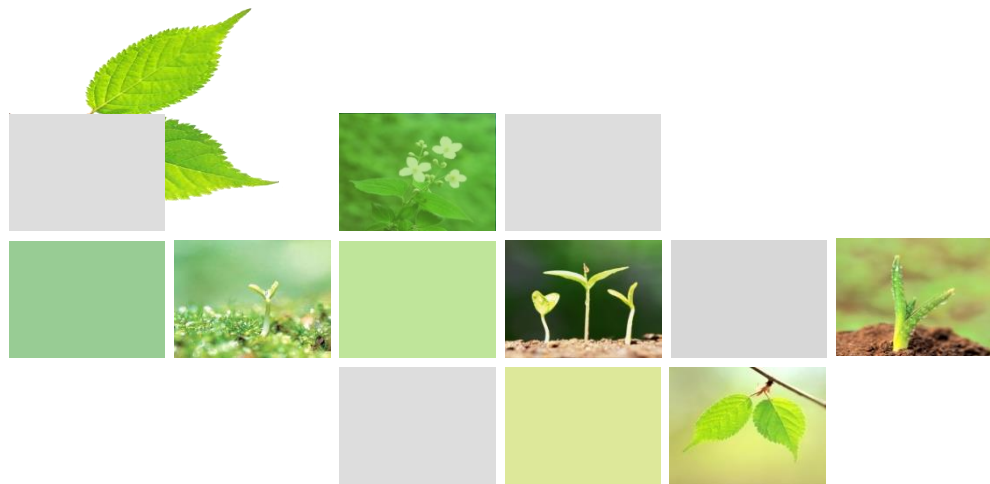


L/O/G/O



## Terms of payment

张云清



# Learning objectives (内容)



1

Introduction to terms of payment

2

Different methods of payment

3

Language focus

4



# Terms of payment



Compared with payment instrument (支付工具) which refers to financial documents for paying purpose such as draft and check, payment terms(付款方式) are not documents. They are a series of activities or operations facilitating the movement of funds from one destination to the other.



# Classification of Payment terms



t

- 1 Remittance
- 2 Collection
- 3 Letter of Credit



# Remittance



- **Remittance is one of banking customer services, in which funds will be transferred from buyers to sellers.**



