

ANNEX 1

GLOSSARY – INTERNATIONAL TRADE AND TRANSPORT TERMS

A

AAA – See American Arbitration Association.

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 bill of exchange.

acceptance credit – A documentary credit that 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.

act.wt. – Actual weight.

A/d – See After date.

ad valorem duty – A duty assessed as a percentage rate of the value of the imported merchandise. See customs duty.

ADR – See alternative dispute resolution.

advance payment guarantee/bond – A guarantee that advance payments will be returned if the party having received such payments does not perform its part of the contract.

advising bank – The bank that notifies the exporter of the opening of a letter of credit in his or her favour. The advising bank, usually located in the exporter's country, fully informs the exporter of the conditions of the letter of credit without itself making a payment commitment. See generally letter of credit.

after date – Payment on a negotiable instrument such as a bank draft, becomes due a certain number of days after the date shown on the instrument.

after sight – Payment on a negotiable instrument, such as a bank draft, becomes due a certain number of days after presentation and acceptance of the instrument.

agent/agency agreement – An agent is an independent person or legal entity that 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 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 its own name. Sales agents should also be distinguished from buying or purchasing agents, as the respective rights and obligations are quite different.

agio – The extra amount over and above the market price that is paid in countertrade transactions and results from the particular costs of counter-trade.

air waybill (airbill) (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 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.

alternative dispute resolution (ADR) – A general term for a variety of dispute-resolution mechanisms that may be used as alternatives to traditional litigation before governmental courts or tribunals. May be said to include such techniques as conciliation, mediation, arbitration, re-negotiation and mini-trial.

American Arbitration Association (AAA) – Perhaps the world's largest arbitration forum and institution; the great bulk of cases handled under its rules and procedures are domestic US cases, although the AAA does have specific rules for international cases.

AN – See Arrival notice.

applicant – In the documentary credit process, normally the buyer or importer, who applies (thus, the applicant) for a letter of credit in favour of the beneficiary, the seller.

AQ – Any quantity.

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).

arrival notice (AN) – Communication from a carrier to the intended receiver that an international shipment will soon arrive.

at sight – A term used in international banking practice to indicate that payment is due immediately upon presentation of given documents.

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.

Av. – Average

aval – A 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.

B

back-to-back credit – A commercial device under which a middleman uses a documentary credit to open a second credit in favour of a supplier. Should be distinguished from a transferable credit. See letters of credit.

BAF – See bunker adjustment factor.

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.

banker's acceptance – A bill of exchange accepted by a bank usually for the purpose of financing the 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 bill of exchange.

bareboat charter – The lease (charter) of an entire vessel under an agreement whereby the lessor only provides the 'bare' vessel – that is, operation of the vessel is not included in the lease, and the charterer must arrange to hire a ship's master and crew itself.

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. Bartering 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 – Breakbulk (cargo).

B/D – Bank draft.

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 bonded warehouse.

bill of exchange (B/E) – A draft. An unconditional order addressed by the exporter to the importer for the payment of a specific sum. A sight draft requires immediate payment, while usance or term drafts indicate payment at a specified future date.

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 shipowner, 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-negotiable (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:

- **clean** – a B/L that contains no notation indicating that the goods have been wholly or partially lost/damaged.
- **direct** – a B/L for direct transport between loading and discharging ports.
- **dirty/foul/claused** – a B/L with a notation to the effect that the goods have been partially/wholly lost or damaged.
- **FIATA FBL (FBL)** – a standard-form B/L issued by a freight forwarder; considered under the UCP 600 – 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.
- **freight pre-paid** – a B/L indicating on it that the freight has been paid.
- **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/Ls that bear the original signature of the ship's master or agent.
- **house** – a B/L issued by a forwarder in its own name ('house') covering grouped consignments.
- **liner** – a B/L issued subject to the terms and conditions of a shipping line.
- **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.
- **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.
- **order** – a negotiable B/L, issued 'to the order' of a particular party, commonly the shipper.
- **received for shipment** – a B/L that 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 letter of credit.
- **short-form** – a B/L that 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 that is presented late (for documentary credit

purposes, a B/L must be presented within a certain number of days after shipment).

