note'.

CPT

Carriage Paid To... (named point). [See also 'Incoterms 2000'](#).

Credit risk insurance

An exporter's insurance against non-payment by the importer.

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.

CSC

Container service charge.

Currency Adjustment Factor (CAF)

This is an adjustment of the freight rate caused by a significant change in the relative exchange rates in the shipping line's basket of currencies between quotation of the rate and shipment date. This may be a positive (surcharge) or a negative (rebate) adjustment.

Currency future

A contract for the 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 an Exchange. Forward transactions enable importers and exporters who will have to make, or will receive, payment in a foreign currency at a future time, to protect themselves against the risk of fluctuations in the spot rate.

Currency option

The contractually-agreed right to buy (call option) or to sell (put option) a specific amount of a foreign currency at a predetermined price on a specific date (European option) or up to a future date (American option).

Customer foreign currency account (CFCA)

These accounts record overseas currency funds held by the Bank on behalf of a customer.

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 the customs border, usually a tax imposed on imports. Duties, or tariffs, are either based on the value of the goods (ad valorem duties), some other factors such as weight or quantity (specific duties), or a combination of value and other factors (compound duties).

Customs union

An association between two or more countries whereby they eliminate tariffs and other import restrictions on each other's goods and establish a common tariff on the goods from all other countries. The European Community is the best known example of a customs union.

CWO	Cash with order.
Cwt	Hundredweight; unit of measurement.
DAF	Delivered at Frontier. See also 'Incoterms 2000' .
Date draft	A draft which matures a specified number of days after issue.
D/D	Delivered.
ddc (or DDC)	Sometimes said to be 'delivered destination charges'. Referring to various miscellaneous charges in the port of destination; alternatively said to refer to dispatch money at discharge. See also 'Dispatch money' .
DDP	Delivered Duty Paid. See Incoterms 2000.
DDU	Delivered Duty Unpaid. See also 'Incoterms 2000' .
Deadfreight	Freight charge to be paid even when shipment was not made, owing to failure by shipper or charterer to actually ship goods in the shipping space for which a reservation was made.
Deadweight	Total carrying capacity of a vessel.
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. Since deck cargo is more exposed to the elements, traders may wish to stipulate that goods not be carried on deck (except in such cases as transport of hazardous materials, in which case carriage on deck may be mandatory).

Deferred air freight Air freight offered at cheaper rates for non-urgent shipments.

Delivery Delivery under a forward exchange contract (full or partial) is when the actual exchange of foreign currency for New Zealand dollars takes place.

Delivery order An order, commonly addressed to a terminal superintendent or warehouse manager, directing the release of specified cargo to a particular receiver. The order may in some cases be issued by seller, shipper or consignee, while in other contexts the order is issued by the shipping line or carrier. Commonly, a delivery order directs delivery of part of a larger consignment, which is itself covered by a single bill of lading; i.e. the issue of several delivery orders "splits up" the cargo covered by the bill of lading: the delivery order is not a negotiable document, nor does it evidence receipt of the goods, nor does it contain the provisions of the transport contract under which the goods were shipped.

Demand draft A bill of exchange payable at sight or on demand.

Demand guarantee

A guarantee usually issued by a bank, under which the beneficiary is only required to make a demand in order to receive payment. In contrast to the conditional or suretyship guarantee - which require the beneficiary to provide proof of the principal's default, a demand guarantee only requires that the beneficiary make a simple demand, and therefore this latter type of guarantee is relatively risky in terms of exposure to an unjustified demand on the part of the beneficiary. Some protection against such an unfair demand can be obtained by making the guarantee subject to the ICC Uniform Rules for Demand Guarantees (URDG458).

Demurrage

The extra charges paid to a ship owner or carrier when a specified period for loading/unloading is exceeded. The demurrage may, depending on the context, be paid by the charterer or shipper.

Air cargo: The detention of containers by shippers or receivers of freight beyond a specified free time. The airlines tender carrier-owned containers to the customer for loading and unloading of the unit. In the event the container is not returned to the carrier within a specific time (usually 36 to 48 hours) a charge is assessed by the carrier for each 24 hours or fraction thereof beyond the allowed time.

Depreciation

A decline in the value of a currency in terms of foreign currencies.

DEQ

Delivered Ex Quay. [See also 'Incoterms 2000'](#).

DES

Delivered Ex Ship. [See also 'Incoterms 2000'](#).

Destuffing

Unloading goods from a container. [See also 'Stripping', 'Devanning'](#).

Devaluation A downward change in the official parity of an exchange rate from that which it was previously set.

Devanning Unloading goods from a container. See also 'Stripping', 'Destuffing'.

Dimensional weight Density, i.e. weight per cubic foot. The Dimensional Weight Rule was developed as a practice application to low density shipments under which the transportation charges are based on a cubic dimensional weight rather than upon actual weight.

Discount The purchase by a bank or finance house of a bill of exchange at face value less interest. It is used as a financing tool, should the holder of an accepted bill of exchange require the money before the bill matures.

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.

See also 'Bill of exchange'.

Discount interest rate Discount refers to the amount of interest for the period of finance deducted from the face value of a 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 Documentary credit context: a discrepancy arises when documents presented under a documentary credit do not conform to the terms of the credit; generally, an error, contradiction or omission related to the documents constitutes the discrepancy. The bank refuses to pay against the documents unless the applicant (buyer) agrees to amend the credit or otherwise waive objections to payment under the credit.

Dispatch money (also, despatch)

An incentive payment offered by a ship owner to a charterer in exchange for completing loading or unloading in less time than is specified in the charter party contract (this time is often calculated as a number of 'lay days'). See also 'Charter party', 'Demurrage'.

Distributor

An independent person or legal entity which sells goods locally on behalf of a foreign principal. Distributors can be distinguished from agents because distributors buy the goods in their own name, then re-sell them at prices which they have some liberty to set. Distributorship is frequently based on a contract which grants the distributor exclusivity for a specific territory. See also (for comparison) 'Foreign sales agent'.

D/O

See 'Delivery order'.

Dock receipt

A document certifying receipt of goods by the international carrier at the port of departure.

Documentary collection

A method of payment under which the shipping documents relating to a particular cargo are released to the importer on payment (documents against payment: 'D/P') or acceptance (documents against acceptance: 'D/A') of a documentary draft drawn on them by the exporter. Under collections, the exporter presents a draft together with shipping documents to a bank (the remitting bank) in their country, which then forwards the documents and draft to the collecting bank in the buyer's country. The documents, which enable the buyer to take possession of the goods, are only released by the collecting bank when the buyer either pays or accepts the draft.

**Documentary
Credit (D/C)**

A documentary credit is issued by the Importer's bank stating its commitment to honour the draft (or otherwise pay) on presentation of specific documents by the exporter within a stated period of time. The minimum documents the importer requires in the credit usually include a commercial invoice and clean bill of lading, but may also comprise a certificate of origin, consular invoice, inspection certificate, and other documents. The most widely used type of credit in international trade is the irrevocable credit.

