

GLOSSARY OF TRADE AND PAYMENT TERMS

ACCEPTANCE: Under a Letter of Credit, an acceptance drawn on and accepted by a bank that thereby becomes primarily liable to pay on the maturity date.

ACCOUNTS PAYABLE: A current liability representing the amount owed by an individual or a business to a creditor for merchandise or services purchased on open account or short-term credit.

ACCOUNTS RECEIVABLE: Money owed a business for merchandise or services bought on open account. Accounts receivable arise from the business practice of providing customer merchandise or a service with the expectation of receiving payment per specified terms. The terms are included on the seller's invoice to the buyer with no written evidence of debt executed between seller and buyer.

ADVANCE: A drawdown or disbursement of funds according to the terms of an existing loan agreement. Advances are common to revolving credit facilities. The term can also refer to a customer paying its accounts payable prior to the agreed-upon date.

ADVANCE RATE: The maximum percentage that the lender will lend against a type of collateral. The advance rate will vary by the type of collateral, terms, age, and perhaps the financial strength of the obligated party.

ADVISING BANK UNDER LETTERS OF CREDIT: The bank which receives a Letter of Credit or amendment to a Letter of Credit from the issuing bank [buyer's bank] and forwards it to the beneficiary [seller/exporter] of the credit.

AFFILIATES: Business entities that have common ownership, common management, or contractual relationships that give one control over the other.

AGENT BANK: bank acting for a foreign bank.

AGING [SCHEDULE]: A periodic report listing a borrower's accounts receivable or payable balances, by customer or supplier, detailing the current status or delinquency of the balances owed or owing. The report is usually used in determining the borrower's compliance with the borrowing base requirements in the loan agreement.

AGGREGATE LIMIT OF LIABILITY: The total amount of the insurer's liability under an insurance policy.

ASSET-BASED LENDING [ABL]: A specialized form of secured lending whereby a company uses its current assets [accounts receivable and inventory] as collateral for a loan. The loan is structured so that the amount of credit is limited in relation to the value of the collateral. The product is differentiated from other types of lending secured by accounts receivable and inventory by the Lender's use of controls over the borrower's cash receipts and disbursements and the quality of collateral.

ASSIGNEE: A financing institution or individual or company designated by an insured exporter to receive all or part of the policy proceeds. The assignment must be acknowledged by the insured. An assignee has no greater rights than the insured under a policy.

ASSIGNMENT OF PROCEEDS FROM A LETTER OF CREDIT: The beneficiary of a Letter of Credit may irrevocably assign, to a party not directly named in the Letter of Credit, a portion of the proceeds of the L/C. While the assignment assures the assignee that he/she receives a portion of the proceeds under the L/C, it does not guarantee payment unless the shipment is made and all terms and conditions of the original L/C have been satisfied by the beneficiary. An assignment is possible regardless of whether the letter of credit is transferable.

ASSIGNMENT: Transfer of interest and benefits of a financial instrument to a third party.

AT SIGHT: Terms that designate payment upon demand. Under a Letter of Credit or draft it means payment is to be made upon presentation of certain documents [Letter of Credit] or presentation of draft.

AVAILABILITY: The additional funds that the Lender will advance under the terms of the credit facility. The amount is often the difference between the loan commitment amount and the outstanding balance of the credit facility. In most cases, the terms of the credit agreement limit the amount available if the commitment amount is greater than the borrowing base.

AVAL: The guarantee of an individual or a financial institution on a financial instrument which in effect makes the guarantor the primary obligor in the eyes of all subsequent holders of the financial instrument.

BACK-TO-BACK LETTERS OF CREDIT: A beneficiary of a Letter of Credit opens up a new letter of credit on the basis of the letter of credit he/she has received.

BANKERS' ACCEPTANCE An acceptance drawn on and accepted by a bank that thereby becomes primarily liable to pay at the maturity date.

BANK RELEASE: A document issued by a bank, after it has been paid or given an acceptance, giving authority to a person to take delivery of the goods.