- **straight** – a non-negotiable B/L; the consignee only needs to identify itself to pick up the goods.
- **through** – a B/L used when shipment will involve successive transport stages with different carriers.
- **waybill** – a non-negotiable transport document.

bolero (www.bolero.net) – An Internet platform for processing trade-related electronic documents.

bonded warehouse – A warehouse authorized 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.

breakbulk (BB) – Non-containerized cargo that 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 unitized cargo on pallets or packed in boxes; specialized breakbulk vessels tend to carry their own loading/unloading machinery.

bunker adjustment factor (also, BAF) – A surcharge charged by ocean carriers to account for fluctuations in the cost of shipping fuel, which is known as bunker fuel.

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 countertrade.

C

c & f (C&F) – Warning: common but non-standard version of Cost and Freight – CFR *Incoterms® 2010* (Cost and Freight). See *Incoterms® 2010*.

CAD – Cash against documents.

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.

cash on delivery (COD) – A term specifying that the receiver of goods will make payment for them to the carrier upon delivery; common in domestic trade, unusual in international trade.

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 will designate a neutral, independent inspection company.

certificate of origin – A document certifying the country of origin of specified goods. 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. Such certificates are usually obtained through a semi-official organization in the country of origin, such as a local chamber of commerce or a consular office.

CFR – Cost and Freight. See *Incoterms® 2010*.

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

CIA – Cash in Advance.

CIF (also, c.i.f.) – Cost, Insurance and Freight. See *Incoterms® 2010*.

CIF & C – Cost, insurance, freight and commission. (also, CIF & I – Cost, insurance, freight and interest); and CIF & CI (Cost, insurance, freight, commission and interest). Warning: these are variants on the standard *Incoterms® 2010* rule, 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’ or ‘CI’.

CIP – Carriage and Insurance Paid To (named point). See *Incoterms® 2010*.

claused bill of lading – A claused, 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 that contains no notations of defect, damage or loss, and is signed by the carrier or its authorized 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 bill of lading and claused bill of lading.

clean report of findings – A document issued by a pre-shipment inspection agency stating that a particular shipment conforms to specified criteria (usually relating to the quality, quantity or price of the goods).

CMR – International road transport convention (treaty).

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 documentary collection.

combined transport document (CTD) – A transport document similar to a bill of lading but that is issued to cover shipments carried by more than one mode of transport.

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 governments to determine the true value of goods for the assessment of customs 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 he or she generates. See 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 customs duty.

conference (also, steamship conference, shipping conference) – A group of steamship companies or shipping lines that have associated to offer regular service on specific routes at publicly announced prices. Conferences generally offer specific rebates for regular or high-volume shipments. Shipping lines that are not members of a conference for a particular route are known as outsiders, independent lines, or non-conference liners.

confirmed letter of credit – A documentary credit issued by a foreign bank that has been confirmed by another bank (usually a local bank or an international leading bank), the confirmation consisting of an additional irrevocable undertaking to pay according to the terms of the credit.

confirming bank – In letter of credit transactions, the bank that 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 letter of 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 is generally recognized 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.

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 in the light of the current market price in the exporter's country to ensure that dumping is not taking place.

contingency insurance (also, '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 using the Incoterms rule FOB 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 will be 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).

correspondent bank – A bank that 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.

counterpurchase – 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 developing 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 respective terms.

courtage (French) – Brokerage, brokerage fee.

cover note (also, broker's cover note) – An insurance document indicating coverage of a particular shipment under an open cover policy. To be distinguished, particularly as regards to presentation under a documentary credit, from an insurance policy or an insurance certificate.

CPT – Carriage Paid To...(named point). See *Incoterms® 2010*.

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

c/s – Case(s).

CSC – Container service charge.

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).

customs broker – Licensed agent or broker (licensing may not be required in all jurisdictions) 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 to 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 Union is the best-known example of a customs union.

cw – Commercial weight.

CWO – Cash with order.

cwt – Hundredweight; unit of measurement.

date draft – A draft that matures a specified number of days after issuance.