# Remittance



Importer

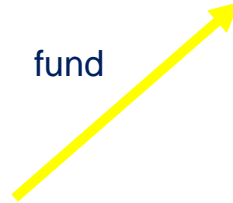


fund



Banker

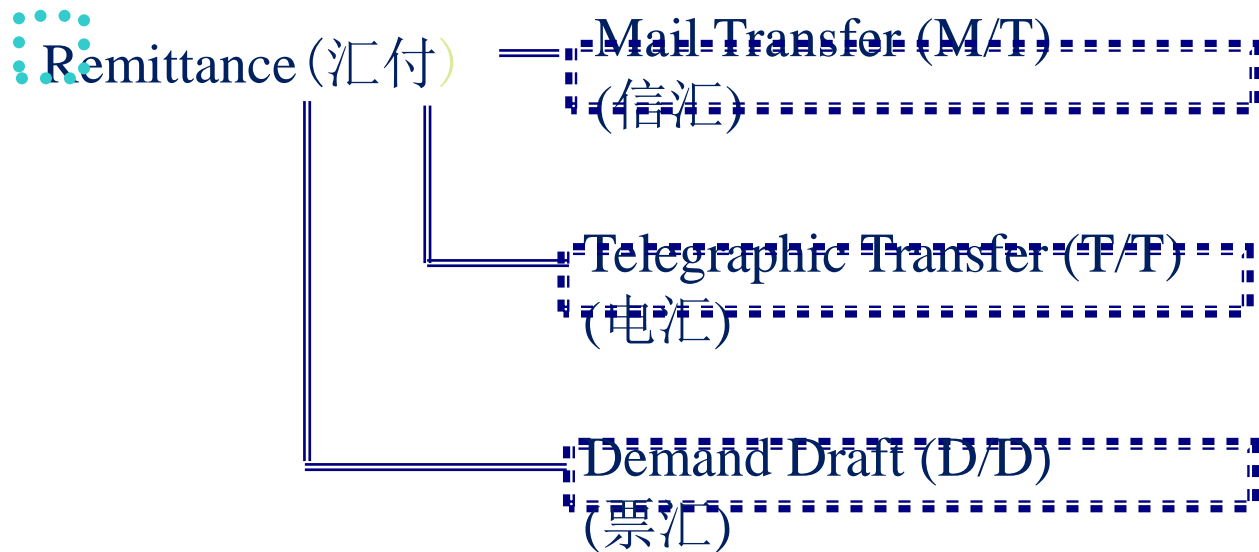
fund

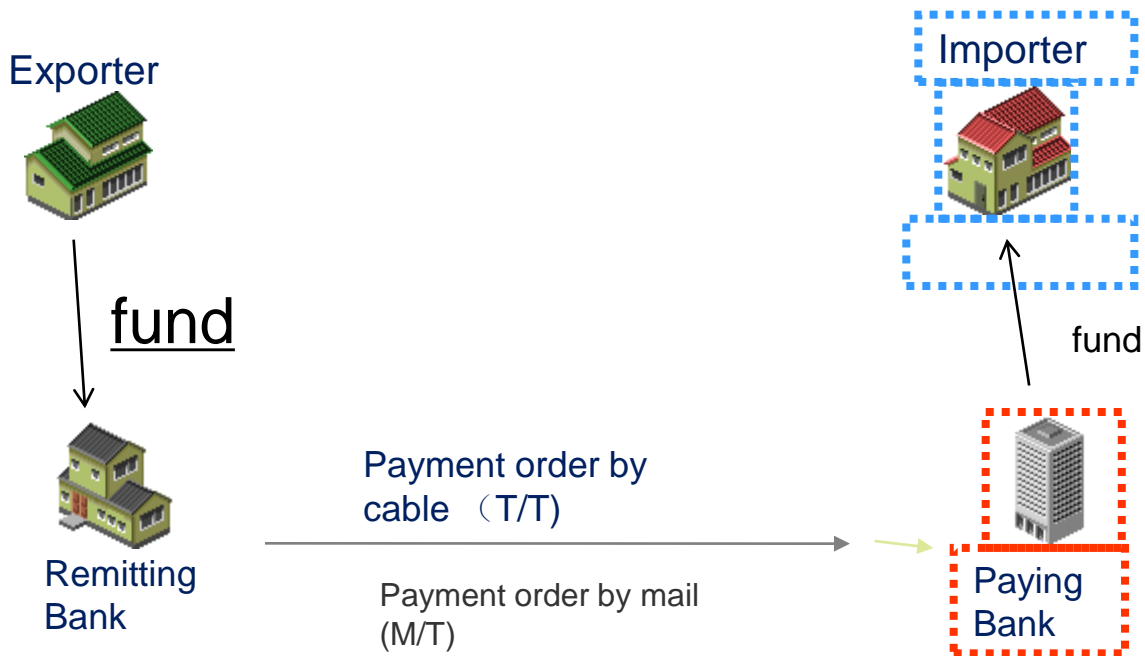


Exporter



# Types of Remittance







# Types of remittance



- Three types of remittance
  - Mail transfer (M/T) 信汇
    - by mail
    - lower charges, but slow
  - Telegraphic transfer (T/T) 电汇
    - by telecommunication system (telex or telegraph or swift).
    - Faster, safer, but more expensive
  - Banker's Demand Draft (D/D) 票汇
    - The importer buys a check from a bank and sends to the exporter.
    - Lowest charge, slowest but transferable





- **Remittance includes Mail Transfer (M/T), Telegraphic Transfer (T/T) and Demand Draft (D/D).**
- **Remittance is often used in cash with order (订货付款), payment in advance(预付), and open account business (记账交易).**