The following are the main types of documentary credit:

- **Irrevocable:** A credit which cannot be retracted or revoked once the beneficiary has been notified. (There is a presumption under the *UCP500* that a credit is irrevocable.
 - **Advised:** A credit opening, of which a local bank informs the beneficiary.
 - **Confirmed:** A credit which has received an additional guarantee of payment by a local or highly reputed bank.
 - **Sight:** The beneficiary is entitled to present a sight draft or sight bill of exchange, which is a call for immediate payment upon acceptance of shipping documents.
 - **Revolving:** A credit which can be drawn against repeatedly by the beneficiary; can take a variety of different forms, depending on whether the credit is limited in terms of time, number of possible drafts, maximum quantity per draft, or maximum total quantity.
 - **Cumulative revolving L/C:** Revolving L/C under which unused amounts can be carried forward and become available under the next draft.
 - **Red clause:** This allows pre-shipment advances to be made to the exporter at the risk and expense of the applicant.
 - **Deferred:** A D/C under which payment by the importer is to take place a specified time after their receipt of the shipping documents.
 - **Transferable:** A D/C which allows the beneficiary to make part or all of their credit payable to another supplier; used in middleman/brokerage contexts; distinguishable from back-to-back D/Cs because the transferable credit requires the knowledge and authorisation of the importer (applicant/principal).
-

**Documentary
Credit (D/C)**
(continued)

- **Back to back:** A system utilised by middlemen/intermediaries to finance a single transaction through the use of two D/C's opened in succession (e.g. 'back to back') in order to permit the middleman/broker to use the proceeds from the first credit to pay off their supplier under the second credit. The importer may be unaware that there is a middleman in this situation.
- **Import:** A D/C used to finance importation of goods.
- **Standby:** The primary function of the standby credit is to serve as a security or a guarantee rather than as a payment mechanism. Under this agreement, the beneficiary claims payment in the event that the contractual partner fails to perform or fulfil certain obligations.

**Document of
title**

An instrument which enables the holder to deal with the property described in it as if they were the owner, e.g. bill of lading.

**Documents
against
acceptance
(D/A)**

The documents transferring title to goods are delivered to the buyer (drawee) only upon the buyer's acceptance of the attached draft guaranteeing payment at a later date. **See also 'Documentary collection'.**

**Documents
against
Payment (D/P)**

In the case of a sight draft, the documents transferring title to goods are released to the buyer/importer only against cash payment. **See also 'Documentary collection'.**

Door to door

A transport service covering carriage from the seller's premises to the buyer's premises. Note that this term refers to a freight charge in a carriage contract between a carrier and a shipper, and thus is distinct from the issue of the Incoterm chosen in the contract of sale (an agreement between seller and buyer). Depending on the circumstances of the transaction, it could be possible to quote prices on either EXW, FCA, CPT, CIP, DDU or DDP Incoterms in conjunction with so-called 'house to house' transport services. Attention should be given to the inclusion of loading/unloading charges in the "house to house" rate, especially in comparison with the responsibility under the respective Incoterm for loading or unloading. The shipper should make sure that the transport service corresponds to the contractual obligations under Incoterms. It is sometimes said that 'door to door' services imply that loading and unloading are not included in the freight charge, but this is not a standard rule and traders should inquire in each particular case. Door to door is sometimes used synonymously with house to house, but it is claimed by some that there is a distinction between the two, namely that 'house to house' only refers to rental rates for containers from container yard to container yard. **See also 'House to house'.**

Draft

An unconditional order in writing, signed by a person (drawer) such as a buyer, and addressed to another person (drawee), typically a bank, ordering the drawee to pay a stated sum of money to yet another person (payee), often a seller. A draft, also called a bill of exchange, may be payable to a named person or their order (order draft), or to bearer (bearer draft). The most common versions of a draft are:

- sight draft, which is payable on presentation or demand
 - time (or usance) draft, which is payable at either:
 - a future fixed (specific) date
 - a future determinable date (e.g. 30, 60, 90 days, etc.).
-

Drawee The individual or firm on whom a draft is drawn. The drawee is instructed by the drawer to pay a specified sum of money to, or to the order of, the payee or to the bearer. In a documentary collection, the drawee is generally the buyer. **See also 'Bill of exchange'.**

D/S Days after sight (payment term often used in conjunction with bank drafts and documentary credits).

Due date The date on which a bill of exchange or other instrument becomes due and payable.

Dumping The practice of selling a product in a foreign market at an unfairly low price (a price which is lower than the cost in the home market, or which is lower than the cost of production) in order to gain a competitive advantage over other suppliers. Dumping is considered an unfair trade practice under the GATT and World Trade Organisation agreements; it is regulated by national governments through the imposition of anti-dumping duties, in some cases calculated to equal the difference between the product's price in the importing and the exporting country.

Electronic Data Interchange (EDI) The computer-to-computer transmission of business messages (such as purchase orders, invoices, booking instructions, etc.) according to an agreed standard (such as EDIFACT).

Endorsement A writing on the back of an instrument.

It is a means of transference of liability/title of exchange, e.g. bill of lading etc., and the writing need not necessarily be on the back of the instrument to be operative.

An endorsement may be:

- In Blank: where the person to whom the instrument is payable merely signs (endorses) and delivers the instrument to another.
- Special: where the name of the transferee is specified.
- 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.
- Conditional: where the endorsement contains certain conditions.
- Without Recourse: an endorsement having the effect of negotiating a bill, but negating the liability of the endorser.

Est. Estimated.

ETA Estimated time of arrival.

ETD Estimated time of departure.

ETS Estimated time of sailing.

EU European Union.

Eurocurrency A currency being used or traded outside the country which issued the currency.

**European
Currency Unit
(ECU)**

The ECU is the European Union's accounting unit and is a popular private financial instrument. The ECU gives way to the EURO in the 1999-2002 period.

**Exception
ratings**

Rates set at a certain percentage above the general commodity rates because they apply to commodities that require special handling.

**Exchange
control (EC)**

Government regulations covering the inflow and outflow of foreign exchange.

**Exchange
rate/ foreign
exchange rate**

The rate which would apply when changing the money of one country for that of another country.

Ex factory

Warning! This is a non-standard trade term, a variation of the preferred formulation 'EXW'. **See also 'Incoterms 2000'**.

Export broker

An individual or firm that brings together buyers and sellers for a fee without taking part in actual sales transactions.

**Export credit
insurance**

Special insurance coverage of exporters to protect against commercial and political risks for making an international sale. Export credit insurance is available from insurance underwriters as well as from government agencies. Examples of well known public export credit agencies include EXGO, HIH Winterthur and Trade Indemnity.

Export license A government document granting the 'Licensee' the right to export a specified quantity of a commodity to a specified country. This license may be required in some countries for most or all exports and in other countries only under special circumstances.

E&OE Errors and Omissions Excepted: when appended to a signature on a shipping document, indicates a disclaimer of responsibility for spelling typographical or clerical errors.

**Ex Works
(also EXW)** See 'Incoterms 2000'.

Factoring In the export trade: the financial service consisting of the granting of a cash advance against accounts receivable from foreign customers. More generally, a range of financing and risk management services offered by specialised firms, called factors, to sellers/exporters, particularly those who deal with a stream of low-value, short-term foreign accounts receivable. The exporter transfers title to its foreign accounts receivable to a factoring house in exchange for cash at a discount from the face value. Other basic services offered by factors include: foreign credit risk assessment, collection of overdue foreign accounts, and administration of accounting ledgers.