D

DAF (deleted from the Incoterms® rules in 2010) – Delivered at Frontier. An obsolete Incoterms® rule that was discontinued in the 2010 edition.

DAP – Delivered at Place. *See Incoterms® 2010.*

DAT – Delivered at Terminal. *See Incoterms® 2010.*

D/D – Delivered.

ddc (also, 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 dispatch money.*

DDP – Delivered Duty Paid. *See Incoterms® 2010.*

DDU (deleted from the Incoterms® rules in 2010) – Delivered Duty Unpaid. An obsolete Incoterms® rule that was discontinued in the 2010 edition.

deadfreight – Freight charge to be paid even when shipment was not made, owing to failure by the shipper or charterer to actually ship goods in the shipping space for which a reservation was made.

deadweight – Total carrying capacity of a vessel.

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.

del. – Delivery.

del credere – As relates to international commercial agency relationships: a del credere agent is one who guarantees the ability to pay prospective clients he has brought to the

principal; in exchange, the del credere agent is usually accorded a higher percentage commission than is a regular agent. As relates to risk in general: del credere risk is the risk that a party will be unable to meet its financial obligations.

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 the seller, shipper or consignee, while in other contexts the order will be 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 issuance of several delivery orders ‘splits up’ the cargo covered by the bill of lading. In any event, delivery orders should be clearly distinguished from bills of lading: the delivery order is not a negotiable document, nor does it evidence receipt of goods, nor does it contain the provisions of the transport contract under which the goods were shipped.

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 the latter 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 (URDG, ICC Publication 758).

demurrage – The extra charges paid to a shipowner 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.

DEQ (deleted from the Incoterms® rules in 2010) – Delivered Ex Quay. An obsolete Incoterms® rule that was discontinued in the 2010 edition.

DES (deleted from the Incoterms® rules in 2010) – Delivered Ex Ship. An obsolete Incoterms® rule that was discontinued in the 2010 edition.

destuffing (also, stripping) – Unloading goods from a container.

devanning (also, stripping) – Unloading goods from a container.

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. See bill of exchange.

discrepancy – In the context of documentary credits: 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 will refuse 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 shipowner 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 charter party and demurrage.

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

Dk. – Dock.

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 the importer by the exporter. Under collections, the exporter presents a draft together with shipping documents to a bank (the remitting bank) in the exporter's country, which then forwards the documents and draft to the collecting bank in the buyer's country. The documents enabling the buyer to take possession of the goods will only be released by the collecting bank when the buyer either pays or accepts the draft.

documentary credit (D/C) – See letter of credit.

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 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 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 Incoterms rule 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, DAP, or DDP Incoterms rules 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 Incoterms rule for loading or unloading. The shipper should make sure that the transport service corresponds to the contractual obligations under the chosen Incoterms rule. 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 house-to-house.

draft – An unconditional order in writing, signed by a person (drawer) such as a seller, and drawn on another person (drawee), typically sent through 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 his or her order (order draft), or to bearer (bearer draft). The most common versions of a draft are the sight draft, which is payable on presentation or demand, and the time (or usance) draft, which is payable at a future fixed (specific) or determinable (30, 60, 90 days etc.) date. Should the beneficiary under a time draft require the money before the bill matures, he or she may discount his or her claim for immediate payment with his or her bank. See bill of exchange.

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 bearer. In a documentary collection, the drawee is generally the buyer. See bill of exchange.

drawer – The individual or firm that issues or signs a draft, instructing the drawee to pay a specified sum of money to, or to the order of, a named person (payee), or to bearer. In the case of a draft to one's own order, the drawer is also the payee. Like the endorser(s), the drawer is secondarily liable on the draft. In a documentary collection, the drawer is the seller. See bill of exchange.

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

dumping – The practice of selling a product in a foreign market at an unfairly low price (a price that is lower than the cost in the home market, or that 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 Organization 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.

E

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.

EDI (also, edi) – See electronic data interchange.

electronic data interchange (EDI) – The computer-to-computer transmission of business messages (such as purchase orders, invoices, booking instructions, etc.) using standard, industry-accepted, message formats.

EMC – See export management company.

est. – Estimated.