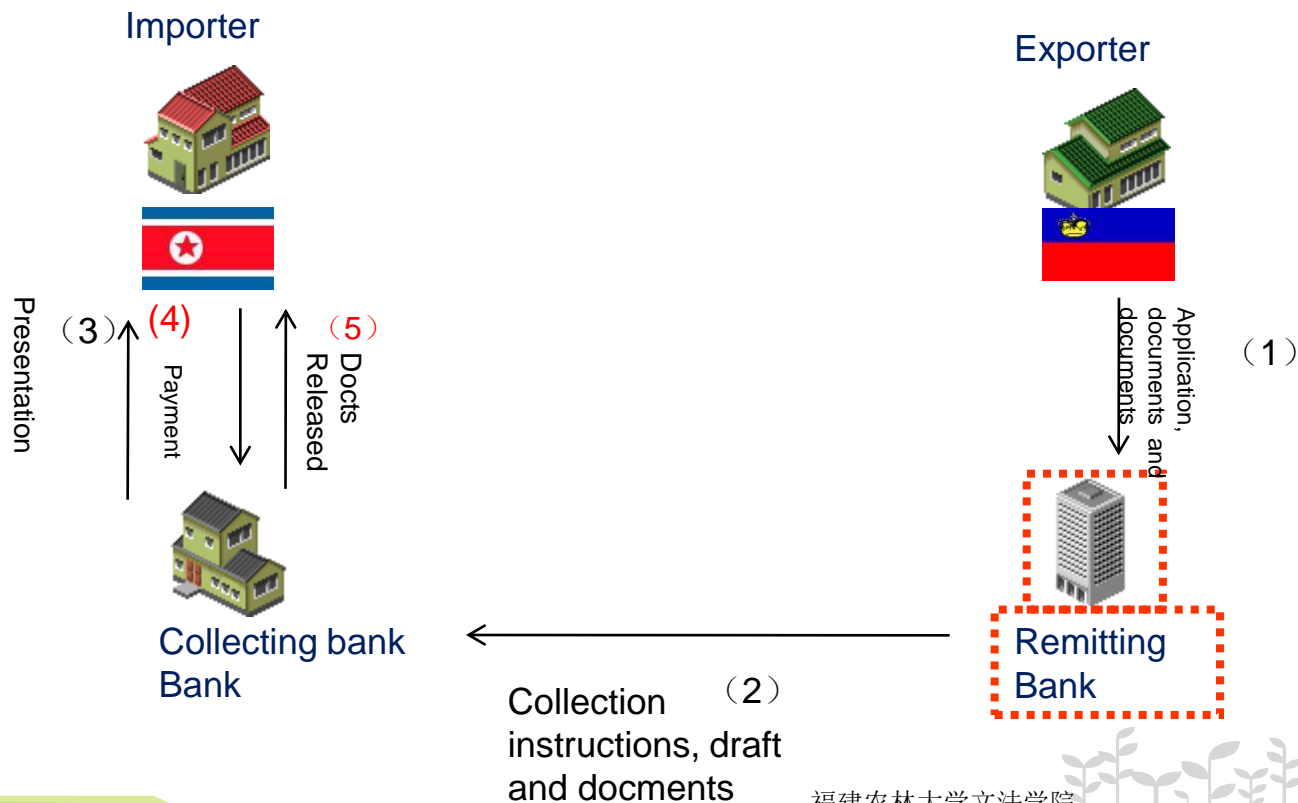
# Collection

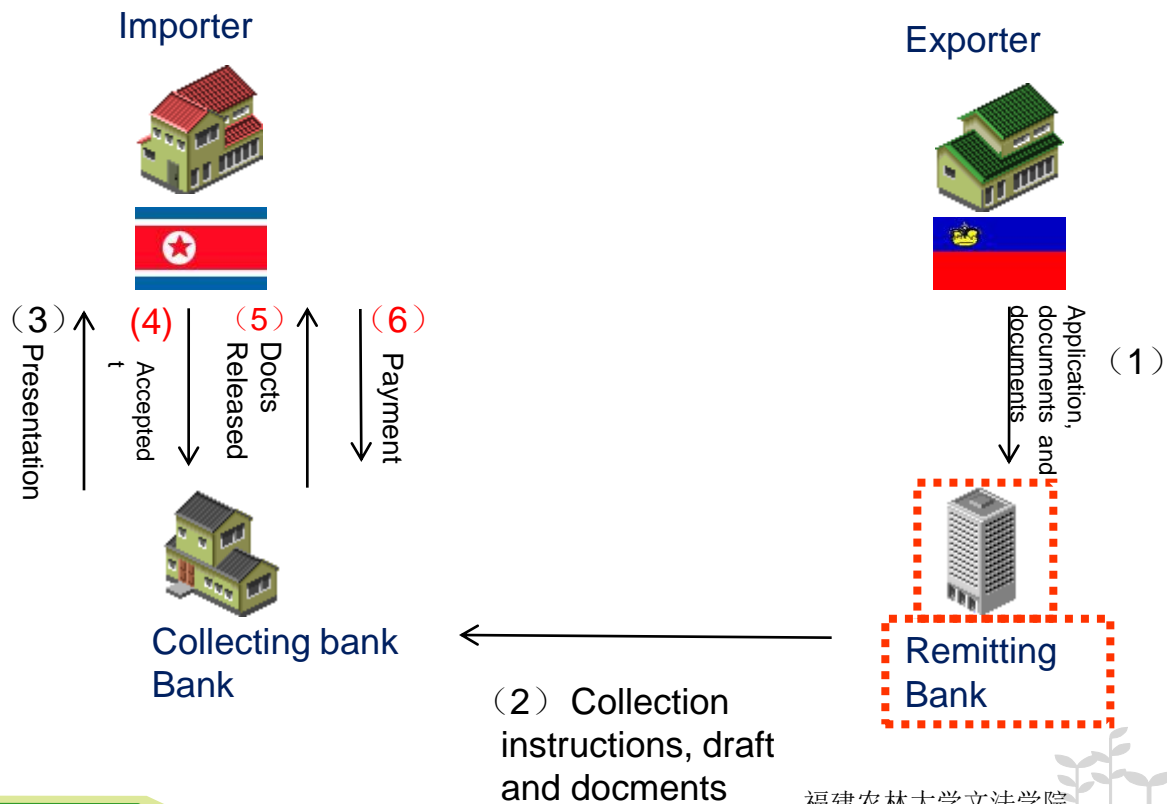


- **Documentary Collection :**
- Definition
  - *An arrangement whereby the seller **draws a draft on** the buyer and authorizes its bank to collect.*
  - In the course of collection, banks only provide the service of **collecting the documents** from