

NEGOTIATION OF DOCUMENTARY COLLECTION

A Documentary Collection would normally comprise a set of commercial documents relating to the goods being exported, which are sent to the Importer's bank along with a Collection Schedule and usually a bill of exchange. A set of documents containing a Bill of Lading would normally allow the holder to take possession of the goods. Documentary Collection Process:

1. Importer and Exporter negotiate the sale and discuss the contract
2. Exporter sends goods to Importer
3. Exporter sends Collection Schedule and Documents to their bank, the Remitting Bank
4. Collection Schedule and Documents sent from Remitting Bank to the Importers Bank, the Presenting/Collecting Bank
5. Documents are presented to Importer by Presenting/Collecting Bank for payment if a 'Sight Bill' or acceptance if a 'Term Bill'
6. Importer pays Bill if 'at sight', or accepts the Bill if 'term'
7. Money sent to Remitting bank if 'at sight', notice of acceptance sent if 'term'
8. Remitting Bank sends money to Exporter or holds acceptance Bill for presentation at maturity.

The Presenting/Collecting Bank may arrange 'Protest' (or other Legal process) of the Bill of Exchange if the Exporter stipulated this on the schedule. If acceptance is refused when the documents are to be released on acceptance if the Importer refuses acceptance, see above. If accepted and not paid on the due date the Bill of Exchange may have been accepted, but then payment is refused on the due date. However the documents will have been released to the Importer upon acceptance. The Presenting/Collecting Bank will then advise the Remitting Bank and ask for further instructions.

Avalisation: In order to avoid the above, the Exporter may wish to consider asking that documents be released against the Importer's acceptance of the bill of exchange and a guarantee of payment from the Presenting/Collecting Bank. This is called Avalisation. We recommend that if payment is refused, the two parties try to resolve the matter between them, whether the concerns are contractual or relating to the goods themselves. We would strongly recommend that anyone who is dealing with documentary collections refers to the Uniform Rules for Collections (URC).