

WinTrade



Glossary of Terms **New Zealand**

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Glossary of Terms

Account party	This term applies to Letters of Credit only. The buyer/importer or subsidiary company.
Acceptance	<p>This term applies to both Letters of Credit and Documentary Collections.</p> <p>Letters of Credit: When documents are deemed to be compliant or discrepancies are accepted; and subsequently, the buyer/importer agrees to make a payment at a future date.</p> <p>Documentary Collections: When documents are presented by the seller/exporter and accepted by the buyer/importer and the buyer/importer agrees to make a payment at a future date.</p>
Acceptance Fees	When Letter of Credit is paid at a future date through Acceptance, these fees are charged by the bank for taking on the obligation to pay the seller/exporter whether the buyer/importer pays or not. A bill of exchange/draft is usually presented in Acceptance.
Advising bank	The bank that will advise the Letter of Credit to the beneficiary at the request of the Issuing Bank.
Applicant	The party, usually the buyer/importer, on whose request a Letter of Credit is issued.
Assignment of proceeds	A nominated value of proceeds of a Letter of Credit irrevocably assigned to another party at the request of the Beneficiary. Transfer of funds only occurs upon receipt of payment from the Issuing Bank (used in conjunction with Export Letters of Credit only).
Available with	<p>This term applies to Letters of Credit only.</p> <p>This should only be amended at beneficiary's direct request. It refers to the bank, other than the issuing bank, to which the seller/exporter presents documents.</p>
Avalisation	Request by the Drawer (seller/exporter) of a documentary collection to drawee's bank to provide a guarantee of payment upon acceptance by drawee (buyer/importer).
Bank reference	The reference number allocated by us. This number will be automatically generated.
Banker's Acceptance (BA)	This means when the issuing bank has accepted a drawing under a Letter of Credit and there is a due date for payment.
Beneficiary	The party, usually the seller/exporter, in whose favour Letter of Credit is issued.
Beneficiary bank	This term applies to Letters of Credit only. The Beneficiary's bank.
Bill of exchange	An unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer.
Bill of lading	A bill of lading is a receipt issued by a shipping company, or its authorised agents, for goods shipped on board a named vessel, or for goods received for shipment.

Collection instructions	Applicable to Documentary Collections only. Instructions on how the collection is to be handled. Includes payment instructions.
Commodity	A short description of the goods.
Confirmation	This term applies to Letters of Credit only. Confirmation means that a bank, usually the beneficiary's bank, will guarantee payment in the event the issuing bank does not pay or the country of the issuing bank imposes restrictions that make it impossible for the issuing bank to make payments.
Confirmation Fees	This term applies to Letters of Credit only. Fees to be paid to the confirming bank for adding their confirmation to the Letter of Credit (see Confirmation). Fees may be for the account of either the applicant or the beneficiary. Extreme caution is to be taken by applicant when accepting these fees as they may be high in some circumstances.
Customer reference	Your transaction reference number.
Deal reference	Deal reference number for the contract or spot rate.
Debit charges from	The account the charges are to be debited from.
Deferred Fees	When a Letter of Credit is paid at a future date through Deferred Payment, these fees are charged by the bank for taking on the obligation to pay the seller/exporter whether the buyer/importer pays or not.
Discount Fees	If beneficiary wants to obtain funds prior to the maturity date, then the bank can provide a credit facility to the beneficiary on the back of the Letter of Credit. This is called discounting of Letter of Credit. The beneficiary obtains funds upfront and can avail this service with the payment of discount fees.
Discrepancies	This term applies to Letters of Credit only. Any variances between the documents required and those received and/or variances that can be easily determined e.g. late presentation, LC expiry etc.
Dispatch from	This term applies to Letters of Credit only. The place of taking in charge if different from the Dispatch/shipment/taking in charge from.
Dispatch/shipment/ taking in charge from	This term applies to Letters of Credit only. The city and country the goods are shipped from.
Dispatch/shipment/ taking in charge to	This term applies to Letters of Credit only. The city and country the goods are shipped to.
Document presentation period (days)	This term applies to Letters of Credit only. Maximum time period allowed for beneficiary to present their documents to their bankers. If not stated within the Letter of Credit, 21 days after shipment date but within the validity of the credit. Irrespective of any nominated presentation period, presentation must occur on or prior to the expiry date of the Letter of Credit. This does not refer to payment terms or period.
Documentary Collection	This refers to a process, whereby a seller/exporter instructs their bank to forward documents, related to an underlying transaction to a buyer's/importer's bank with a request to present these documents to the buyer/importer,