ETA – Estimated time of arrival.

ETD – Estimated time of departure.

ETS – Estimated time of sailing.

EU – European Union.

eUCP – A supplementary set of rules to the UCP 600 (see Uniform Customs and Practice for Documentary Credits) specifically tailored to the presentation of electronic documents in relation to a documentary credit.

Eurocurrency – A currency being used or traded outside the country that issued the currency. The most widely used Eurocurrency is the Eurodollar.

Ex factory – Warning: this is a non-standard trade term, a variation of the preferred formulation: EXW Incoterms® 2010.

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 for exporters to protect against non-payment by the importer (coverage

may extend to certain other risks, depending on the policy). Export credit insurance is available from private insurance underwriters as well as from government agencies. Examples of well-known public export credit agencies include the US Eximbank, the UK Export Credits Guarantee Department and France's COFACE.

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

export management company (EMC) – A private firm serving as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients in return for a commission, salary, or retainer plus commission.

EXW – Ex Works. See *Incoterms® 2010*.

F

F&D – Freight and demurrage.

factoring – In the context of 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 specialized 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 *Incoterms® 2010*.

FB – Freight bill.

FCA – Free Carrier. See *Incoterms® 2010*.

FCL – Full container load.

FI – Free in. See free in and out.

FIO – See free in and out.

FO – Free out. See free in and out.

FOB – Free on Board. See *Incoterms® 2010*.

fob airport – Warning: no longer a valid Incoterms rule, see FCA, *Incoterms® 2010*. Free on board airport: a trade or delivery

term used when delivery is effected at an airport. It was withdrawn from use as a valid Incoterms® rule in 1980 because it was felt that the term was the source of much potential disagreement, especially as regards to allocation of customs clearance and export handling charges.

foc. – Free of charge.

fod. – Free of damage.

FOR – Free on rail. Warning: no longer a valid Incoterms® rule, 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 rule from *Incoterms® 2010* is FCA. See *Incoterms® 2010*.

force majeure – A clause that protects the parties to a contract in the event that a part of the contract cannot be performed due to causes that 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 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 (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 that 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, he assumes both commercial and political risk.

forward rate – The price of a foreign currency that 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 Incoterms® rule, but still used by some traders. The term may create confusion as to whether it applies to motor vehicle or to rail shipments. The suitable rule from *Incoterms® 2010* is FCA. See *Incoterms® 2010*.

foul transport document (also, 'dirty' or 'claused' transport document) – A transport document (such as a bill of lading) that indicates that the goods to be shipped have been received in a damaged condition or in a lesser quantity than expected. Documents that are not foul are termed 'clean'.

franchising – A system based on the licensing of the right to duplicate a successful business format or industrial process. The franchisor (licensor) 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 franchisor usually supports the operation of 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 franchisor (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 franchisor grants another party the right to sub-franchise within a given territory, and direct or unit franchise agreements, which are direct contracts between the franchisor or sub-franchisor and the operator of the franchise unit.

Franco (French, European shipping) – 'Free delivered': the shipper pays all charges to a particular point. Warning: non-standard term; for preferred formulation, see *Incoterms® 2010*.

Free in and out ('FIO') – A transport or freight term that indicates that loading/discharging costs are not included in the freight. In the charter party context this means that loading/discharging are not the shipowner's responsibility – the charterer is responsible for loading/discharging. Also possible to use either Free in ('FI') or Free out ('FO') independently. May be used with the addition of stowed and/or trimmed: e.g. 'FIOS', or 'FIOST'.

free of particular average ('FPA') – A type of marine cargo insurance providing minimal coverage; it corresponds to the Institute of London Underwriters 'C' clauses.

free trade area – A group of countries that 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) – Freight rate applicable to all types of goods.

freight forwarder – A person or company that arranges transportation, usually on behalf of the party contracting for main carriage. Many forwarders provide additional services, such as assistance with country-specific documentary requirements, insurance, storage, and even customs brokerage. Some forwarders also act as carriers (air freight consolidators or NVOCCs). Typically, forwarders obtain brokerage commission income from the carrier(s) they select. This minimizes the fees that they charge their clients, and makes using forwarders cost-competitive. Some countries require that forwarders obtain a licence, at least to be eligible for brokerage income.

