

Glossary of Terms – International Trade Terms Business Terminology

Dear Customer,

We provide you a comprehensive clarification of shortcuts to assist you in the understanding as well as to not waste time for employees in our company to clarify these terms.

ASWP - Any Safe World Port

LOI – Letter of Intent

Letter of Intent is a document issued from the Buyer to the Seller which indicates that the Buyer would like to enter into negotiations with the Seller in the hope of purchasing commodity. The Letter of Intent is not legally binding, but it does provide a starting point for negotiations.

ICPO – Irrevocable Corporate Purchase Order

This is a document drawn up by commercial Buyers, and contains the quantities and type of commodity required, and other conditions that the buyer would like the sale to proceed under. Once submitted to the Seller, this is deemed to be binding and the corporation is obliged to complete the sale.

SCO – Soft Corporate Offer

FCO – Full Corporate Offer

Issued by the Seller after the preliminary stages of negotiation are complete, such as a Letter of Intent having been issued by the buyer, and a soft probe having been conducted on their accounts by the Seller. A full corporate offer is a document which outlines the conditions of the sale.

Draft Contract

A draft contract is a initial contract which is drawn up and sent from the Seller to the Buyer. The Buyer has the opportunity to make amendments and send it back to the Seller for consideration. This process continues until both parties are satisfied with the terms of the contract.

BCL – Bank Comfort Letter

Also known as a Bank Capability Letter, or Bank Confirmation Letter, this is a letter from the Buyer's bank confirming his ability to meet a certain level payment requirements. This letter states that the Buyer has sufficient funds to cover the cost of the order. It should however be understood that this does not imply any guarantee of payment.

RWA – Ready Willing Able

This is a document which is issued by the Buyer's bank. The bank confirms that their client has the sufficient funds in their possession and is ready, willing and able to engage in the contract.

SOFT PROBE

This is an authorization from the buyer to the seller to contact the buyer's bank to verify the buyer has the financial capability to purchase the product and this authorization from the Bank of the Buyer to make sure the purchasing power only and does not substitute for the other documents.

SBLC – Standby Letter of Credit

A statement issued by a bank to the buyer of a good stating that the seller will receive payment on time and in the correct amount. If the buyer fails to make payment, the bank will do so on his/her behalf. The buyer presents a Letter of Credit to the seller, which virtually eliminates the risk that the seller will not be paid. Letters of Credit have become very common in International commerce, as distance and other factors make it difficult for sellers to establish the creditworthiness of every buyer.

ARDLC – Automatic Revolving Documentary Letter of Credit

L/C or LOC – Letter of Credit

A Letter of Credit is a document issued from the Buyer's bank to the Seller which guarantees payment to the beneficiary of the letter of credit (the seller) as long as the terms and conditions set out in the Letter of Credit are met. L/C are almost always irrevocable, can be transferable. For regular shipments a Revolving L/C is often utilized.

USANCE LETTER OF CREDIT (Usance L/C)

A Letter of Credit payable at a determined future date after presentation of conforming documents.

SWIFT – Society for Worldwide Interbank Financial Telecommunication.

A global service which is responsible for facilitating communication between banks. Most payments are made via SWIFT.

CL/C – Confirmed Letter of Credit

A Letter of Credit, issued by a foreign bank, with validity confirmed by a First Class (usually US or European Bank). A seller with CL/C terms is assured of payment even if the foreign buyer or the foreign bank defaults.

RL/C – Revolving Letter of Credit

Is a financial guarantee or performance bond issued by a bank on behalf of a buyer, i.e. A written obligation of the issuing bank to pay a sum to a beneficiary on behalf of their customer in the event that the customer himself does not pay the beneficiary. The RL/C is regulated by the ICC600 rules.

PB – Performance Bond

This is a type of bank guarantee which is issued from the Seller to the Buyer. It guarantees that the Seller will meet the terms of the contract. Normally issued in the amount of 2% of the total amount of the contract, a performance bond can be drawn upon by the Buyer in the event that the Seller breaks the contract and fails to provide the product which was stipulated in the contract.