	indicating when and on what conditions these documents can be released to the buyer/importer.
Draft	See Bill of Exchange.
Drawer	The party, usually the seller/exporter, who will issue the draft and/or submit documents under a Documentary Collection.
Drawee	The party, usually the buyer/importer, to whom presentation is to be made in accordance with collection instructions.
Establish on	This term applies to Trade Finance. Used when requesting a finance with a start date in the future.
Expiry Date	Latest date documents can be presented at the place of Expiry. This is not the date of payment.
Final destination	This term applies to Letters of Credit only. The final destination of goods if different from the Dispatch/shipment/taking in charge of field.
Incoterm	Incoterms are a set of rules that define the responsibilities of sellers/exporters and buyers/importers for the delivery of goods under sales contracts for domestic and international trade. They are published by the International Chamber of Commerce (ICC) and are widely used in international commercial transactions.
Incoterm place	Either a named place or named port as determined by the shipping incoterm.
Interest basis	This term applies to the financing of Trade transactions only. Interest basis is Yield (i.e. interest charged at maturity).
Issuing bank	The bank that issues the Letter of Credit at the request of the applicant.
Latest shipment date	The latest date for shipment of the goods. This date should not be earlier than the Issue Date or later than the expiry date of the respective Letter of Credit.
Letter of credit	An irrevocable undertaking issued by a bank authorising the payment of money to a named party, the beneficiary, against delivery by the beneficiary of specified documents evidencing the shipment of described goods. This sets out the strict terms and conditions that must be fulfilled.
Mixed payment	This allows more flexibility as part of payment can be done on sight and remaining part on term or there could multiple term payments but with different tenors. It provides more security to exporters as they can usually request advance payment for a portion of the LC amount and the remaining amount can be provided once the goods/service has been delivered/performed.
Negotiation	This term applies to both Letters of Credit and Documentary Collections. Negotiation means advancing or agreeing to advance funds to the beneficiary before they are due.
Partial shipments	Goods nominated under Letter of Credit are shipped in multiple conveyances even in the same mode of transport.
Place of expiry	The place where a Letter of Credit transaction expires.

Pre-pay	Trade Finance loans are established for a fixed amount and a fixed period. Any request to pay these loans prior to their maturity date is considered a prepayment.
Protest instructions	This term applies to Documentary Collections only. Drawer's instructions for the presenting bank (usually drawee's bank) for non-acceptance and/or non-payment of a Documentary Collection. Protest is a legal document, notifying other parties that the drawee has dishonoured its debts.
Related currency	The currency of the loan you are applying for if the loan application is related to a transaction.
Remitting bank	The bank to which the seller/exporter has entrusted the handling of a documentary collection.
Shipping Incoterm	Determines who pays for freight and/or insurance of the goods, e.g. FOB (Free on Board).
Sight Payment	This term applies to both Letters of Credit and Documentary Collections. A sight transaction provides for the seller/exporter to receive payment when correct documentation is lodged with the overseas bank.
Term payment	This term applies to both Letters of Credit and Documentary Collections. A term transaction is established when arrangements have been made for credit to be provided by seller/exporter allowing the buyer/importer time to pay.
Tolerance	The percentage or amount variance of the total Letter of Credit value allowed. Value available under this Letter of Credit may be adjusted by a fixed percentage or value subject to arrangements with your seller/exporter. Care - the amount recorded against your facility will be the maximum available amount permitted under the Letter of Credit. E.g. If the facility amount is \$1,000,000 and if \$1,100,000 LC transaction is submitted (original transaction with 10% tolerance), this will not be accepted as facility amount will be exceeded.
Tolerance amount	The amount variance of the total Letter of Credit value allowed.
Tolerance percentage	The percentage variance of the total Letter of Credit value allowed.
Trade Finance	A fixed rate, fixed term loan. Offered under a credit facility and made available to customers where there is an underlying genuine trade transaction related to their core business.
Transferable Letter of Credit	An irrevocable credit which states that it is also 'transferable' gives the beneficiary the right to request for the credit to be made available in whole or in part to one or more other parties (second beneficiaries).
Transshipment	This term applies to Letters of Credit only. Transshipment means unloading of goods from one means of conveyance and reloading to another means of conveyance (could be the same or different modes of transport) during the carriage from the place of dispatch, taking in charge or shipment to the place of final destination as stated in the credit.

Please contact Trade Service if you need help with any trade terminology.