FAK See 'Freight all kinds'.

FAS Free Alongside Ship. See also 'Incoterms 2000'.

FAWG (Free at Wharf Gate) Loading Port/Discharge Port	An expression that is sometimes used in trans-Tasman trade because the trans-Tasman service sea freight rates include wharfage and wharf-handling charges at both ends. Marine insurance cover should be negotiated separately and clearly specified in contracts and invoices.
FB	Freight bill.
FCA	Free Carrier. See also 'Incoterms 2000' .
FCL	Full container load.
FCL/FCL	A way of quoting container freight rates in which the shipper loads the container and the consignee unloads the container.
FCL/LCL	A way of quoting container freight rates in which the shipper loads the container and the carrier unloads the container.
F&D	Freight and demurrage.
Fixed Term Contract	A Forward Exchange contract due on a specific date. These best suit a customer who wants to be certain of the date of delivery. If delivery takes place prior to due date (pre-delivery), the contract rate may be subject to adjustment.
FO	Free out. See 'Free in and out' .

FOB Free on Board. [See 'Incoterms 2000'](#).

FOB airport Free on board airport; a trade or delivery term used when delivery is effected at an airport. **Warning!** No longer a valid Incoterm. It was withdrawn from use as a valid Incoterm because it was felt that the term was the source of much potential disagreement, especially as regards allocation of customs clearance and export handling charges. The suitable Incoterm to use is FCA. [See 'FCA' and 'Incoterms 2000'](#).

f.o.c. Free of charge.

f.o.d. Free of damage.

FOR Free on rail. **Warning!** No longer a valid Incoterm, but still used by some traders. The problem is that there is on occasion confusion as to whether it only applies to rail shipments. The suitable term from Incoterms 2000 is FCA. [See also 'Incoterms 2000'](#).

Force majeure A clause which protects the parties to a contract in the event that a part of the contract cannot be performed due to causes which are outside the control of the parties and could not be avoided by exercise of due care. These causes may be earthquakes, floods, storms or war.

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

Foreign sales agent An individual or firm that serves as the foreign representative of a domestic supplier and seeks sales abroad for the supplier.

Foreign trade zone (also FTZ)

Special commercial and industrial areas in or near ports of entry where foreign and domestic merchandise may be brought in without being subject to payment of customs duties. Merchandise, including raw materials, components, and finished goods, may be stored, sold, exhibited, repacked, assembled, sorted, graded, cleaned or otherwise manipulated prior to re-export or entry into the national customs authority. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to the Customs Authority. Foreign trade zones are also called free trade zones, free zones, free ports or bonded warehouses.

Forfaiting

The purchase by the forfaiter of an exporter's accounts receivable which are based on negotiable instruments such as bills of exchange and promissory notes. In contrast to factoring, forfaiting involves a series of independent, medium to longer term obligations of higher value. Since the forfaiter purchases the bills on a non-recourse basis, they assume both commercial and political risk.

Forward contract - fixed term

These contracts specify a 'fixed' future date at which it is anticipated delivery of the foreign currency will be effected. If delivery is made on the fixed date (expiry of the contract) the contract rate applies. However, delivery may be made at any time during the term of the contract but if prior to the stated due date (i.e. a pre-delivery) the contract rate may be adjusted in accordance with forward margins then applicable.

Forward contract - optional term

Where an importer is uncertain of delivery date, they are faced with the possibility of an adjustment of the contract rate against them if they take out a fixed term contract and must deliver some considerable time before expiry date.

To remove this uncertainty, they may take out a contract with a firm rate quoted for delivery at any time within a stated period, e.g. usually 15 30 days.

Delivery within the optional period would be effected at the contract rate, while earlier deliveries would necessitate an adjustment to the rate as is the case for pre-deliveries under fixed term contracts.

Forward deal

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

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 and is always added to the spot rate e.g. importer.

Forward exchange contract (FEC)

An arrangement entered into between customer/bank wherein customer agrees to buy/sell foreign currency from/to bank for delivery by an agreed future date.

Forward margin

The premium or discount on forward rates against spot rates.

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 the foreign currency and is always subtracted from the spot rate e.g. exporter.

Forward rate

The price of a foreign currency which is bought or sold for delivery and payment at a fixed future time, usually 30, 60 or 90 days. Forward transactions enable importers and exporters who will have to make, or will receive, payment in a foreign currency at a future time, to protect themselves against the risk of fluctuations in the spot rate.

FOT

Free on truck. **Warning!** No longer a valid Incoterm, but still used by some traders. The problem is that there is on occasion confusion as to whether it applies to motor vehicle or to rail shipments. The suitable term from Incoterms 2000 is FCA. **See also 'Incoterms 2000'.**

Franchising

A system based on the licensing of the right to duplicate a successful business format or industrial process. The franchiser (licenser) permits the franchisee (licensee) to employ its business processes, trademarks, trade secrets and 'know-how' in a contractually-specified manner for the marketing of goods or services. The franchiser usually supports the operation on the franchisee's business through the provision of advertising, accounting, training and related services and in many instances also supplies products required by the franchisee for the operation of the franchise. The franchisee, in return, pays certain moneys to the franchiser (in terms of fees and percentage commissions) and agrees to respect contractual provisions dealing, inter alia, with quality of performance. The two principal kinds of franchise contracts are *master franchise* agreements, under which the franchiser grants another party the right to sub-franchise within a given territory, and *direct* or *unit franchise* agreements, which are direct contracts between the franchiser or sub-franchiser and the operator of the franchise unit.

Franco

The French term, in the context of European shipping, for 'Free delivered': the shipper pays all charges to a particular point. **Warning!** Non-standard term. See '[Incoterms 2000](#)' for the preferred formulation.

Free in and out (FIO)

A transport or freight term which indicates that loading/discharging costs are not included in the freight; in the charter party context this means that loading/discharging are not the ship owner's responsibility - the charterer is responsible for loading/discharging. Also possible to use either Free in (FI) or Free out (FO) independently. Also used with addition of stowed (S) and/or trimmed (T), e.g. FIOS or FIOST.

Free Into Store (FIS)

This is a price basis rather than a shipping term or an Incoterm. It is commonly used in sales to Australia.

The correct Incoterms are DDU or DDP, i.e. Delivered Duty Unpaid and Delivered Duty Paid. [See also 'Incoterms 2000'](#).

Free trade area

A group of countries which agree to eliminate tariffs and other import restrictions on each other's goods, while each participating country applies its own independent schedule of tariffs to imports from countries that are not members. Well known examples are the North American Free Trade Association (NAFTA), the European Free Trade Association (EFTA) and Mercosur.

Freight all kinds (FAK)

A tariff term used for air freight, allowing for any type of commodity to be consolidated. A forwarder with a bulky light product can pack it with a smaller denser product allowing them to maximise the space and weight available.

Freight forwarder

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

FTZ

[See 'Free Trade Zone'](#).

