

# Glossary

**Acceptance.** A time draft that the drawee (the payer) has accepted and acknowledged in writing the unconditional obligation to pay it at maturity.

**Accepting Bank.** A bank that is the drawee of a time draft and that becomes the acceptor of the draft.

**Account party.** (See *Applicant*.)

**Advising Bank.** A bank which receives a letter of credit issued by the applicant's bank, and forwards it to the beneficiary without assuming any responsibility or liability other than to verify the credit's authenticity.

**After date.** A term used to indicate that the date of maturity of a draft is fixed by the date on which it was drawn and is not dependent upon acceptance by the drawee.

**After sight.** A term indicating that payment on a draft is due a specified number of days after presentation of the draft to, and acceptance by, the drawee or payee.

**Air Waybill.** A transport document/bill of lading which serves as a receipt for goods, contract to transport the goods, and which indicates to whom the goods are to be delivered. Air Waybills are always non-negotiable bills of lading.

**All Risks coverage.** The broadest type of standard marine insurance coverage; excludes damage caused by war, strikes, riots and civil commotion.

**Alongside.** The side of the vessel. Goods to be delivered alongside are to be delivered to the dock or lighter from which they can be loaded aboard the ship.

**Applicant.** The buyer/importer/account party who applies to its bank to issue a letter of credit in favor of the beneficiary/seller/exporter.

**At Sight.** The terms of a negotiable instrument indicating that payment is due upon presentation or demand.

**Aval.** A time draft drawn by an exporter on the buyer under which the buyer's bank has guaranteed that the draft will be paid at maturity.

**Bankers' Acceptance.** A time draft drawn on a bank usually by an importer or exporter which, once accepted by the drawee bank, becomes an unconditional obligation of the bank to honor at maturity.

**Beneficiary.** The person or company in whose favor a letter of credit is issued. Usually the beneficiary is the seller/exporter.

**Bill of Exchange.** (See *Draft*.)

**Bill of Lading.** A transport document which serves as a receipt for goods, a contract to transport the goods, and which indicates to whom the goods are to be delivered. (See also, *Air Waybill*, *Ocean Bills of Lading*, *Inland Bills of Lading*.)

**Boycott.** A refusal to deal commercially with a person, firm, or country.

**Camet:** A customs document that permits the holder to temporarily bring goods into a country (e.g., for a trade show), and then take them back out without having to pay customs duties.

**Cash in Advance.** The payment by a buyer to a seller prior to the purchased goods having been shipped.

**Cash Against Documents.** (See *Documents Against Payment*.)

**Central Bank.** A government-owned or controlled bank that oversees other banks in the nation, issues currency, and serves as a depository for government funds.

**Certificate of Analysis.** A certificate issued by a competent office regarding the quality and composition of food products or pharmaceuticals.

**Certificate of Inspection.** A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to its shipment.

**Certificate of Origin.** A document, usually issued by a Chamber of Commerce, certifying as to the origin of the goods being shipped. It is used to determine customs duties.

**Clean Bill of Lading.** A bill of lading that indicates that goods were received in apparent good order and were not damaged or had other irregularities.

**Clean Draft.** A draft to which no shipping documents are attached.

**Commercial Invoice.** A document issued by a seller listing goods being sold including the price and shipping terms.

**Confirmed Letter of Credit.** An obligation assumed by one bank (the confirming bank) on behalf of the issuing bank of a letter of credit under which the confirming bank undertakes to honor drafts and documents which are presented in full compliance with the credit's terms and conditions.

**Consignee.** The person or firm named in a freight contract to whom merchandise has been consigned or turned over. Documentation differentiates between an intermediate consignee and an ultimate consignee for export control purposes.

**Consular Invoice.** A commercial invoice that has been reviewed by the Consulate of the buyer's country for the purpose of determining the value and quantity of the shipment and to ensure that no indigenous laws or regulations are being broken.

**Container.** A uniform, sealed, reusable metal box in which goods are shipped by vessel, truck or rail.

**Country Risk.** The risks inherent in doing business in a foreign country over and above commercial risks, and which are generally beyond the local company's ability to control.

**Credit Risk Insurance.** Insurance purchased through either the Export-Import Bank of the United States or private sector companies to provide protection against non-payment due to country or commercial risks.

**Customs.** National government authorities that collect duties levied on imports and exports.

**Customhouse Broker.** A private firm that arranges to clear goods through customs. May also be a Freight Forwarder.

**Demurrage.** Additional storage charges incurred as a result of excessive delays in clearing cargo off a vessel or wharf.

**Devaluation.** The official lowering of a country's currency in relation to one or more currencies of other countries. It tends to make imports in that country more expensive, and to make exports more attractively priced to overseas buyers.

**Discharge.** To unload the cargo of a ship.

**Dock Receipt.** A receipt for goods issued by an ocean carrier or their agent at their dock or warehouse, but not loaded on a vessel.

**Documentary Collection.** The presentation, through banking channels, for payment or acceptance by a buyer of documents relating to the shipment of goods.

**Documents Against Acceptance (D/A).** A documentary collection wherein shipping documents are released to the buyer in exchange for them obligating themselves to future payment via execution of a Trade Acceptance. (See also, *Aval*.)

**Documents Against Payment.** (D/P) A documentary collection wherein shipping documents are released to the buyer in exchange for them making payment for the amount of the draft.

**Draft.** An unconditional order in writing from one person (drawer/exporter) to another (drawee/importer), directing the drawee to pay a specific amount of money to the payee at a fixed or determinable future date. (See also, *Sight Draft*, *Time Draft*.)