FTZ – See foreign trade zone.

G

general average – A voluntary sacrifice or extraordinary expense incurred during waterborne transit to protect all interests from an impending peril. The main principle behind general average is that when a sacrifice is made to save the interests of all parties involved in transportation, the party who makes the sacrifice must be compensated by all the parties who stand to benefit from the sacrifice or expenditure. For instance, when cargo is jettisoned to save a vessel from sinking, all parties whose cargo was not thrown overboard must contribute to reimburse those parties whose cargo was. Carriers will require some form of security (promissory note or insurance company guarantee bond) prior to releasing cargo, in order to enforce each party's contribution. While this can be a burden for owners of uninsured cargo, insurance companies provide such guarantees for cargoes they insure.

gross weight – Total weight of a shipment including packing.

H

Hague Rules – International Convention for the Unification of Certain Rules relating to Bills of Lading – Brussels Convention of 1924. A set of rules for international transport contained in an international treaty first published in 1924 and subsequently implemented by 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 their predecessor, the Hague Rules.

Harmonized System (HS) – An international standard system for classifying goods for customs purposes, developed by the World Customs Organization.

hazardous materials (HAZMAT) – Materials that may be dangerous, such as explosives or toxic chemicals.

house air waybill (house AWB or, HAWB) – A transport document issued by an air freight consolidator.

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/Ls 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 that more generally refers to overall transport services from seller's premises to buyer's premises. See door-to-door.

I

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

ICC (International Chamber of Commerce) – The world business organization, headquartered in Paris.

ICC Arbitration – Refers either to ICC Arbitration and ADR Rules or the process of submitting an arbitral complaint to the ICC Court of International Arbitration.

ICPO (Irrevocable Corporate Purchase Order) – An offer to buy stated goods under specified terms and conditions.

Incoterms® 2010 – A set of 11 international standard trade terms (also known as delivery terms). The Incoterms® 2010 rules allow the parties to designate a point at which the costs and risks of transport are precisely divided between the seller and the buyer. Incoterms rules also allocate responsibility for customs clearance/duties between the parties. Since Incoterms rules are not law but are contractual standard terms, they do not apply to a given transaction unless the parties specifically incorporate them by referring to the Incoterms rules, e.g.: '100€/tonne Liverpool port *Incoterms® 2010*' (in exceptional cases, the Incoterms rules apply regard-

less of explicit mention in the contract, if there is a custom of trade or prior course of dealing that indicates reliance on the Incoterms rules, or if the local jurisprudence creates a presumption in favour of applicability of the Incoterms rules). Incoterms rules are elements of the contract of sale, which may be derived from the seller's tender or pro forma invoice. Thus, the Incoterms rules apply to only the seller and buyer, one of whom will assume the role of shipper and enter into a contract of carriage. The contract of carriage should dovetail with the chosen Incoterms rule in terms of allocation of transport costs and risks, but this will depend on the shipper giving precise directions to the carrier to ship according to the constraints of the given Incoterms rule. For a definition of the 11 currently valid Incoterms rules, and their standard abbreviations, see 'Documents for reference' in Chapter One.

inland clearance depot (inland dry port) – A combination transport terminal and customs clearance centre.

institute clauses – Standard international transport insurance clauses, published by the Institute of London Underwriters. The Institute Cargo Clauses (LMU/IUA) are three sets of clauses providing different levels of protection: the 'A' Clauses correspond to the general notion that is commonly referred to in trade as 'all risks' coverage, while clauses 'B' and 'C' indicate a lower level of coverage and a greater number of exclusions.

integrated carrier – A carrier that can provide shipment by air, road and sea, facilitating control of 'door-to-door' shipments.

inv. – Invoice.

ISO 9000 – Series of production quality standards established by ISO (International Standards Organization). 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 bank – The buyer's bank that establishes a letter of 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 letter of credit.

L

laydays/laytime – The time allowed by the shipowner 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, it will be 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.