Funding

The placing of funds in overseas accounts in order to meet the bank's daily requirements.

FX

[See 'Foreign exchange'](#).

General commodity rate An air freight rate applicable on all commodities except those for which specific rates have been filed. Such rates are based on weight and distance.

Gross weight Entire weight of a shipment, including containers and packaging material.

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 the greater part of world trading nations. The Hague Rules were revised and updated in the so-called Hague Visby Rules, published in 1968, which have not received so universal an implementation as their predecessors.

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

HAWB See 'House air waybill'.

Hedge contract (FEH) A hedge contract is generally regarded as a non-delivery forward exchange contract. Customers take such positions to 'hedge' or reduce the risk of foreign exchange movements against their future foreign currency commitments. Non-delivery simply means that the customer did not intend to take/effect delivery of the foreign exchange on due date and cancels their position, with only the profit/cost being settled. This profit/cost is used to offset the profit/cost customer incurs when they finally settle their foreign currency commitments.

In each of these contracts the price of covering forward may be more or less than the spot exchange rate. The margins between the spot and the forward rates essentially reflect the interest rate differential between the two currencies concerned.

Holder	The payee or endorsee of a bill or promissory note who is in possession of it, or the bearer thereof.
Holder in due course	<p>A holder who takes a bill, complete and regular on the face of it, under the following conditions:</p> <ul style="list-style-type: none">• that they became the holder of it before it was overdue, and without notice that it has been previously dishonoured, if such was the case, and• that they took the bill in good faith and for value, and that at the time the bill was negotiated to them they had no notice of any defect in the title of the person who negotiated it. <p>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 they cannot be holder in due course.</p> <p>The rights of the holder in due course are not affected when the acceptor or other party has been induced to sign the bill by fraud.</p>
House air waybill (also 'house AWB' or 'HAWB')	A transport document issued by an air freight consolidator. See also 'Air waybill' .
House bill of lading (house B/L)	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. The forwarder may, for example, receive a single groupage bill of lading from the carrier, then issue a series of house B/L's to the respective shippers.
House to house	This term generally refers to a container yard to container yard (CY/CY) shipment (in which case it may be used merely to quote the rental rate for the container itself), but is also used in some cases synonymously with 'door to door', a term which more generally refers to overall transport services from seller's premises to buyer's premises. See also 'Door to door' .

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. Administrator of ATA Carnet system for temporary duty-free admission of industrial/commercial samples.
ICC	International Chamber of Commerce, the world business organisation whose headquarters are in Paris, with approximately 7000 members in more than 140 countries.
ICC Arbitration	Refers either to ICC Rules for Conciliation and Arbitration or the process of submitting an arbitral complaint to the ICC Court of International Arbitration.
ICPO	Irrevocable Corporate Purchase Order; an offer to buyer stated goods under specified terms and conditions; for example of misuse.
In bond	As applied to air freight coming into a country the term 'in bond' designates a procedure under which customs clearance of cargo is postponed until the cargo reaches an inland customs point rather than subjecting the cargo to clearance procedures at congested gateway cities.

Incoterms 2000

A set of 13 internationally-standard trade terms (also known as delivery terms). Incoterms 2000 allows the parties to designate a point at which the costs and risks of transport are precisely divided between the seller and the buyer. Incoterms also allocate responsibility for customs clearance/duties between the parties. Since Incoterms are not law but are contractual standard terms, they do not apply to a given transaction unless the parties specifically incorporate them as by referring to Incoterms, e.g. \$100/tonne Wellington Incoterms 2000 (in exceptional cases, Incoterms apply regardless of explicit mention in the contract, if there is a custom of trade or prior course of dealing which indicates reliance on Incoterms, or if the local law creates a presumption in favour of applicability of Incoterms). Incoterms are elements of the contract of sale, which may be derived from the seller's tender or pro forma invoice. Thus, Incoterms only apply to the seller and buyer, one of whom assumes the role of shipper and enter into a contract of carriage. The contract of carriage should agree with the Incoterm in terms of allocation of transport costs and risks, but this depends on the shipper giving precise directions to the carrier to ship according to the constraints of the given Incoterm. For a definition of the 13 currently valid Incoterms, their standard abbreviations.

Indemnity

A form of contract when a party (who thereby becomes primarily liable) undertakes to compensate another for loss they may suffer as a result of a transaction with a third party.

Inspection Certificate

A certificate generally issued by a respected independent agency. It verifies the quality, quantity or specifications of the good shipped is in conformity with the sales contract.

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 in the trade as 'all risks' coverage, while clauses 'B' and 'C' indicate a lower level of coverage and a greater number of exclusions.

Instrument

A formal legal document in writing, e.g. a bill of exchange.

Inv.

Invoice.

ISO 9000

International production quality standards established by ISO (International Standards Organisation). Certification that an exporter meets ISO 9000 manufacturing standards, for example, may be a minimum requirement for competing in certain markets or for certain tenders.

Issuing (or opening) bank

The buyer's bank which establishes a documentary credit at the request of the buyer, in favour of the beneficiary (seller/exporter). It is also called the buyer's bank or opening bank. **See Documentary credit.**

**Laydays/
laytime**

The time allowed by the ship owner to the charterer or shipper in which to load or discharge the cargo. May be expressed in days or hours, or tonnes per day. Laydays may be set in running days (every calendar day), working days (excludes Sundays and holidays observed by the port), or weather working days (excludes in addition days where operations are prevented by bad weather). It may be contractually provided that if the charterer or shipper loads/unloads more quickly than is necessary, they are eligible for payment of an incentive called dispatch money; if the loading/unloading time is excessive, however, the charterer or shipper may have to pay a penalty known as demurrage.

LC

Letter of Credit. See 'Documentary credit'.

LCL

Less than container load. Refers to shipments of goods which must be packed together with other consignments in order to fill up a container.

LCL/FCL

A way of quoting container freight rates in which the carrier agrees to pack the container at the outset (LCL) but the unpacking at destination must be carried out by the receiver or consignee. A common approach for buyers who wish to consolidate small purchases from multiple suppliers in a foreign market into container shipments.

LCL/LCL

A way of quoting container freight rates in which the carrier agrees to pack the container on departure as well as unpack the container at destination.

Ldg.

Loading.

**Letter of
Credit**

See 'Documentary Credit'.

**Letter of
indemnity
(LOI)**

See 'Bill of Lading Guarantees'.

Liability

In banking, a liability is a commitment expressed in monetary terms. It can be direct or contingent.

Direct liability is that which sooner or later must be repaid, e.g. negotiation, trade finance loan, surrendered bill of lading, special documentary credit establishment.

Contingent liability is one which may or may not eventuate, e.g. import documentary credit established which is never drawn under.

Licensing

A contractual arrangement in which the licensor's patents, trademarks, service marks, copyrights, or know-how may be sold or otherwise made available to a licensee for compensation negotiated in advance between the parties. Such compensation may consist of a lump sum royalty, a "running" royalty (based on volume of production), or a combination of both. Licensing enables a firm to enter a foreign market quickly and poses fewer risks than setting up a foreign manufacturing facility. Furthermore, it allows parties to overcome tariff and non-tariff barriers of trade.