**Drawee.** The person, company or bank upon which a draft is drawn.

**Drawer.** The person, company or bank that creates the draft, and is entitled to receive payment.

**Durable Goods.** Furniture, machinery, appliances and similar goods that are not processed or consumed by their users.

**Duty.** A tax on imported goods imposed by the customs authorities in that country.

**Economic Sanctions.** A foreign policy tool used to punish and/or influence a target nation. Sanctions can include prohibiting trade, economic assistance, financial transactions or even all economic relations.

**Embargo.** A restriction or prohibition on exports or imports with respect either to specific products or specific countries.

**Exchange Rate.** The value or price of one currency when used in relation to its value in another currency. i.e. the number of units of currency A that is required to be exchanged for one unit of currency B.

**EXIM-Bank.** The U.S. Export-Import Bank. The U.S. Eximbank is an independent agency that finances the export of U.S. goods and services through loans, guarantees, working capital guarantees and insurance.

**Exporter.** The person or company that sells or arranges to transport goods out of a country.

**Export License.** A government document used in some countries which allows the export of certain products to specific destinations.

**Export Management Company.** A private firm that serves as the export department for a number of companies. They typically do not take title to the goods, and are paid on a commission basis.

**Export Trading Company.** A firm that serves as the export department for a number of companies that does take title to the goods. They make their money by making a profit margin on the goods being exported.

**Force Majeure.** Conditions such as floods, earthquakes, hurricanes or other events beyond the control of various parties involved in transporting goods. Marine contracts typically exempt the affected parties from their contractual obligations as a result of Force Majeure.

**Foreign Exchange.** The currency of a foreign country and/or the conversion from one currency to another.

**Forward Exchange.** The setting of an agreed upon exchange rate between a foreign exchange trader and a client whereby the trader contracts with the client to buy/sell a specific amount in foreign currency at a future date at a pre-determined exchange rate. (See also, *Spot Exchange*.)

**Foul Bill of Lading.** A receipt for goods issued by a carrier with an indication that the goods or the packaging were in damaged condition when received.

**Free (Foreign) Trade Zone.** An enclosed and secured area usually designated by a port into which goods may be taken and customs duties may be deferred or waived until such time as the goods are removed for domestic distribution or re-exported.

**Freight Forwarder.** A private company that arranges cargo space on a carrier, as well as the logistics for delivering the goods to the carrier. (i.e. ship, airplane etc.). They also frequently assist in the preparation of shipping documents for presentation either under a letter of credit or collection basis.

**Free of Particular Average (FPA).** A clause used in marine insurance indicating that partial loss or damage to a shipment is not covered. Loss resulting from conditions such as the ship sinking or burning may be exempted from the clause. (See also, *With Particular Average*.)

**GATT.** "General Agreement on Tariffs and Trade." A multilateral treaty designed to reduce trade barriers, and to provide a forum for resolution of trade disputes.

**General Export License.** Authority to export without the need for a specific or validated export license.

**Gross Weight.** The full weight of a shipment, including goods, packaging and container.

**Import.** To bring goods into a country whose origin is in another country. The importer is usually the buyer or their agent.

**Import License.** A government document required in some countries for importing specific goods originating in specific countries.

**Incoterms.** International rules published by the International Chamber of Commerce for the interpretation of foreign trade terms.

**Inland Bill of Lading.** A bill of lading used to cover the transport of goods within a country's borders such as by rail or truck.

**Insurance Certificate.** A document that assures the consignee that the merchandise is insured to cover loss or damage while in transit.

**Intermodal Transport.** The movement of freight using two or more different kinds of transport such as ocean and truck, ocean and rail etc.

**Quota.** A limitation placed by a government on the quantity of specific goods that may be imported or exported without the imposition of additional customs duties.

**Rate of Exchange.** The value of one country's currency in terms of another.

**Revocable Letter of Credit.** A letter of credit that can be cancelled or amended by the issuing bank, usually at the request of the applicant, without the agreement of the beneficiary.

**Shipper's Export Declaration (SED).** A U.S. Treasury form required to be completed for all shipments leaving the USA. It indicates the value, nature of the goods, weight, destination etc. It is not an export license. Very few products leaving the United States require an export license.

**Shipping Weight.** The gross weight of a shipment, including moisture content, wrappings, crates, boxes and containers (other than cargo vans and similar substantial outer containers).

**Sight Draft.** A draft which is payable by the drawee at the time of presentation. (See also, *Draft, Time Draft.*)

**Spot Exchange.** The immediate conversion of one currency to another at the prevailing exchange rate. (See also, *Forward Exchange.*)

**SIC Codes (Standard Industry Classification).** A numerical coding system used in the USA to classify various types of businesses, goods and services.

**Tare.** Weight of the package in which merchandise is contained and/or packing materials used to protect it. Gross weight minus tare gives net weight.

**Tenor.** Terms fixed for payment of a draft; e.g., 90 days after sight.

**Through Bill of Lading.** A single bill of lading that covers shipment of goods using two or more modes of transportation.

**Time Draft.** A draft which is payable at a determinable future date. It is drawn on a buyer (importer) or bank and, once signed as "accepted" by the drawee becomes the drawee's obligation to pay at maturity. (See also, *Trade Acceptance.*)

**Trade Acceptance.** A time draft that has been "accepted" across the face of the instrument, in writing, by the drawee thus signifying the drawee's undertaking to honor the acceptance at maturity. (See also, *Documents Against Acceptance.*)

**UCP (Uniform Customs and Practice for Documentary Credits).** Universally accepted set of rules governing letter of credit transactions in more than 160 countries around the world.

**Warehouse Receipt.** A receipt issued by a warehouse operator for goods received for storage.

**With Average.** A Marine Insurance term meaning that a shipment is protected from partial damage whenever the loss exceeds a stipulated percentage.