the seller and **remitting the money** to them. However, if the buyer doesn't make payment in advance, the bank **will not pay the seller**.

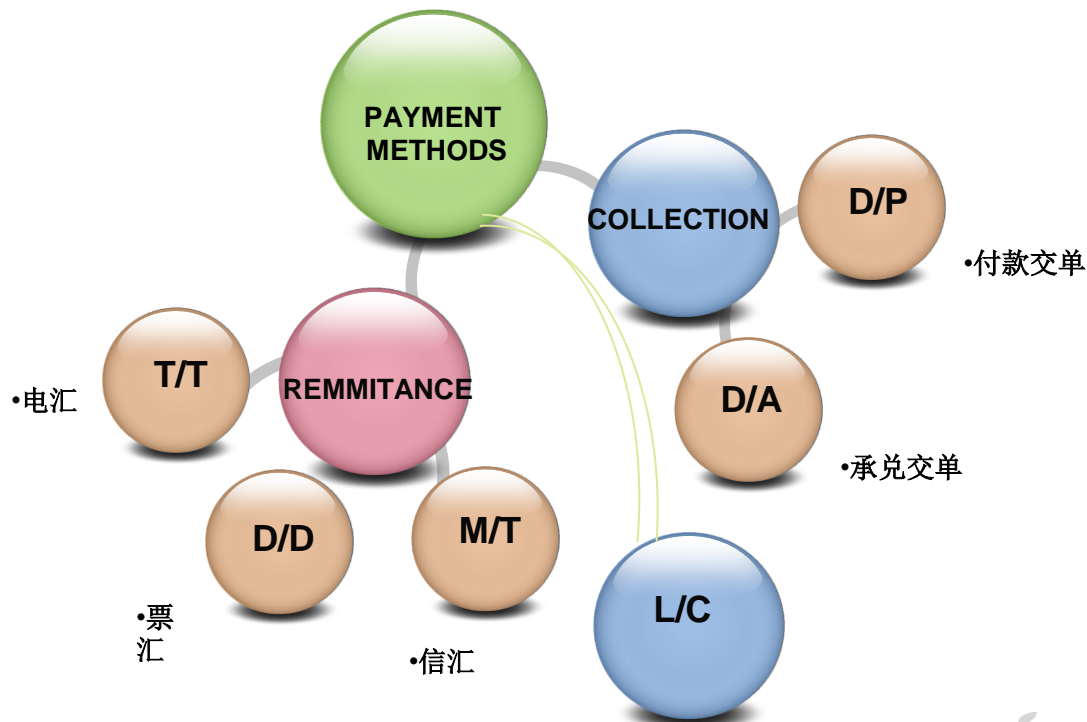


# D/P at sight





# PAYMENT METHODS



# Why use letter of credit?

Seller

L/O/G/O



Your bank must guarantee the payment, otherwise no contract.