I.i.f.o.

In international trade: liner in free out; referring to a freight charge which includes the cost of loading in the port of departure but does not include unloading costs in the port of destination. In accounting practice: last in first out.

Lighters

Barges used for unloading sea vessels when normal harbour facilities are non-existent or unavailable.

Liner shipping

Services provided by a steamship company or shipping line, under which cargo vessels operate according to a fixed schedule and publicly advertised freight rates.

Liner terms/berth terms

Freight rates which include loading/unloading charges according to the custom of the respective ports - which unfortunately varies widely. "Liner terms" is, thus, not yet a standard designation, and may or may not include cargo handling charges or the costs of moving cargo between the ship's hold and the quay; traders are therefore well advised to require full details in advance from carriers. The ICC is currently working on establishing a standard liner term.

In New Zealand, a liner (or berth) term shipping rate indicates that the shipping company organises the stevedoring onto and out of the ship. This is the standard type of freight rate for most ships picking up general cargo. It particularly applies to any containerised cargo but not always to bulkbreak (loose) cargo and therefore the customer should check this with the shipping/forwarding agents.

Lkg. & Bkg.

Leakage and breakage.

Lodgement instruction

The written instructions from a customer which constitutes the bank's authority to act in respect of collection of proceeds on customer's behalf.

Use WestpacTrust's Lodgement Instruction form (Stationery Item No. 03551WT).

LOI

See 'Letter of indemnity'.

Long (overbought) position

Excess of purchases over sales or of foreign currency liabilities over assets.

LTL

Less than truck load.

Margin or Forward margin

The premium or discount for the term and currency involved in a forward exchange contract.

Margin/spread

The differences between the buying and selling rates of a foreign exchange quotation or between the borrowing and lending rates in deposits.

The expression is also used with respect to offshore loans as being the difference between cost of borrowing and return from lending.

Marine bill of lading (also ocean bill of lading)

The classic document of the traditional export trade, it plays three potential roles:

- as a receipt for the cargo and evidence that the goods have been received in apparent good order
 - evidence of the terms of the contract of carriage between the shipper and the ocean carrier, and
 - an instrument enabling transfer of control over delivery of the goods (negotiability), which allows the holder of the bill to trade the goods in transit by simple endorsement and physical transfer of the bill. **See also 'Bill of lading'.**
-

Marine insurance

Generic term for insurance covering international transport of export transactions; used even in cases where ocean transport is not a predominant leg in the transport chain. Marine insurance can be provided either in terms of a specific policy or certificate (exporters should pay attention to which of the two is required under a documentary credit), or by open cover under which the insurer covers an indefinite number of future shipments; the shipper declares each shipment to the insurer as they are made. Policy terms:

- **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 partial loss, a very restrictive form of policy
- **Free of Particular Average American Conditions (FPAAC)** - coverage only of losses resulting from vessel's sinking, collision, stranding or fire.
- **Free of Particular Average English Conditions (FPAEC)** - coverage only of losses resulting from or connected to a vessel's sinking, collision, stranding or fire.

Master document/form

Central document in export administrative systems under which all necessary information is entered into a single master document or computer file, which is then used to generate all shipping and export documents.

Mate's receipt

A document issued by the carrier to the shipper, indicating receipt of the goods, but not loading on board. Like a B/L, a mate's receipt can be either clean or cloused/dirty/foul, depending on whether or not the goods have been received in apparent good condition. The mate's receipt can later be exchanged for the bill of lading. **See also 'Bill of lading'.**

MO Money order.

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. **See also 'Bill of lading'.**

Multimodal transport operator (MTO) A carrier who concludes multimodal transport contracts, i.e. contracts involving transport by more than one mode of carriage and for which the MTO accepts liability as a carrier.

M/V Motor vessel.

NCND **See 'Non-circumvention non-disclosure agreement'.** **Warning!** This often contains a false reference to non-existent ICC standard rules.

NCV No commercial value.

NE (also ne) Not exceeding.

Neg Negotiate a bill. For the Bank's purposes, this is synonymous to the 'discount' of a bill.

Negotiable instrument A written document that can be used to transfer the rights embodied in it by mere delivery (in the case of instruments made out to bearer) or by endorsement and delivery (in the case of instruments made out to order). Some instruments, such as the bill of exchange and the cheque, are negotiable unless their negotiability is explicitly excluded, while the bill of lading is negotiable only if made negotiable by the shipper.

Nominated bank

The bank that is stipulated in a documentary credit as authorised to pay or issue a deferred payment undertaking or accept drafts. A nominated Bank is normally bound to pay under the credit.

Note:

If the Bank has added its confirmation to the credit it becomes a confirming bank.

Non-circumvention non-disclosure agreement (also NCND)

A type of contract frequently requested by international brokers or middlemen in order to prevent buyers from trying to go around the broker to deal directly with suppliers.

Warning! These agreements are sometimes erroneously said to be issued pursuant to ICC Rules. Such ICC Rules **do not exist**: there is no connection between the ICC and these documents. While the ICC is in fact studying the possibility of issuing a model international brokerage agreement, it certainly will not include the term 'non-circumvention non-disclosure' in its title.

Non-vessel-operating common carrier (also NVOCC)

A company providing point-to-point international transport of goods although it does not necessarily operate or own transport vehicles or equipment. An NVOCC commonly contracts with a shipper to move goods from the exporter's premises to the importer's premises, and issues their own door-to-door transport document, although they in fact sub-contract the different stages of the transport chain to various road hauliers and ocean carriers.

Nostro account

A bank account held by a bank with its foreign correspondent bank, in the currency of that foreign country.

Notary public

A public officer whose chief duties are certifying deeds and documents, noting 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 to be done within 24 hours of dishonour.

It consists of their initials, their charges and the date. In the case of bills of exchange drawn and payable outside Australasia it is preparatory to a formal protest.

The Bank can 'note' or 'protest' a bill of exchange if a Notary Public is not available.

NVOCC

See 'Non-vessel-operating common carrier'.

Ocean bill of lading

See '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 exchange from those dealers.

Offset

A type of countertrade transaction. In an offset contract, which may be required by importers' governments as a condition for approval of major sales agreements, the exporter makes an additional agreement to buy goods and services from the importer's country. In a 'direct offset' transaction, an exporter may be required to establish manufacturing facilities in the importing country or to use a specified percentage of the components in the product sold from the importer's country. In an indirect offset, an exporter may be obliged to buy goods or services from the importing country without any link to the product sold. See also 'Countertrade.'

O/N

Order notify.

O/o

Order of.

Open account

This is a method of settling payment for trade transactions. The supplier ships required goods to the buyer who, after receiving and checking the related shipping documents, credits the supplier's account in their books with the invoice amount.

The account is then settled periodically, say monthly, by the buyer sending a bank draft, or arranging through their bank an airmail or telegraphic remittance in favour of the exporter.

Open policy (OP)

A type of insurance policy intended to cover an indefinite number of future individual shipments. The insurance contract remains in force until cancelled. Under the open policy, individual successive shipments are periodically reported or declared to the insurer and automatically covered on or after the inception date. Open policies can provide efficiency and savings for all parties concerned, especially when the insured conducts a significant volume of highly-similar transactions.