LCL (Less than container load) – Refers to shipments of goods that will have to 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. It is 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 (L/C; also, documentary credit, D/C) – A document issued by the importer's bank stating its commitment to honour a draft, or otherwise pay, on presentation of specific documents by the exporter within a stated period of time. The documents the importer requires in the credit usually include, at a minimum, a commercial invoice and clean transport document, but may also include 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, which cannot be changed or cancelled without the consent of both the importer and the exporter. In a confirmed irrevocable credit, the confirming bank adds its irrevocable commitment to pay the beneficiary (the confirmation is an additional guarantee of payment).

Types of L/C:

- **advised** – a credit the opening of which the beneficiary has been informed by a local bank.
- **back-to-back** – a system used by middlemen/intermediaries to finance a single transaction through the use of two L/Cs

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 his or her supplier under the second credit.

- **confirmed** – a credit that has received an additional guarantee of payment by a second bank, often in the beneficiary's country.
- **deferred** – an L/C under which payment is made at an agreed time after compliant documents are presented.
- **import** – an L/C used to finance importation of goods.
- **irrevocable** – a credit that cannot be retracted or revoked once the beneficiary has been notified; there is a presumption under the UCP 600 that a credit is irrevocable.
- **red clause** – an L/C allowing payments of advances to the beneficiary (originating in the wool trade in Australia, these clauses used to be printed in red ink).
- **revolving** – a credit that can be drawn against repeatedly by the beneficiary; it 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** – revolving L/C under which unused amounts can be carried forward and become available under the next draft.
- **sight** – an L/C under which the beneficiary is entitled to present a sight draft or sight bill of exchange, which is a call for immediate payment upon presentation of conforming documents.
- **standby** – akin to a demand guarantee or bank guarantee, the standby L/C is generally used to assure performance or payment by the counterparty.
- **transferable** – an L/C that allows the beneficiary to make part or all of its credit payable to another supplier; used in middleman/brokerage contexts; distinguishable from back-to-back L/Cs as the transferable credit requires the knowledge and authorization of the importer (applicant/principal).

letter of indemnity (LOI) – A document commonly used in international trade to allow a carrier to release goods to a receiver who is not yet in possession of the bill of lading (exceedingly common in the oil trade, for example). The letter of indemnity is, in essence, a guarantee that the receiver provides to the carrier, assuring the carrier that it will not suffer any financial loss by having released the goods in the absence of a bill of lading. Also referred to as a steamer guarantee.

lex mercatoria – Internationally accepted general trade practices; the international, informal law of merchants.

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.

LIFO – In international trade: liner in free out; referring to a freight charge that 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 shipping line, under which cargo vessels operate according to a fixed schedule and publicly advertised freight rates.

liner terms – Carriage terms that include vessel loading charges according to the custom of the respective ports – which unfortunately widely varies. '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.

Lkg. & Bkg. – Leakage and breakage.

LOI – See letter of indemnity.

LTL – Less than truck load.

M

marine bill of lading (also, ocean bill of lading) – The classic document of the traditional export trade, it plays three potential roles: 1) as a receipt for the cargo and evidence that the goods have been received in apparent good order; 2) as evidence of the terms of the contract of carriage between the shipper and the ocean carrier; and 3) as 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 bill of lading, B/L.

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 include 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. Also known as aligned export documentation systems.

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 clausured/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.

MO – Money order.

MTO – See multimodal transport operator.

multimodal transport document – Issued by a carrier whenever a bill of lading is used for carriage and there are at least two different forms of transport, such as shipping by rail and by sea.

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

N

N/A – Not applicable.

NCV – No commercial value.

NE (ne) – Not exceeding.

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.

N/F – No funds

non-circumvention non-disclosure agreement (NCND) – A type of contract frequently requested by brokers or middlemen under which buyers agree to refrain from going around the broker to deal directly with suppliers. Warning: these agreements sometimes refer erroneously to 'ICC Rules for Non-Circumvention Non-Disclosure Agreements', which do not exist. ICC has issued a Model Contract for Occasional Intermediaries, which deals with the confidentiality issues involved in middleman transactions.

non-vessel-operating common carrier (NVOCC) – A company providing point-to-point international transport of goods although it does not necessarily operate or own transport vehicles or equipment. NVOCCs will commonly contract with a shipper to move goods from the exporter's premises to the importer's premises and will issue their own door-to-door transport document, although they will 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.