I will undertake to you to pay immediately provided that the documents handed in by you conform to terms and conditions of letter of credit.

O.K, I will let my bank guarantee the payment against conditions I prescribe.



Buyer



Issuing  
bank

Banker's credit is better than trader's credit

# Introduction



- **Introduction to Letter of Credit?**
- **----What is L/C?**

An L/C is the written promise of a bank that acts at the request and on the instructions of the applicant and undertakes to pay the beneficiary the amount specified in the credit, provided that the terms and conditions of the credit are observed by the beneficiary.

信用证是一种由买方提出申请，银行开立的有条件的承诺付款的书面文件，其中条件是达到单证相符，单单一致。





# Definition of Letter of Credit



Who set forth the terms and conditions in the letter of credit ?

Buyer and seller set forth the terms and conditions in LC.



# Characteristics of L/C (特点)



**A banker's credit**

**Self-sufficient instrument.**

**Documents transaction**

The issuing bank undertakes to effect payment. The bank assumes a primary rather than a secondary liability.

A letter of credit stands independent of the sales contract.

The banks deal with documents and not with goods



# Types of Letter of Credits



- Revocable and Irrevocable L/C（撤销与不可撤销信用证）
- Clean and Documentary L/C（光票与跟单信用证）
- Sight and usance L/C(即期与远期信用证)



# Irrevocable and Revocable Letter of Credit



- ◆ Irrevocable Letter of Credit: It **cannot be** modified, amended or withdrawn by either the opening bank or the buyer before the expiry date without the agreement of the beneficiary.
- ◆ Revocable Letter of Credit: It **can be cancelled or amended** at any moment within the validity without notice to the beneficiary.



# Documentary and Clean L/C



- ◆ **Documentary L/C 跟单信用证**  
an L/C which should call for some documents in accordance with the terms of the credit.
- ◆ **Clean L/C 光票/无跟单信用证**  
an L/C which does not call for shipping documents





## Sight and Usance Letters of Credit

- ◆ **Sight letter of credit:** Under a sight letter of credit, the negotiating bank makes payment **immediately** upon the presentation of the sight draft and shipping documents as stipulated in L/C by the seller.
- ◆ **Usance letter of credit:** Under a Usance letter of credit, the negotiating bank **doesn't make payment immediately**. He hands over the draft and documents to the opening bank. The opening bank doesn't pay the money immediately either. He just accepts the draft and returns it to the seller. He makes payment **when the time draft falls due**.