Open position

Difference between total spot/forward purchases and spot/forward sales in a currency on which an exchange risk is run, or the difference between the totals of foreign currency assets and liabilities.

Optional Term Contracts

These forward exchange contracts usually have an option period between 15 and 30 days.

Order bill of lading

A negotiable bill of lading, which is made out to, or to the order of, a particular person and can be transferred by endorsement and delivery of the bill. In practice, the bill is made out either to the shipper's order or to the consignee or their order. **See also 'Bill of lading'.**

Outright An 'outright (forward)' is the purchase or sale of foreign currency for delivery at any forward date beyond two working days ahead.

Overdue 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 in the Bills of Exchange Act.

OR Owner's risk. Variations are:

- ORB - owner's risk of breakage
- ORF - owner's risk of fire
- ORL - owner's risk of loss (or leakage).

Packing list A highly-detailed list describing the weight, volume, content and packaging for each separate export package.

Par The term applied when the forward price of the purchase or sale of foreign currency is the same as the spot price.

Paramount clause The clause in a bill of lading or charter party invoking coverage by the Hague Rules, Hague-Visby Rules, or by the particular enactment of these rules in the country with jurisdiction over the contract. **See also 'Hague Rules' and 'Hague-Visby Rules'.**

Paying bank (or paying agent) The bank that reviews the documents presented by the exporter and arranges payment to the exporter, if they conform to the terms and conditions of the documentary credit.

PD Port dues.

Performance bond (guarantee)	A bond or guarantee which has been issued as security for one party's performance: if that party (the principal) fails to perform the beneficiary under the bond/guarantee may obtain payment. A performance bond may be of either the demand or conditional variety, which means that the beneficiary may or may not be required to prove default by the principal in order to obtain payment.
Pick up and delivery (PU&D)	Freight quote includes service of picking cargo up at shipper's premises and delivering it at consignee's premises.
Pier-to-pier (quay to quay)	Freight quote which only covers from export pier to import pier (that is, which excludes handling charges to bring cargo to and from piers).
P/N	See 'Promissory note'.
POD	Pay on delivery.
Point/pip	The last decimal place of an exchange rate quotation.
Post-shipment finance	The finance required for the period of time after goods have been shipped before payment is received by the exporter.
Ppd. (or PP)	Pre-paid.

Prepayment To secure prompt delivery, which would be important if goods are in short supply, or to achieve a cash discount, an importer with ample resources may agree to pay for goods at the time the order is placed.

When prepaying, the importer carries all the risk. They place implicit faith in their supplier to fulfil the terms of the contract.

Pre-shipment finance Goods in the exporter's hands prior to shipment naturally represent a certain cost and must be financed from some source. This is called pre-shipment finance and varies between traders and manufacturers, according to their capital resources and the terms of payment agreed upon between the buyer and seller.

Pre-shipment inspection (PSI) An inspection of contract goods prior to shipment to ascertain their quality, quantity or price. Importers may insist on PSI, requiring the exporter to furnish a certificate of inspection (commonly, issued by neutral, internationally-respected firms such as SGS or Bureau Veritas), so that the importer is assured of receiving goods of contract quality/quantity. Government agencies may require inspection certificates as regards price, so as to prevent parties from under- or over-invoicing in an attempt to pay lower customs duties or evade foreign-exchange restrictions.

Presentation The act of presenting a bill of exchange or documents for acceptance, payment or negotiation.

Pro forma invoice

A sample invoice provided by an exporter prior to a sale or shipment of merchandise, informing the buyer of the price, kinds and quantities of goods to be sent, and important specifications (weight, size and similar characteristics). The pro forma invoice not only acts as the contractual offer (which may be accepted by the importer's transmission of a purchase order), it is intended to be exactly replicated in the final commercial invoice, so that the buyer receives no surprises as regards either the goods or the price. Importers may need a pro forma invoice to be able to apply for an import licence or a foreign exchange permit. In the case of a documentary credit, the pro forma invoice is frequently used to inform the importer of the amount for which the documentary credit has to be opened.

Promissory note

An unconditional written promise to pay a specified sum of money on demand or at a specified date to, or to the order of, a specified person, or to bearer. Promissory notes are negotiable instruments and perform more or less the same function as an accepted bill of exchange.

Protest

A solemn declaration by a Notary Public stating that they have 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: but it is not necessary except in the case of a bill drawn and payable outside Australasia.

PSI

See 'Pre-shipment inspection'.

PSV

Post-shipment verification. See 'Pre-shipment inspection'.

Purchasing agent

An agent who purchases goods on behalf of foreign buyers.

Qualified acceptance

An acceptance which in express terms varies the effect of the bill of exchange as drawn, and may be any of the following:

- **Conditional:** pays by the acceptor dependent on the fulfilment of a condition.
- **Partial:** pays part of the amount only for which the bill is drawn.
- **Local:** pays only at a particular or specified place.
- **Qualified as to Time:** a bill drawn for two months accepted payable in three months.
- **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.

Railway consignment note

A freight document indicating that goods have been received for shipment by rail. **See also 'Bill of lading'.**

Rebate

An interest adjustment used when retiring a bill of exchange before it is due.

Reconciliation

The process of matching outstanding credit/debit entries appearing in statements received from overseas correspondent banks/branches to contra entries posted to the relative Nostro account.

Recourse

The right of a holder of a bill of exchange to demand payment from a person other than the acceptor. Bills may be endorsed 'without recourse', in which case the endorser does not become liable to any holder.

**Red clause
L/C**

A letter of credit provision allowing the beneficiary to draw partial advance payments under the credit. This provision used to be set out in red ink, therefore the 'red clause' designation. Generally, the beneficiary is only required, in order to receive payment of the authorised advances, to present drafts along with a statement that shipping documents will be provided in due time.

Similar to Advance Clause Credits; used mainly in Australia and New Zealand in relation to the export of wool and meat from those countries.

**Reefer box/
~ container/
~ ship**

A refrigerated container or ship. Refrigeration may either be:

- mechanical, which means involving an external power supply
 - by expendable refrigerant (dry ice, liquefied gases, etc.), which requires no external power supply.
-

**Remittance -
documents
against
acceptance
(REM D/A)**

An advance facility similar to a REM D/P except that the bill of exchange allows for term payment and accompanying documents may be released on acceptance of the bill.

**Remittance -
documents
against
payment
(REM D/P)**

An advance facility which provides for negotiation or purchase of bills of exchange (sight) drawn outside documentary credit and where accompanying documents are to be released on payment of the bill overseas.

Remittance under letter of credit liability (REM L/C)

A bank facility which records the liability for negotiation or purchase of bills of exchange under export documentary credits.

Remitting bank

In a documentary collection, the bank forwarding the exporter's documents and the draft to, and receiving payments from, the buyer's bank (collecting bank). **See also 'Documentary collection'.**

Restricted articles (air transport)

The following articles are restricted for air transport:

- explosives
 - flammable and non-flammable compressed gas
 - flammable liquids
 - flammable solids
 - oxidising materials
 - poisons and irritating materials
 - radio-active materials
 - corrosive liquids and solids
 - magnetised materials
 - etiological agents
 - polymerisable materials.
-

Retention of title (reservation of title) clause

A contractual clause whereby a seller declares their intention to retain title or ownership over the contract goods until payment by the buyer is complete.

