

## DRAFT GLOSSARY

**ACCEPTANCE:** This offers when a buyer has accepted payment of a draft. The act of acceptance is done by his signature on the draft itself.

**AFTER ACCEPTANCE:** A specified period of time (30, 60, 90 days, etc.), when a draft is due for payment after the date of acceptance. It can be stated, “payment 45 days after acceptance,” etc.

**AFTER DATE (A/D):** Time of payment begins from the date of the draft bearing this condition, the fixed date of maturity (when payment is due) does not depend upon the date of acceptance of the draft.

**ADVISE OF FATE:** Notification of the states of a collection, which is still outstanding.

**AT SIGHT:** A draft to be paid by the buyer upon presentation by the foreign bank. There is usually a delay from presentation to payment, and the delay, if any, will be indicated in the L/C.

**BANK’S ACCEPTANCE:** A time draft that has been accepted by the bank. Once acceptance takes place, it becomes an unqualified promise by the buyer to pay.

**CERTIFICATE OF DISHONOR:** A testimony to the effect that a debt has not been paid.

**CLEAN COLLECTION:** A collection in which a draft or other demand for payment is presented without additional attached documentation.

**CLEAN DRAFT:** A draft without shipping documents attached. Documents have been mailed directly to the buyer by seller. This type of draft is used when there is an implicit trust from seller that buyer will pay.

**COLLECTION:** Means that handling by banks, on instructions received, of commercial documents, in order to obtain payment and/or acceptance of a draft.

**COLLECTING BANK:** A bank in the vicinity of the buyer that acts as an agent for the remitting bank. The collecting bank demands payment from the buyer and handles the funds received as instructed. Generally, the funds are sent back to the remitting bank.

**COLLECTION CHARGES:** A fee that is assessed by banks for collecting funds on a draft.

**COLLECTION ORDERS:** Instructions to the collecting bank.

**COMMERCIAL DOCUMENTS:** Commercial invoices, shipping documents.

**CORRESPONDENT:** Refers to a bank in a country that acts on behalf of another bank on matters of draft collections, letters of credit, etc.

**DEMAND DRAFT:** A draft that is payable on demand, like a draft.

**DIRECT COLLECTION:** A service offered on certain cases to sellers with high volumes of collection activity in order to expedite processing and thus accelerate payment. The remitting bank provides the collection forms which the seller, rather than the bank, prepares and mails with any accompanying documentation to the overseas collecting bank. Copies of the collection form are sent to the remitting bank for control and for follow-up if payment is not received.

**DOCUMENTARY COLLECTION:** (Documentary Draft) A collection, which is accompanied by commercial documents.

**DOCUMENTARY DRAFT:** A draft that is accompanied by all the shipping documents.

**DOCUMENTS AGAINST ACCEPTANCE:** When shipping documents are delivered to the buyer by the collecting bank after the buyer has accepted the draft for payment at a certain maturity date.

**DOCUMENTS AGAINST PAYMENT:** When documents are delivered to the buyer upon payment of a draft.

**DRAFT:** A written unconditional order requiring one person (seller) to another (buyer) to pay on demand, or at a fixed date, a certain sum of money to the order of a specified person.

**DRAFT ACCEPTANCE:** When buyer agrees to pay the amount of a draft upon maturity. Acceptance takes place by means of the buyer's signature on the face of the draft.

**DRAFT A SIGHT:** A draft to be paid by the buyer immediately upon presentation by a collecting bank.

**DRAFT COLLECTION:** When a draft is sent to a bank for collection.

**DRAFT ENDORSEMENT:** The act of signing a draft on the bank (by seller or his agent) making the draft **NEGOTIABLE**.

**DRAFT INSTRUCTIONS:** Instructions by the seller to the bank regarding collection and remittance of a draft.

**DRAWEE:** The person owing the money (the buyer).

**DRAWER:** The person to whom the money is owed (the seller).

**FIRST OF EXCHANGE:** The original of the draft.

**HARD CURRENCY:** A currency issued by a country, which is economically strong and solvent. A currency, which can be easily converted into any other currency (i.e., Swiss Franc, EURO, Japanese Yen, U.S. Dollar).

**IMMEDIATE CREDIT:** When the seller wishes to have the amount of the draft credited immediately to his previously established line of credit with that bank. This is only done by previous arrangements in respect to interest rates and other charges and is contingent upon payment by the buyers.

**ON CONSIGNMENT:** When goods are shipped for a demonstration, exhibit, testing, or for a potential sale. Payment to seller is only affected when the sales takes place.

**OPEN ACCOUNT:** A term of payment in which no banks are involved, only an agreement between seller and buyer that payment will be made within an agreed period of time. Banks become involved through wire transfers, but no negotiations.

**PAYEE:** The party receiving payment.

**PAYOR:** The party making payment.

**PRESENTATION:** A presentation by the collecting bank to the drawee.

**PRESENTING BANK:** The presenting bank is the collecting bank.

**PROTEST:** In many countries, it is a dishonored (not paid) draft, and has no standing in court unless a formally notarized statement of facts, known as a protest, is attached. A formal certificate, attested by a notary public confirming that fact that a draft was not paid and it become due. This step constitutes the basis for a formal and legal suit for non-payment.

**REMITTING BANK:** The bank to which the principal (seller) has entrusted the operation of collection.

**SECOND OF EXCHANGE:** The second copy of draft.

**SOFT CURRENCY:** The opposite of Hard Currency (i.e., Argentine Peso, Brazilian Real, etc.).

**TENOR:** Type of draft, either a sight or a time draft.

**TRADE ACCEPTANCE:** A draft drawn by the seller on the buyer and accepted by the buyer for payment at a specified future date.