



# INTERNATIONAL TRADING (IMPORT & EXPORT)

## Glossary

*Please note that these definitions are for guidance purposes only. This Glossary is also not intended to be comprehensive, and comprises mainly terms that relate to the sphere of operation of Subcontracts International's business.*

*No responsibility whether direct or indirect can be accepted in the event of incomplete, erroneous or misleading definitions provided here. Exporters and Importers are recommended to take legal advice when dealing with commercial documentation.*

- ASWP

Any Safe World Port

This is not an official incoterm, but is often used in sellers' quotes as, e.g. "CIF ASWP", and is widely accepted. CIF ASWP in a quote implies that CIF shipment would cost the same for delivery to any safe port in the world, whatever the distance from source.

- ATB

Authority To Board

Used for oil shipments - issued by the seller, it provides the authority to enable the buyer to board the vessel to confirm cargo availability, quantity and quality.

- ATL

Authority To Load

Authority to load buyer's vessel

- AWB

Air Way Bill

The air freight equivalent of a BOL.

- BCL

Bank Comfort Letter

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

- BG

Bank Guarantee

- BOL / BL

Bill of Lading

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

- BPU

Bank Payment Undertaking

- 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. e.g. CFR Rotterdam.

- C&F, CNF

Same as CFR. These are old terms and should not be used. The correct term to use is CFR (see INCOTERMS).

- CIF

Cost, Insurance and Freight

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

- COO, CO or C/O

Certificate of Origin



# INTERNATIONAL TRADING (IMPORT & EXPORT)

A documentary statement signed by the exporter and attested to by a local Chamber of Commerce/Consulate, attesting the country of origin (normally the exporter's) of the goods being shipped. Some countries have different types of CO (e.g. Singapore has 'Ordinary' and 'Preferential')

- CPA

Charter Performance Agreement

- DLC

Documentary Letter of Credit (see L/C)

- DDP

Delivered Duty Paid

Delivered, all duty paid, to the named Destination (which can be customer's works) e.g. DDP Madrid. All delivery charges and duties to the named destination are paid by the exporter.

- E&OE

Errors and Omissions Excepted

This is often found on invoices and quotations, and denotes that the author does not take responsibility if there are errors or missing text. Documents should therefore be thoroughly checked.

- EXW

Ex-Works

The buyer pays all costs of transport from pickup at the suppliers premises. e.g. EXW Delhi.

- FAS

Free Alongside Ship

The supplier pays costs only to the port of loading. Loading and shipment are then the responsibility of the buyer. However the supplier must clear the goods for export. e.g. FAS Port Klang.

- FOB

Free on Board

This means that the supplier pays only to the point where the goods are loaded on board the carrying vessel. The seller must clear the goods for export. As soon as the goods are over the ship's rail they become the responsibility of the buyer. e.g. FOB Cape Town.

- FCA

Free Carrier

The supplier must deliver the goods, cleared for export, to the carrier nominated by the buyer at the named place.

- FCL

Full Container Load

The goods fill a container, no other purchaser's goods will share the container. Often suppliers will not supply less than one full container. LCL would denote less than one container load.

(Also short for FCLtrading.com, a leading commodity trading company)

- FCO

Full Corporate Offer

A FCO usually starts with a clause similar to the following: <="" i="">

- ICPO

Irrevocable Corporate Purchase Order

However this acronym can also mean Irrevocable Commission Payment Order (the meaning Irrevocable Confirmed Payment Order has also been quoted).

- INCOTERMS

"International Commercial Terms"

A set of import/export related shipping terms devised and published by the International Chamber of Commerce (ICC). These terms (Incoterms 2000) are internationally accepted and should always be used in order to avoid misunderstandings between trading partners. All terms in this glossary are Incoterms.



# INTERNATIONAL TRADING (IMPORT & EXPORT)

- L/C

## Letter of Credit

A Letter of Credit is a document issued by a bank which guarantees the payment of a buyer's drafts for a specified period of time and up to a specified amount, under specified conditions. Effectively it is a method of payment where the buyer's bank guarantees payment to the supplier. L/C are almost always irrevocable, can (if required) be transferable, and subject to terms (e.g. on SIGHT, 30 days, 60 days, etc.). For regular shipments a Revolving L/C is often utilised. The various types can be defined as follows :

**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.

**DL/C or DLC (Documentary Letter of Credit)** A document issued by a bank which guarantees the payment of a buyer's drafts 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.

**IL/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), 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 indicated 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.

**RL/C (Revolving Letter of Credit)** When a letter of credit (L/C) is specifically designated a *Revolving Letter of Credit*, the amount involved when utilized is automatically reinstated, that is, the amount becomes available again without issuing another L/C and usually under the same terms and conditions within a period of time (usually several months to one year). This saves administration when multiple shipments are involved.

**SL/C or SBLC (Stand-by 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 SL/C is regulated by the ICC-500 rules.

## **RDLC Revolving Documentary Letter of Credit**

- LCL

## Less than a Container Load

LCL denotes less than one container load. The goods do not fill the complete space of a container. Often containers are consolidated, i.e. they are filled with goods from different suppliers for different buyers in order to make efficient use of space.

- LOI

## Letter of Intent

A document by which the buyer states that he intends to enter into a transaction.

- PB

## Performance Bond

- POF

## Proof of Funds



# INTERNATIONAL TRADING (IMPORT & EXPORT)

A note from a buyer's bank to the seller/seller's bank that money is available to complete the proposed transaction.

- POP

Proof of Product

A Proof of Product ('POP') 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. In practice many POPs are produced which are false. In practice it 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 a seller/broker has the product, which is possibly not the case.

A POP for large quantities is often not genuine as it is unlikely that a manufacturer has stockpiled possibly millions of tonnes of a product. Large quantities of a products are made to order to match the terms of a specific contract, in this case a proof of allocation would be more relevant. A POP without a contract reference is also worthless, a POP with a contract reference can and will only be issued once a financial instrument has been put in place, so is therefore superfluous.

A POP is realistically provided only when the buyer's bank issue a Bank Confirmation Letter (BCL) to the 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). In reality, the best and only real proof of product is when the seller can demonstrate the products in his possession at the dock side.

- RDLC

Revolving Documentary Letter of Credit (see L/C)

- RWA

A banking term meaning Readiness, Willingness and Availability of funds for a particular transaction.

- SGS

This is an international company (SGS Group) who are the definitive quality/specification testing agency for many commodities. Their certificates are internationally accepted.

- SPA

Sale and Purchase Agreement

- TTM

Table Top Meeting

Sometimes required for large transactions - where the parties physically meet at a prescribed location, usually involving the exchange of documents.

- TTT

Tanker to Tanker Transfer

(relates to a method of consignment for Crude Oil)

- TTO

Tanker Take Over

(relates to method of consignment for Crude Oil)