Revaluation	Change in the official parity of an exchange rate from that which it was previously set.
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Revocable documentary credit	As the name implies, the fundamental difference between this type of instrument and an irrevocable credit is that it can be modified or cancelled by the issuing bank (possibly on request from importer/applicant) without consent of the beneficiary.
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Revolving credit	Is one in 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.
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Roll-on/roll-off (RoRo)	A combination of road and sea transport, where loaded road vehicles are driven onto a ferry or ship (roll-on/roll-off ship) and off at the port of destination. Major benefits of RoRo are reduced handling of the actual goods and packages, competitive costs for unit loads and scheduled services.
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Roll-over	The extension of a maturing foreign exchange transaction or the extension of a maturing currency deposit or loan.
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ROT	See 'Retention of title'.
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S&C	See 'Shipper's load and count'.
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S&T Shipper's load and tally. See also 'Shipper's load and count'.

SBL See 'Surrendered bill of lading liability'.

SD See 'Short delivery'.

Sea waybill A transport document for maritime shipment, which serves as evidence of the contract of carriage and as a receipt for the goods, but is not a document of title. To take delivery of the goods, presentation of the sea waybill is not required; generally, the receiver is only required to identify himself, which can speed up processing at the port of destination. See also 'Bill of lading'.

Shading A request to narrow, or close up, the spread or margin between foreign currency buying and selling rates of exchange.

Shipper Export trade: The party (as between exporter and importer) who enters into a contract of carriage for the international transport of goods. The party receiving the goods (the importer or buyer) may be called the receiver or the consignee. Depending on the Incoterm chosen, either the exporter or importer (or a middleman) can be the shipper.

Shipper's letter of instruction A form used by a shipper to authorise an airline to issue an air waybill on the shippers behalf. All details of shipment are contained in the form which authorises the airline to sign the air waybill in the name of the shipper.

Shipper's load and count (S&C) A carrier's notation disclaiming responsibility for the quantity of the cargo's contents; the quantity declared is thus purely the shipper's statement. If there is a dispute because less than contract quantity is delivered, the carrier wishes to be free from liability and that the receiver has to claim directly against the shipper or insurer.

Shipper's receipt

This is an alternative to a bill of lading used in consolidation of container shipments. It does not give legal title to the goods.

Shipping documents

Documents often attached to bills of exchange payable overseas. The basic documents usually consist of:

- Invoices
- Insurance policy
- Bill of lading.

Others may include:

- Air Waybill/Air Consignment Note
 - Certificate of Origin
 - Certificate of Quality
 - Veterinary Certificate
 - Consular Invoice
 - Weight Certificate
 - Packing List.
-

Short (oversold) position

Excess of sales over purchases or of foreign currency assets over liabilities. (This is opposite to long or overbought).

Short delivery (also 'SD' or 'short-landed cargo')

Non-delivery of cargo at the intended port. When reported, this results in ship's agent sending a cargo tracer to see if the cargo has been mis-delivered in another port.

Short-form bill of lading (B/L)

A simplified B/L which contains a reference to or an abbreviation of the carrier's full B/L or carriage conditions.

Sight draft (sight bill)

A financial instrument payable upon presentation or demand. It must be presented for payment by its holder (payee, endorsee, or bearer) within reasonable time. **See also 'Draft'.**

Sight a bill

The operation of presenting to the drawee a bill drawn at a period after sight, and obtaining their acceptance which contains the date on which the bill is sighted.

Sola draft

A single bill of exchange is distinguished as one in a set: the latter being marked as 'First (second, etc.) of Exchange' and the former 'Sola of Exchange'.

Special documentary credit liability (SPECIAL DOC L/C)

Some documentary credits may allow for a negotiable set of documents to be forwarded direct to the customer as well as to the bank/branch concerned. In this case the customer could gain control of the goods before they have paid for them. This is a direct liability from the time of establishment of the credit.

Specific duty

A duty based on some measure of quantity, such as weight, length, or number of units. **See also 'Customs duty'.**

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.

Spot rate

Rate of exchange quoted for purchases and sales of a foreign currency for immediate delivery and payment.

**SRCC (or
s.r.&c.c.)**

An insurance clause relating to 'strikes, riots and civil commotion'.

STC/STW

Said to contain/said to weigh. These are notations on transport documents by which carriers give notice that they do not wish to accept responsibility for the accuracy of a shipper's declarations as to the content, weight or quantity of a particular shipment. **See also 'Shipper's load and count'.**

**Standby
credit (also
standby letter
of credit,
standby L/C)**

A form of guarantee, usually indistinguishable from the demand guarantee. Origin lies in the fact that American legislation prevented American banks from directly issuing guarantees, so they resorted to the device of the "standby credit". In function the standby is usually used more as a security device, like a bank guarantee, than as a payment device, like a documentary credit. Under a standby credit the beneficiary usually obtains payment by presentation to a bank of a draft and some form of written demand, which may include a statement that the principal is in breach of their contractual obligations. Standby credits may be issued so as to be governed by either the UCP500 or the URDG458 (to the extent permitted by national law). A standby credit can be used to backup a payment commitment - thus, an exporter may agree to sell on open account terms, granting the importer 90-day credit terms, on the condition that the importer open a standby credit in the exporter's favour; if the importer fails to honour the exporter's invoices, the exporter simply draws against the standby.

**Steamer
guarantee**

See 'Bill of lading guarantee'.

**Straight bill of
lading**

A non-negotiable bill of lading, which specifies the consignee to whom the goods are to be delivered. The carrier is contractually obliged to deliver the goods to that person only. It is often used when payment for the goods has been made in advance. **See also 'Bill of lading'.**

Stripping Unloading goods from a container. **See also 'Devanning', 'Destuffing'.**

Stowage The placing of cargo in a ship's hold in such a fashion as to assure safe and stable transport.

Stuffing Loading goods inside a container.

Surcharge Charges added to ocean freight, variously, for bunker (fuel), currency fluctuation, congestion, port detention, or extra risk insurance.

Surety/surety-ship bond/guarantee A surety bond is a guarantee, usually issued by an insurance or surety company, that a particular company will perform according to a contract. In order to collect payment under such a bond, the beneficiary normally must prove actual default on the part of the counterparty, as by furnishing a court judgement, arbitral award or official certificate. Suretyship bonds may be issued subject to the ICC Uniform Rules for Contract Bonds.

Surrendered bill of lading liability (SBL) Under a term import documentary credit the bank releases the documents on receipt from the negotiating bank but the importer does not pay the bank until the maturity of the draft under the relative credit. This direct liability is called Surrender Bill of Lading (SBL), i.e. when we hand over the bill of lading we surrender title to the goods and our power of sale over the goods.

Swap The trading of almost identical products (such as oil) from different locations to save transportation costs. **See also 'Countertrade'**.