N/S/F – Not sufficient funds.

NVOCC – See non-vessel-operating common carrier.



ocean bill of lading – See marine bill of lading.

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 countertrade.

O/N – Order notify.

O/o – Order of.

OP – See open policy.

open account trading – The exporter allows the buyer to pay within a specified time after receiving the shipment.

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.

order bill of lading – A negotiable bill of lading, which is made out 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 that of the consignee or to its order. See bill of lading.

owner's risk (OR) – Also: ORB – owner's risk of breakage; ORF – owner's risk of fire; ORL – owner's risk of loss (or leakage).

P

P & I Club (Protection and Indemnity Club) – A shipowners' insurance association.

P/A – Power of attorney.

PA – Particular average.

pallet – Flat support of wood or steel on which goods can be stacked and that can be easily moved by forklift trucks.

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.

PD – Port dues.

performance bond (guarantee) – A bond or guarantee that 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 that only covers from export pier to import pier (i.e. excludes handling charges to bring cargo to and from piers).

P/N – See promissory note.

POD – Pay on delivery.

ppd (or PP) – Pre-paid.

pre-shipment inspection (PSI) – An inspection of contract goods prior to shipment so as 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.

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 (that 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 letter of credit, the pro forma invoice is frequently used to inform the importer of the amount for which the letter of 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 the bearer. Promissory notes are negotiable instruments and perform more or less the same function as an accepted bill of exchange.

PSI – See pre-shipment inspection.

PSV – Post-shipment verification. See pre-shipment inspection.

PU & D – See pick up and delivery.

purchasing agent – An agent who purchases goods on behalf of foreign buyers.

R

r & cc – Insurance clause: riots and civil commotion. Also: srcc – strikes, riots and civil commotion.

railway consignment note – A freight document indicating that goods have been received for shipment by rail. See bill of lading.

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 authorized advances, to present drafts along with a statement that shipping documents will be provided in due time.

reefer box/container/ship – A refrigerated container or ship. Refrigeration may either be mechanical, which means involving an external power supply, or by expendable refrigerant (dry ice, liquefied gases, etc.), which requires no external power supply.

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 documentary collection.

retention of title (reservation of title) clause – A contract clause whereby a seller declares its intention to retain title or ownership over the contract goods until payment by the buyer is complete.

roll-on/roll-off (RoRo) – A combination of road and sea transport, where loaded road vehicles are driven on to 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.

ROT – See retention of title.

S

S & C – See shipper's load and count.

S & T – Shipper's load and tally. See shipper's load and count.

S.A. – abbreviation after names of corporations in French- and Spanish-speaking countries: Société Anonyme (Fr.); Sociedad Anonima (Sp.).

SAD – Single Administrative Document; European administrative document for intra-European trade.

SD – See short delivery.

sea waybill – A transport document for maritime shipment that 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 itself, which can speed up processing at the port of destination. See bill of lading.

shipper – In the 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 Incoterms rule chosen, either the exporter or importer (or a middleman) can be 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 the receiver will have to claim directly against the shipper or insurer.

short delivery (SD) also, short-landed cargo – Non-delivery of cargo at the intended port. When reported, it will result in the

ship's agent sending a cargo tracer to see if the cargo has been mis-delivered to another port.

short-form bill of lading (B/L) – A simplified B/L that contains a reference to or an abbreviation of the carrier's full B/L or carriage conditions.

sight draft (also, 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 draft.

specific duty – A duty based on some measure of quantity, such as weight, length, or number of units. See customs duty.

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

standby credit (also, standby letter of credit, standby L/C) – A form of guarantee, usually indistinguishable from a demand guarantee. Origin lies in the fact that US legislation prevented US 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 its contractual obligations. Standby credits may be issued so as to be governed by any of the International Standby Practices ISP98, the UCP 600 or the URDG 758 (to the extent permitted by national law). A standby credit can be used to back up a payment commitment – therefore, 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.