POP – Proof of Product

Is often requested by customers or agents who believe it will give them some guarantee of the existence of the product and ability of the supplier to deliver the product. In practice many POP's are false. POP offers no proof at all, because once a POP has been drafted it is automatically out of date. The product could have been sold to another buyer and therefore no longer exists. Nevertheless, a POP is still occasionally requested as apparent proof that the seller has the product. A POP is realistically provided only when the Buyer's bank issues a Bank Confirmation Letter (BCL) to the Seller and/or Seller's Bank via SWIFT. Then the Seller's Bank can check the availability of funds in the Buyer's bank and issue a POP to the Buyer's bank within an agreed time period (e.g. 5 days). A Seller will not issue a POP to a buyer without a non-operative letter of credit openend. See our procedures. The (PB) of 2% will render the DCL operative. The bank will then send the POP five days later.

PBG – Prime Bank Guarantee

PBG – Performance Bond Guarantee

BOL or B/L – Bill of Lading

This is the receipt given by the shipping company when goods are loaded on board the vessel. This is a important document and gives title to the goods. It is needed by the buyer to obtain the goods from the port.

CFR – Cost and Freight

The price includes the cost of the goods, loading, and freight to the named Destination Port. This does not include unloading charges.

CIF – Cost, Insurance and Freight.

This is the same as CNF, but also includes insurance to the named Destination Port.

DDP – Delivered Duty Paid.

To the named Destination (which can be customer's works) e.g. DDP Nwe York. All delivery charges and duties to the named destination are paid by the exporter

TLC – Transferable letter of credit

This is the favorite instrument of the traders and middlemen to offer secure terms of payments to third parties such as their suppliers (second beneficiary in the letter of credit). When the buyer pays the letter of credit, part of the proceeds is transferred to trader.

DL/C – Documentary Letter of Credit.

A document issued by a bank which guarantees the payment of a buyer's draft for a specified period and up to a specified amount. The Documentary Letter of Credit provides a more secure means of carrying out transactions in import-export trade than by documentary bills collection (see Bill of Exchange). A letter of credit when transmitted through a bank, usually in the seller's country, becomes the means by which the seller obtains payment. The necessary documents, correctly completed, are presented to a bank by an agreed date. If the terms of the credit are met, a seller can receive payment from a bank immediately.

L/C – Irrevocable Letter of Credit

An Irrevocable Letter of Credit cannot be amended or cancelled without the consent of the issuing bank, the confirming bank (if confirmed) bears the further payment undertaking of another bank, usually the advising bank, called the Corfirming Bank here since it adds its confirmation to the letter of credit. This may also be used if the issuing bank is of unknown doubtful standing to the seller and the beneficiary. The payment is guaranteed by the bank if the credit terms and conditions are fully met by the beneficiary. The words Irrevocable Documentary Credit or Irrevocable Credit may be indidated in the L/C. It means that once the buyer's conditions in the letter have been agreed to by the seller, they constitute a definite undertaking by the buyer's bank and cannot be revoked without the seller's agreement.

REVOCABLE LETTERS OF CREDIT.

Are rarely used as the terms of the credit can be cancelled or amended by an overseas buyer at any time without notice to the seller.

SGS INSPECTION

Is the world's leading inspection, verification, testing and certification company. SGS is recognized as the

global benchmark for quality and integrity. The core services offered by SGS can be divided into three categories:

Certification Services. SGS certifies that products, systems or services meet the requirements of standards set by governments (e.g. GOST R), standardization bodies (e.g. ISO 9000) or by SGS also develops and certifies its own standards.

Inspection Services. SGS inspects and verifies the quantity, weight and quality of traded goods. Inspection typically takes place at the manufacturer supplier's premises or at time of loading or at destination during discharge off-loading.

Testing Services. SGS tests products quality and performance against various health, safety and regulatory standarts. SGS operates state of the art laboratories on or close to customer's premises.