

Glossary for documentary credits



Mai bine. Pentru că putem.

Dear Customer,

Here you can find an explanation of relevant words and expressions used in relation to documentary credits. This glossary has been created to provide you an overview understanding of the terms met in documentary credits transactions.

A – B C – D E – F G – M N – P R – V

Term	Explanation (A – B)
About	Means a tolerance of +/- 10% regarding the documentary credit value, unit price or the quantity of the goods.
Acceptance	Acceptance of a bill of exchange occurs when the drawee commits himself to pay, by putting his signature on the bill of exchange.
Advise	Forwarding a documentary credit received from the issuing bank to the beneficiary (seller).
Advising bank	The bank that advises the documentary credit to the beneficiary at the request of issuing bank.
Air Waybill (AWB)	Air transport document.
All risks	Insurance against "all risks".
Amendments	Amendment of the current documentary credit conditions (e.g. extension of the documentary credit validity period, shipping deadline, etc) as given by the issuing bank on instructions from the applicant (buyer).
Applicant	The party on whose behalf a documentary credit is issued.
Approval basis	If documents containing discrepancies are presented to the nominated bank under a documentary credit, the bank can forward the documents to the issuing bank for approval with the beneficiary's agreement.
Assignment under DC	The beneficiary of a documentary credit may assign the proceeds under a documentary credit, either wholly or partly, to another party, for example a subcontractor.
Availability under DC	The documentary credits must indicate how they are available: <ul style="list-style-type: none"> • By sight payment - payment on receipt of the documents by the issuing bank or the bank designated in the documentary credit. • By deferred payment - payment after a period specified in credit, often calculated as number of days after the shipping date. • By acceptance - acceptance of a draft by the issuing bank or by the bank designated in the documentary credit, and the payment thereof at maturity. • By negotiation - means advance or being ready to advance funds to the beneficiary.
Beneficiary	The party in whose favour the documentary credit is issued.
Bill of exchange (Draft)	Documentary credits often require presentation of a draft drawn by the beneficiary on the issuing bank, the confirming bank, or a designated bank.
Bill of lading (B/L)	A transport document signed by the ship's master or his agent, or by the carrier or its agent, which is considered a title document. Confirms receipt of the goods and the conditions under which carriage was carried out. Release of the goods at the stipulated port of destination takes place only against presentation and handing over of a correctly endorsed original of the bill of lading.
B/L Terminology	<ul style="list-style-type: none"> • Ocean/marine B/L a negotiable instrument used for goods shipped on board ocean - going vessel. • On board/shipped a B/L evidencing the loading on board of cargo in good conditions. • Received for shipment a B/L which only evidences that the goods have been received, not that they have been loaded on board. • Blank endorsed - A negotiable bill of lading in which the title to the goods is passed on to another party by means of an endorsement. The holder of the "blank endorsed" bill of lading is entitled to take possession of the goods. • Negotiable or To order - A bill of lading in which the merchandise is consigned directly "to order" or "to the order of" a designated party, usually the shipper or a bank. The phrase "to order" or "to the order of (a designated party)" signifies negotiability permitting the title of the goods to be transferred many times by means of appropriate endorsements. • Notify - This phrase requires the carrier to notify a designated party upon arrival of the goods, but does not transfer title of the goods to that party.
Term	Explanation (C – D)
Carrier	Company whose business is the transport of goods The carrier is liable for the whole transport it covers regardless or whether the goods are carried by its own and/or other means of transport.
Certificate of inspection	Document specifying that the goods were inspected prior to shipment, usually issued by a neutral party.
Clean bill of lading	Transport document without markings regarding damage of goods or packaging.
CIM	Freight document used in rail transport.
CMR waybill	Road transport document.
Confirmation	This means that a bank takes on a payment obligation together with the issuing bank.
Consignee	Recipient
Consignor	The consignor is understood to be the party who delivers the goods in his/her own name to the carrier (i.e. ship owner) based on a freight contract.