STC (said to contain) / STW (said to weigh) – 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 shipper's load and count.

steamer guarantee – See letter of indemnity.

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

straight bill of lading – A non-negotiable bill of lading that 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 with open account

or when payment for the goods has been made in advance.
See bill of lading.

stripping - Unloading goods from a container. See devanning and destuffing.

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.

swap - The trading of almost identical products (such as oil) from different locations to save transportation costs. See countertrade.

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

T

tare - Weight of packaging/container, without merchandise.

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 and is required with the purpose of discouraging frivolous bids and ensuring that the winning bidder will actually sign and execute the contract.

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 3,000 TEUs, which is roughly equivalent to saying it could carry 3,000 standard containers.

THC - See terminal handling charge.

through bill of lading - A B/L issued to cover transport by at least two successive modes of transport.

time draft (time bill) - A financial instrument demanding payment at a future fixed date, or a specified period of time after sight (30, 60, 90 days etc.), or after the date of issue. It is also called a usance draft (usance bill). See 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 the truck or other vehicle to pass through all TIR-member countries without having to go through customs inspection until reaching the country of destination.

T/L – Total loss.

trade acceptance – A bill of exchange drawn by the seller/exporter on the purchaser/importer of goods sold, and accepted by such purchaser. See bill of exchange.

tramp vessel – A ‘freelance’ seagoing cargo vessel, available on a contract basis to carry cargoes to any given port. To be distinguished from liner ships, operating according to advertised routes, schedules and rates.

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 that might hinder the ship’s handling or unloading.

T/T – Telegraphic transfer. Refers to an electronic wire transfer, usually in connection with payment in advance or payment by open account.

U

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

UCP 600 – *Uniform Customs and Practice for Documentary Credits*, ICC Publication 600, the set of rules that govern international documentary credit practice. UCP 600 are generally considered contractually incorporated into the documentary credit transaction by virtue of a mention in the credit application form; the UCP 600 may also have additional force as a trade custom, and in some countries UCP are even recognized as having legal effect generally. In other countries, the UCP 600 is complementary to national law and jurisprudence on documentary credits.

UNCITRAL (United Nations Commission on International Trade Law) – UN Agency based in Vienna, specializing in the development of model legal instruments and conventions in the area of international trade law. Most notable success is perhaps the so-called 1980 Vienna Convention, the Convention on the International Sale of Goods (CISG). Also, UNCITRAL Rules for Arbitration, which provide a procedural framework for international commercial arbitration but which, unlike the ICC Rules, do not provide direct administrative

supervision of the arbitral process.

UNCTAD (United Nations Commission for Trade and

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

undercarrier – a carrier that has been subcontracted to carry out part of the transport operation.

UNECE – United Nations Economic Commission for Europe.

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 that is not truly based on non-performance by the principal).

UNIDROIT (Institute for the Unification of Private Law) –

International governmental organization headquartered in Rome. Administrative organization of treaties, conventions, model instruments, legal guides and research.

usance draft (usance bill) – Time draft; a written demand for payment that comes due at a specified future date.

V

VAT – Value-added tax.

Vienna Convention on the International Sale of Goods (CISG) –

International treaty signed by approximately 76 nations, including most leading trading nations. Amounts to a commercial code for international sales transactions, but excludes contracts for services, securities, electricity, and some others. Parties may ‘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

W – A tonne of one thousand kilogrammes.

WA – See with average.

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 export warehouse to import warehouse; coverage may also be substantially extended or limited according to time.

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

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. The 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 marine insurance.

World Chambers Federation (WCF) – ICC's specialized division for its chamber of commerce members worldwide. WCF has taken over from the International Bureau of Chambers of Commerce (IBCC). WCF also manages the ATA Carnet System and its guarantee chain for temporary duty-free imports.

World Chambers Network (WCN) – A global Internet platform run by the WCF, fostering a comprehensive exchange of business information between chambers and their member companies throughout the world.

Worldscale – A scale for quoting freight rates for oil tankers.

WP (w/o p) – Without prejudice.

WPA – With particular average. See marine insurance.