# Parties to an L/C (当事人)



THERE ARE MANY PARTIES TO A L/C IN THE TRANSACTION



# Parties to an L/C (当事人)

请输入标题





# Major Parties Involved in a Letter of Credit



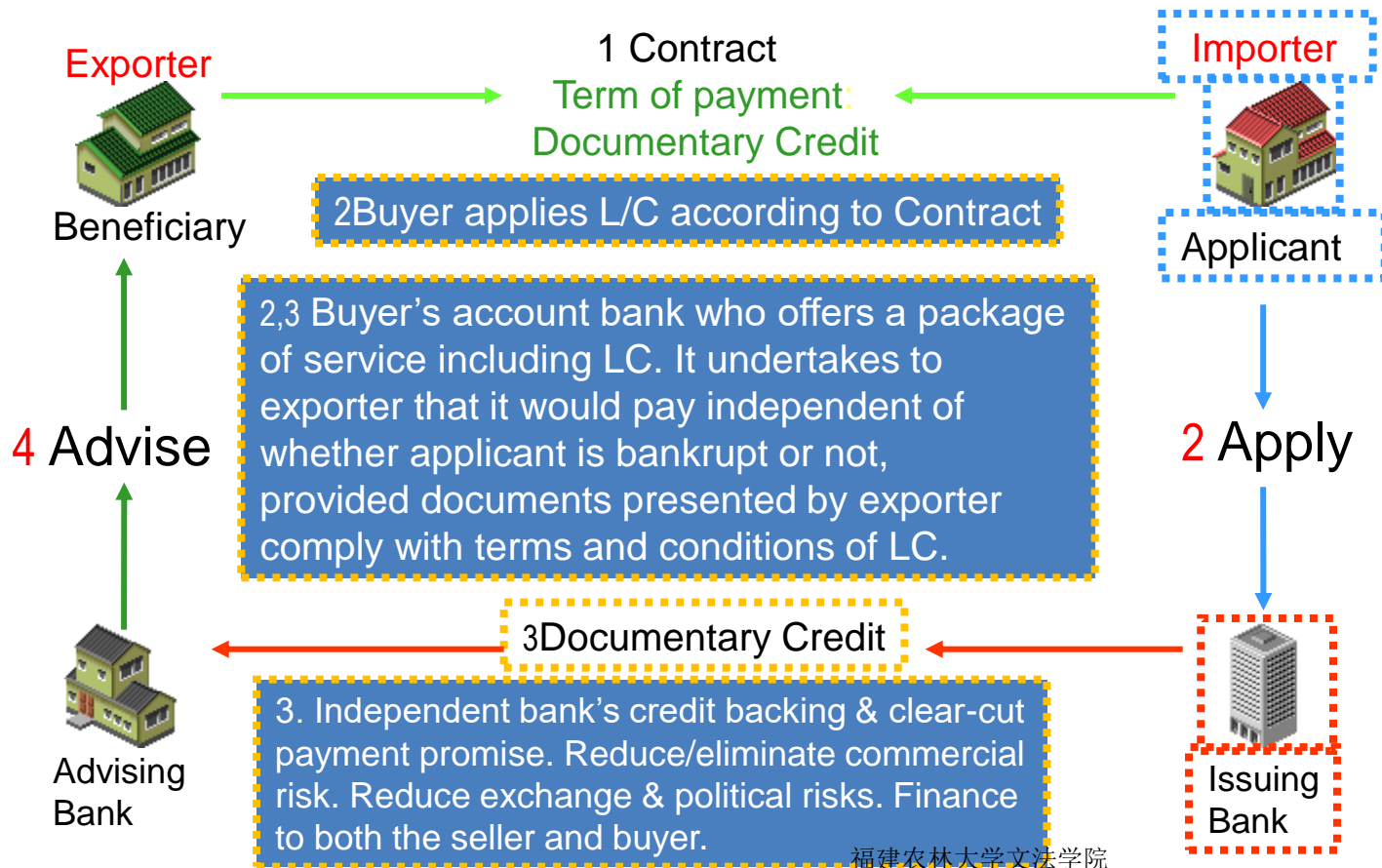
- **Buyer (applicant)** 申请人: the person who asks a bank to open a letter of credit.
- **Seller( drawer** 出票人, **beneficiary** 受益人): the person in whose favor the letter of credit is issued. In other words, the person who is entitled to draw a draft and receive the payment of the shipment.
- **The opening bank (the issuing, opening, establishing bank)** 开证行: the bank in the importer's country issuing the letter of credit at the request of the importer.
- **The advising bank (notifying bank)** 通知行: the bank which advises the exporter of the establishment of letter of credit.