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 payment International electronic funds transfer via the system known as SWIFT (Society for Worldwide Inter-bank Financial Telecommunications), offered by most major banks.

Tare weight The actual weight of the container (ULD) when empty.

Tender bond/ guarantee A guarantee provided by a company responding to an international invitation to submit bids or tenders (as for a large construction project); the tender bond is submitted along with the tender; the tender bond is required with the purpose of discouraging frivolous bids and ensuring that the winning bidder actually signs and executes the contract.

Tenor (of a bill of exchange) The period for which a bill is drawn (e.g. Sight, 30 days after date, etc.).

Term of a forward exchange contract The term of a forward exchange contract, which is the period two business days after the date the contract is written and its maturity date.

Terminal handling charge (THC)

Handling charges assessed for services rendered within container terminals or with respect to containers which are processed through terminals. When delivery or pickup of the goods is expected to be at a container terminal, traders are well-advised to stipulate precisely which party will pay for all or part of the terminal handling charges.

TEU

Twenty-foot equivalent units; a means of measuring the carrying capacity of container ships; e.g. a ship can be said to be capable of 3000 TEUs, which is roughly equivalent to saying it could carry 3000 standard (twenty-foot) containers.

THC

See 'Terminal handling charge'.

Through bill of lading

A bill of lading issued to cover transport by at least two successive modes of transport.

Time draft (time bill)

A financial instrument demanding payment at either:

- a future fixed date
- a specified period of time (30, 60, 90 days etc.) after either:
 - sight
 - the date of issue.

It is also called a usance draft or usance bill. See also 'Draft'.

TIR

TIR Carnets are transport documents used to cover international transport shipments on road vehicles such as trucks/lorries. TIR Carnets, issued pursuant to the 1949 *TIR Convention*, allow a truck or other vehicle to pass through all TIR-member countries without having to go through customs inspection until reaching the country of destination.

Trade acceptance A bill of exchange drawn by the seller/exporter on the purchaser/importer of goods sold, and accepted by such purchaser. **See also 'Bill of exchange'.**

Trade finance The term 'trade finance' can be described simply 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'. It usually pertains to international trade, therefore foreign currencies and exchange risks can be involved.

Tramp vessel A 'freelance' seagoing cargo vessel, available on a contract basis to carry cargoes to any given port. These are distinguished from liner ships, operating according to advertised routes, schedules and rates.

Transferable credit A transferable credit is a credit under which the beneficiary has the right to give instructions to the bank called upon to affect payment or acceptance, or to any bank entitled to effect negotiation, to make the credit available in whole or in part to one or more third parties (second beneficiaries).

Trimming The operation of shovelling and spreading, within the ship's hold, dry bulk cargoes such as cement, ore or grains, so as to avoid weight imbalances which might hinder the ship's handling or unloading.

UCC (US) Uniform Commercial Code; the codification of American commercial law, followed in substantially uniform fashion by the United States. Article 5 of the UCC deals with letters of credit.

UCP500

See 'Uniform Customs and Practice for Documentary Credits'.

ULD (unit load device)

Term commonly used to refer to air freighted containers.

UNCITRAL

United Nations Commission on International Trade Law, a UN Agency based in Vienna, specialising in the development of model legal instruments and conventions in the area of international trade law. UNCITRAL's most notable success is perhaps the so-called 1980 Vienna Convention, the Convention on the International Sale of Goods (CISG).

Also, the UNCITRAL Rules for Arbitration provide a procedural framework for international commercial arbitration; however, unlike the various ICC Rules, these do not provide direct administrative supervision of the arbitral process.

UNCITRAL Convention

United Nations Convention on Independent Guarantees and Stand-by Letters of Credit, 1995.

UNCTAD

United Nations Commission for Trade and Development, a UN Agency based in Geneva, which has developed numerous international instruments as regards trade with developing or transition economics. Notably, UNCTAD houses the ITC (International Trade Centre), which is a developer of useful guides and manuals for small to medium-sized exporters.

Unfair calling insurance

Insurance coverage to protect principals who have issued demand guarantees or bonds against an unfair or abusive call of the bond/guarantee (i.e. one which is not truly based on non-performance by the principal).

**Uniform
Customs and
Practice for
Documentary
Credits
(UCP500)**

Uniform Customs and Practice for Documentary Credits (1993 edition), ICC Publication No. 500. This is the set of rules which governs international documentary credit practice. The UCP500 is generally considered to be contractually incorporated into the documentary credit transaction by virtue of a mention in the credit application form.

The UCP500 may also have additional force as a trade custom. In some countries the UCP500 is even recognised as having legal effect generally. In other countries, the UCP500 is complementary to national law and jurisprudence on documentary credits.

Unitisation

The practice of consolidating many small pieces of freight into a single unit.

URCB

Uniform Rules for Contract Bonds, ICC Publication No. 524.

URCG

Uniform Rules for Contract Guarantees, ICC Publication No. 325 (1978).

URDG

Uniform Rules for Demand Guarantees, ICC Publication No. 458.

**Usance draft
(usance bill)**

Time draft; a written demand for payment which comes due at a specified future date. **See also 'Draft' and 'Time draft (time bill)'.**

Value date

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

VAT

Value added tax.

Vienna Convention

1980 Vienna Convention on the International Sale of Goods. International treaty signed by approximately 45 nations, including most leading trading nations. Amounts to a virtual commercial code for international sales transactions, but excludes contracts for services, securities, electricity, and some others; parties may be able to 'opt out' of coverage by the Vienna Convention by explicitly stating so in the contract of sale.

Vostro account

An account held by a bank with its foreign correspondent bank, in the currency of the bank's domestic country.

W

Tonne of one thousand kilograms.

Warehouse receipt (WR)

A document issued by a warehouse operator acknowledging receipt of goods; also referred to as a dock warrant or shed receipt. A warehouse warrant, in contrast, generally connotes a document of ownership/control over goods stored in a particular warehouse.

Warehouse-to-warehouse clause

Insurance coverage of international cargo from the export warehouse to the import warehouse; coverage may also be substantially extended or limited according to time.

Warsaw Convention

A multi-lateral convention which regulates in a uniform manner the conditions of international transportation by air.

Waybill (WB)

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

**Wharfage
(WFG)**

Charge for the use of docks

Wharfinger

Also wharf inspector, wharf superintendent, dock superintendent.

Personnel in charge of receiving and registering goods in a port on behalf of the carrier. A wharfinger's signature of the shipping note assures the shipper that it can proceed to draw up bills of lading pursuant to the terms of the note.

**With average
(WA)**

Marine insurance term meaning that coverage includes partial loss (and not just total loss) of the cargo. **See also 'Marine insurance'.**

**Yield interest
rate**

Yield refers to the actual rate of interest expressed as a rate per cent per annum relating to the net proceeds or outlay.

The formulae for converting yields to discounts and discounts to yields are as follows:

$$\text{Yield} = \frac{36500 \times \text{Discount Rate}}{36500 - (\text{Days to Maturity} \times \text{Discount Rate})}$$

$$\text{Discount} = \frac{36500 \times \text{Yield Rate}}{36500 \div (\text{Days to Maturity} \times \text{Yield Rate})}$$