BENEFICIARY: The individual in whose favor a Letter of Credit is drawn. In a typical export transaction, the U.S. exporter/supplier is the beneficiary.

BILL OF EXCHANGE: An unqualified written order directing that a precise amount of money be paid to a specific person. The most common example of a bill of exchange is a draft.

BILL OF LADING DATE: A specific date a bill of lading is issued.

BILL OF LADING: A document issued by a transport company, which acknowledges the receipt of specified goods for transportation to a specific place. It also serves as the contract between the shipper [supplier/buyer] and carrier.

BLANKET ASSIGNMENT: An agreement giving the lender a security interest in all of assets owned by the borrower. As used by some lenders, the term is meant as a catch-all security interest covering every anticipated type of asset owned by the borrower. To perfect the lender's security interest in the borrower's personal property, the lender must file a financing statement describing the collateral in all of its locations. To perfect the Lender's security interest in all real or titled property, the Lender must specify the assets in the appropriate documents and must file the documents in the proper jurisdiction. If the assets are already encumbered and the borrower has limited equity in them, the Lender may not expend the resources to perfect its security interest in the borrower's real and titled property.

BORROWING BASE: A collateral base, agreed to by the Borrower and Lender, which is used to limit the amount of funds the Lender would advance the Borrower. The Borrowing base specifies the maximum amount that can be borrowed in terms of collateral type, eligibility and advance rates.

BROKER: An individual or firm who acts as agent for others in purchasing and selling. A broker may or may not charge for his/her services.

BUYER, NON-SOVEREIGN PUBLIC: A government-owned or controlled entity - such as a development bank, province or municipality -that does not carry the full faith and credit of its government and whose obligations are not guaranteed by a sovereign public agency.

BUYER, PRIVATE: A foreign buyer that is not a sovereign public buyer.

BUYER, SOVEREIGN PUBLIC: A ministry of finance, central bank or other government department, agency or office whose obligations are guaranteed by the ministry of finance, central bank, or are otherwise determined to carry the full faith and credit of its government.

CARGO AGENT: An agent appointed by an airline or shipping line to solicit and process international air and ocean freight for shipments. Cargo agents are paid commissions by the airline or shipping line.

CARRIAGE AND INSURANCE PAID TO [CIP]: The seller/exporter has the same obligations as under Carriage Paid To but with the addition that the seller has to procure cargo insurance against the buyer's risk of loss of or damage to the goods during the carriage. The seller contracts for insurance and pays the insurance premium. The buyer/importer should note that under the CIP term the seller is only required to obtain insurance on minimum coverage. The CIP term requires the seller/exporter to clear the goods for export. This term may be used for any mode of transport including multimodal transport.

CARRIAGE PAID TO [CPT]: The seller/exporter pays the freight for the carriage of the goods to the named destination. The risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier, is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier. The CPT term requires the seller to clear the goods for export. This term may be used for any mode of transport including multimodal transport.

CARRIER: An individual or firm which deals in transporting or conveying passengers or goods.

CASH AGAINST DOCUMENTS: Transactions where documents are sent to a third party, such as a bank or agent, with instructions not to release the documents, so that the importer/buyer is unable to take possession until the third party has received payment.

CASH IN ADVANCE [CIA]: The seller/exporter requires payment from the buyer/importer prior to shipment of goods or services.

CASH PAYMENT: A specific quantity of the invoice or contract price, which the importer/buyer must pay the exporter/supplier prior to shipment of the goods or services.

CERTIFICATE OF INSPECTION: A document certifying that merchandise was in good condition at the time of inspection. Pre-shipment inspection is often a requirement for importation of goods into a country.

CERTIFICATE OF ORIGIN: A written statement attesting to the country of origin of goods.

CLEAN BILL OF LADING: A bill of lading acknowledged by the carrier for goods received "in apparent good condition" without damages or other irregularities.

COLLECTION: The process of presenting a negotiable instrument to the maker for payment.

COMMERCIAL RISK: Any risk of default not defined as political risk. Commercial risk may result from deterioration in a buyer's/importer's market, fluctuation in demand, buyers insolvency, etc.