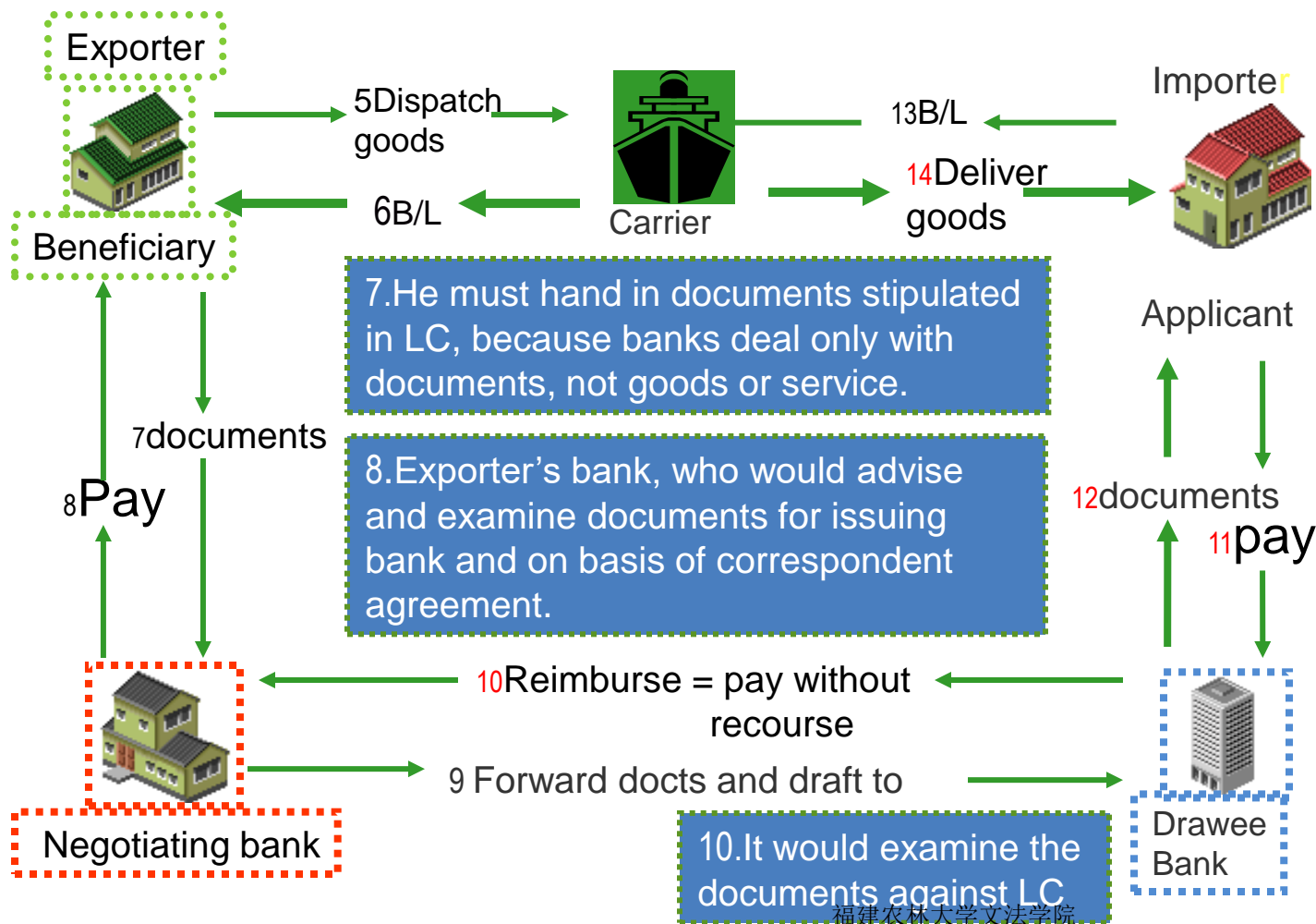


- **The drawee (opening bank )受票人:** the bank , on whom a draft is drawn, is responsible for making payment when the draft falls due.
- **The negotiating bank议付行:** the bank that pays or accepts the draft presented by the exporter.

