

More on Bills of Exchange

1. Watch a video on B/E (Bill of Exchange, or Bill of Collection) and decide whether the following are true or false

1. The Bill of Exchange is an unprecedented method of payment from the modern age.
2. The B/E is used as a risk management tool, proof of a debt and proof of a delivery.
3. If it's a time draft, it can also be a kind of financing tool, since you pay at a future date.
4. In a foreign trade transaction, the drawer of the bill may be the exporter and the drawee may be the importer.
5. Drawee and payee may or may not coincide.
6. When the drawee signs the B/E, they accept their obligation to pay.
7. If the drawer does not pay under the agreed conditions, the drawee may take legal actions.
8. The B/E can be understood as an unconditional payment order drawn by the drawer on the drawee.
9. "Drawer and drawee" are synonyms for "seller and buyer".

2. Read the following letter and answer

Panton Manufacturing Ltd.

Panton Works, Hounslow, Middlesex, TW6 2BQ

Tel: 081 353 0125

Telex: 21511

Fax: 081 353 6783

Registered No. England 266135

Mrs B. Haas,
B. Haas B. V.,
Heldringstraat 180-2,
Postbus 5411,
Amsterdam 1007,
NETHERLANDS

2nd March 19—

Dear Mrs Haas,

Order No. 8842

Thank you for your order which has now been completed and is being sent to you today.

As agreed we have forwarded our bill, No. 1671 for £860.00 with the documents to your bank, Nederlandsbank, Heldringstraat, Amsterdam. The draft has been made out for payment 30 days after sight, and the documents will be handed to you on acceptance.

Yours sincerely,



D. Panton
Managing Director

Purpose of the letter:

Who writes it?

Who receives it?

Type of B/E:

Drawer:

Drawee:

Payer:

Payee:

When should the bill be paid?

How can Mrs Haas get the shipping documents?

3. Read the letter and say whether the following sentences are true or false.

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Panton Works, Hounslow, Middlesex, TW6 2BQ

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Fax: 081 353 6783

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Mrs B. Haas,
B. Haas B. V.,
Heldringstraat 180-2
Postbus 5411
Amsterdam 1007
NETHERLANDS

10th April 19—

Dear Mrs Haas,

B/E No. 1671

The above bill for £860.00 was returned to us from our bank this morning marked 'Refer to Drawer'.

The bill was due on the 5th April and appears to have been dishonoured. We are prepared to allow you a further three days before presenting it to the bank again, in which time we hope that the draft will have been met.

If the account is still not settled, we will have to make a formal protest, which we hope will not be necessary.

Yours sincerely,



D. Panton
Managing Director

- 1) In this letter, the customer advises the supplier that they couldn't pay the bill.
- 2) Panton Manufacturing is the drawer of the bill.
- 3) B. Haas will have another three days to pay the bill.
- 4) Panton Manufacturing will cancel the shipment if the account is not settled by then.

Uniform Customs and Practice for Documentary Credits

Read this extract.

What's the purpose of UCP?

What other rules you know share this purpose?

ICC, which was established in 1919, had as its primary objective facilitating the flow of international trade at a time when nationalism and protectionism posed serious threats to the world trading system. It was in that spirit that the Uniform Customs and Practice for Documentary Credits (commonly called "UCP") were first introduced - to alleviate the confusion caused by individual countries' promoting their own national rules on letter of credit practice. The objective, since attained, was to create a set of contractual rules that would establish uniformity in that practice, so that practitioners would not have to cope with a plethora of often conflicting national regulations. The universal acceptance of the UCP by practitioners in countries with widely divergent economic and judicial systems is a testament to the rules' success.

When work on the revision started, a number of global surveys indicated that, because of discrepancies, approximately 70% of documents presented under letters of credit were being rejected on first presentation. This obviously had, and continues to have, a negative effect on the letter of credit being seen as a means of payment and, if unchecked, could have serious implications for maintaining or increasing its market share as a recognized means of settlement in international trade.

Read and complete. Drag and drop:

Issuing bank	Confirming bank	Honour	
Advising bank	Confirmation	Nominated bank	Applicant
Beneficiary	Presentation	Complying presentation	

Article 2 Definitions - For the purpose of these rules:

.....means the bank that advises the credit at the request of the issuing bank.

.....means the party on whose request the credit is issued.

.....means the party in whose favour a credit is issued.

.....means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice.

..... means a definite undertaking of the confirming bank, in addition to that of the issuing bank, to honour or negotiate a complying presentation.

.....means the bank that adds its confirmation to a credit upon the issuing bank's authorization or request.

.....means:
to pay at sight if the credit is available by sight payment.

to incur a deferred payment undertaking and pay at maturity if the credit is available by deferred payment.

to accept a bill of exchange ("draft") drawn by the beneficiary and pay at maturity if the credit is available by acceptance.

.....means the bank that issues a credit at the request of an applicant or on its own behalf.

.....means the bank with which the credit is available or any bank in the case of a credit available with any bank.

.....means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

ACTIVITY 1

Watch and tick as many options as necessary

Letters of credit

allow the seller to ship the goods only when they are certain the bank will pay them

allow the seller to ship after receiving payment

are typically used when customer and seller do not know each other

are very common in international trade

are only used in international trade

help avoid misunderstandings caused by different languages, great distances or different laws

will be corrected by the bank if they contain spelling mistakes

will be rejected by the bank if they contain mistakes in regards to names or dates

are beneficial for the seller because they provide protection from nonpayment

are beneficial for buyers because they can be sure they will receive the goods stated in the L/C

are beneficial for both parties