Deadline for examining the documents	The banks are allowed time to examine the documents presented under the credit, such time not to exceed 5 bank working days following the day of receipt of the documents.
Discounting	Buying the outstanding debt with a deferred payment.
Discrepancies	Discrepancies in the documents mean missing information or missing documents, papers, etc in the documents submitted under a credit.
Documentary credit	An undertaking by the issuing bank to make payment to a named beneficiary, usually the seller of goods, against delivery of documents specified in the credit.
Documents	Commercial invoice, transport document, certificate of origin, etc required under a documentary credit.
Termen	Explanation (E – F)
Endorsement	A notation of transfer usually on the back of a document signed by the Endorser.
EUR1	Movement certificate and proof for preference for export in countries and regions associated with the EU(and EEA) through free trade agreements, association or preferential agreements as long as the goods concerned are included in the tariff preferences.
Expiry date/place	Indicates when and where the documentary credit expires for presentation of documents.
FCR	Forwarder Certificate of Receipt confirms that the goods have been accepted for carriage to, or held at the disposal of the consignee.
For account of	The documentary credit's order giver; see Applicant above.
Force majeure	Banks assume no liability for the consequences arising out of interruption of their business operations due to force majeure.
Forwarder's Document	Transport document issued by any party other than a carrier, owner, master or charterer.
Freely negotiable	In a freely negotiable documentary credit, the beneficiary has the right to present his documents at a bank of his choice.
Freight notation	Reference on the transport document which indicates whether the freight costs were paid in advance by the shipper " freight prepaid" or are to be paid by the consignee when the goods arrives at the destination" freight payable at the destination", or "freight payable as per charter party" in charter contracts.
Full set	All the originals of a particular document (normally bill of lading).The number of originals are indicated on the document itself.
Term	Explanation (G – M)
House Air Waybill	Used in air transport business, as equivalent of AWB as long as issuer assumes liability as the carrier or acts as agent of the named carrier.
ICC Paris	International Chamber of Commerce, Paris.
In favour of	The documentary credit's beneficiary.
Incoterms	International rules for the uniform interpretation of common contract clauses in export/import transaction issued by ICC Paris. The currently valid version is publication no.715 valid as of 01.01.2010.
Insurance amount	The UCP specify the percentage of insurance cover required on insurance documents presented under documentary credits (at least 110% of the CIF or CIP value of the goods).
Insurance document	Any type of confirmation of insurance cover in which the rights and obligations of the insured party and the insurer are laid down.
Intended	Indication which may appear on marine/ocean bills of lading, non-negotiable sea waybills and multimodal transport documents.
Invoice	A written and signed list of goods and/or services with associated quantities, prices and expenses. It contains the terms of the sale and is prepared by the seller to show the total amount owed by the buyer.
Irrevocable	Documentary credits may not be amended or cancelled without the agreement of the parties involved.
Issuance date of the documents	Unless prohibited by the documentary credit, documents bearing a date of issuance prior to that of the documentary credit are acceptable.
Latest date for presentation	Deadline for presenting documents under a documentary credit. If no deadline is stated in the documentary credit, the set of documents must be presented within 21 days after the shipment date. Documents must, however, be presented within the validity date of the documentary credit.
L/C	Letter of credit
LOI	Letter of Indemnity (LOI) (Usually as an indemnity for missing bill of lading)
Multimodal Transport Document	Multimodal transport document/combined (transport) bill of lading covering at least two different modes of transport used.

Term	Explanation (N – P)
Negotiable instruments	The following documents are typical negotiable instruments: bills of lading, warehouse receipts (if marked negotiable), bills of exchange, etc. which may be transferred to another party by endorsement.
Negotiable Bill of Lading	Bill of lading transferable by endorsement.
Negotiation	In banking, negotiation means the sale and purchase of bills of exchange and/or documents. In documentary operations negotiation means advancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank.
Non-negotiable instrument	Not a title document. Ownership of the document alone does not entitle the holder to receive the goods named therein.
Notify party	Name and address of a party in the transport document, usually the buyer of the goods (applicant in the documentary credit) or a forwarding agent taking care of the goods at place of arrival.
On board	Pre-printed wording on the bill of lading which indicates that the goods have been loaded on board or shipped on a named ship. in the case of received for shipment bills of lading.
On deck	Notation on the bill of lading which indicates that the goods have been loaded on the deck of the ship.
Original documents	Shall be considered in the frame of a documentary credit as original, of a document bearing an apparently original signature, mark, stamp, or label the issuer of the document.
On their face	Banks must examine documents with reasonable care to ascertain whether or not they appear, on their face, to be in compliance with the terms or conditions of the documentary credit.
Partial drawings/ shipments	Permitted unless expressly prohibited by the documentary credit.
Purchase contract	Documentary credits are, by their nature, separate transactions from the purchase or other contracts on which they may be based. Banks will not be concerned with such contracts, even if they are referred in the documentary credit.
Term	Explanation (R – V)
Railway bill	Freight document that indicates goods have been received for shipment by Rail.
Recourse	In documentary transactions the negotiating bank reserves the right of recourse to the presenter of the documents if the issuing bank does not reimburse it, provided that the negotiating bank has not confirmed the credit.
Red clause Letter of Credit	Clauses in letters of credit which allow advances to the beneficiary prior to the shipment of goods. The wording of the clauses stipulates the conditions of such advances.
Reimbursing bank	The bank named in the documentary credit from which the paying, accepting or negotiating bank may request cover after receipt of the documents in compliance with the documentary credit.
Revolving Documentary Credit	With a revolving documentary credit the issuing bank undertakes to reinstate the credit after each drawing or time period (e.g. monthly). The number of utilisations and the period of time within which these must take place are specified in the documentary credit.
Standby letter of credit	An undertaking issued by a bank at the request of an obligor to a beneficiary that the bank will make payment if the obligor does not fulfil certain defined obligations in accordance with the contract with the beneficiary. Mainly used in the U.S. where bank guarantees are not allowed.
Third party documents	In documentary credit operations, documents showing other parties than the ones mentioned in the documentary credit are referred to as "third party documents".
Through Bills of Lading	Bills of lading where transshipment takes place en route but which cover the entire carriage of the goods from the port of loading to the final destination.
Tolerances	The UCP stipulate the tolerances allowed with regard to amounts, quantities and prices in documentary transactions.
Transferable	Documentary credit where the beneficiary is allowed to transfer its rights under the documentary credit, wholly or in part, to one or more second beneficiaries (subcontractors).
UCP 600	The International Rules for Documentary Credits: Uniform Customs and Practice for Documentary Credits, ICC Publication No. 600.
Unconfirmed (documentary credit)	The issuing bank does not require confirmation of the documentary credit by the advising bank.
Validity/expiry (of a Documentary Credit)	The expiry date represents the last day on which the beneficiary may present documents under the documentary credit to the nominated bank.

BANCA COMERCIALĂ ROMÂNĂ S.A.

Calea Victoriei nr. 15, sector 3, București - 030023

www.bcr.ro