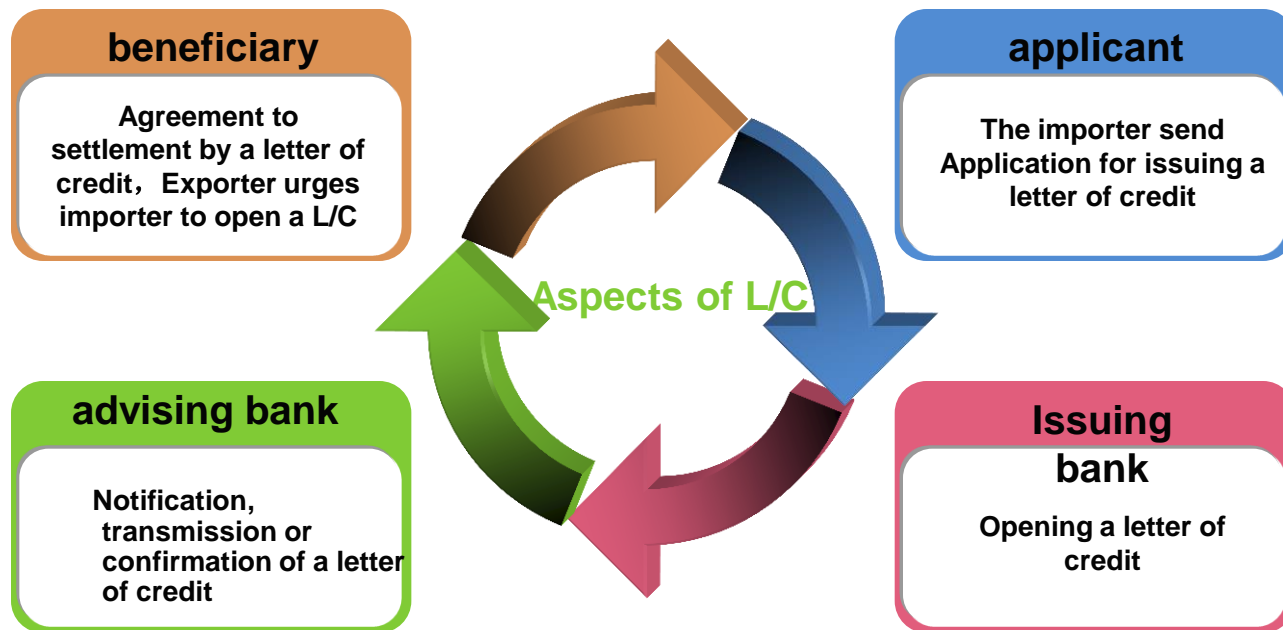


# The flow chart of documentary credit operation





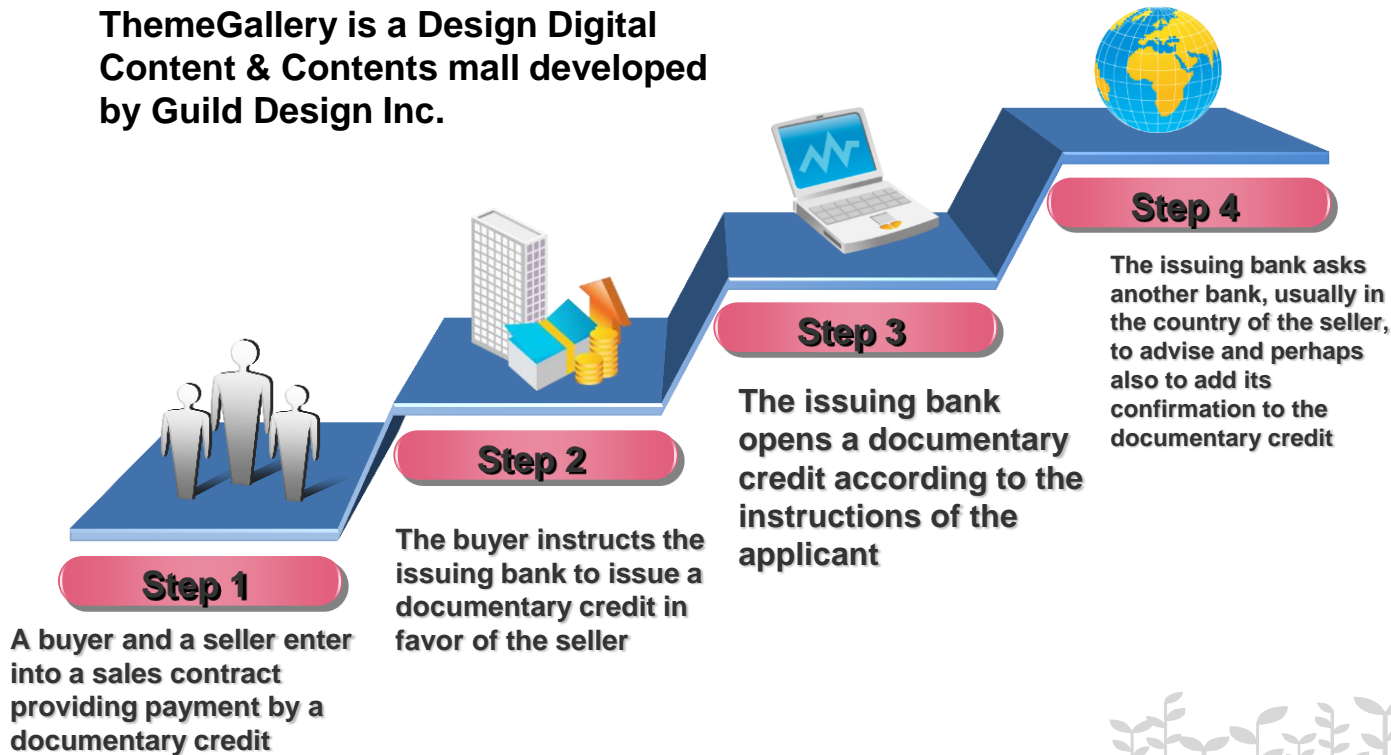
# Parties in the L/C



# Procedures of L/C



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# Procedures of L/C (流程)



## Procedures of L/C