COMPLIANCE CERTIFICATIONS: The Borrower's statement certifying its adherence to the terms of the loan agreement during the stated period. The company's principal financial officer usually completes the certificate. If the Borrower is in compliance with the terms of the loan agreement [no event of default has occurred], the principal financial officer will attest accordingly. Supporting data is usually required to document the assertion.

CONFIRMING BANK UNDER LETTERS OF CREDIT: Confirmation is a process by which a bank adds its engagement to that of the opening bank. The confirming bank assumes the liability to pay under the Letter of Credit so long as the terms and conditions of the Letter of Credit have been met.

CONSIGNEE: An individual or firm to who merchandise has been consigned.

CONSIGNMENT: The buyer acts as agent for the seller/exporter, selling goods for “commission” and remitting the net proceeds to the seller as the goods are sold.

CONTRA-ACCOUNTS: Contra-Accounts arise when a borrower has both accounts receivable and accounts payable with the same entity because the party is both a customer and a supplier of the Borrower. These accounts are usually considered ineligible collateral.

CONVERTIBLE CURRENCY: Currency that can be easily exchanged, bought/sold for other currency.

COST AND FREIGHT [CFR]: The seller/exporter must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship’s rail in the port of shipment. The CFR term requires the seller to clear the goods for export. This term can only be used for sea and inland waterway transport. When the ship’s rail serves no practical purpose, such as in the case of roll-on/roll-off or container traffic, the CPT term is more appropriate to use.

COST, INSURANCE AND FREIGHT [CIF]: The seller/exporter has the same obligations as under CFR but with the addition that he has to procure marine insurance against the buyer’s risk of loss of or damage to the goods during the carriage. The seller contracts for insurance and pays the insurance premium. The buyer/importer should note that under the CIF term the seller is only required to obtain insurance on minimum coverage. The CIF term requires the seller/exporter to clear the goods for export. This term can only be used for sea and inland waterway transport. When the ship’s rail serves no practical purposes such as in the case of roll-on/roll-off or container traffic, the CIP term is more appropriate to use.

CREDIT RISK: Credit risk is the current and prospective risk to earnings or capital arising from an obligor’s failure to meet the terms of any contract with the Lender or otherwise fail to perform as agreed. In trade finance, many transactions are self-liquidating or supported by Letters of Credit, insurance and guarantees.

CROSS-AGING: The practice of making all of the accounts receivable from a single account party [the obligated party for an account receivable] ineligible to be included in the borrowing base if a specified proportion of the total accounts receivable from that party is delinquent. Also, sometimes referred to as the “10 percent rule” since a common delinquency threshold is 10 percent; however, can go higher.

CROSS-COLLATERALIZED: In the event of default, the collateral of cross-collateralized loans is used to satisfy the debts. In most instances the collateral is shared on a pari passu basis. The terms of the loan agreement can also specify that only the excess collateral of one loan can be shifted to satisfy another.

CROSS DEFAULT: The right to declare a loan in default if an event of default occurs in another loan.

DEDUCTIBLE: The amount of loss under specified risks that are incurred by the insured for its own account for each policy period.

DEFERRED PAYMENT LETTER OF CREDIT: Sometimes referred to as a Usance Letter of Credit. Payment under the Letter of Credit is made a number of days after shipment/presentation of documents after a period specified in the Letter of Credit.

DELIVERED AT FRONTIER [DAF]: The seller/exporter fulfills its obligation to deliver when the goods have been made available, cleared for export, at the named point and place at the frontier, but before the customs border of the adjoining country. The term “frontier” may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always

naming the point and place in the term. The term is primarily intended to be used when goods are to be carried by rail or road, but it may be used for any mode of transport.

DELIVERED DUTY PAID [DDP]: The seller/exporter fulfills its obligation to deliver when the goods have been made available at the named place in the country of importation. The seller/exporter has to bear the costs and risks, including duties, taxes and other charges of delivering the goods thereto, cleared for importation. Whilst the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller/exporter is unable directly or indirectly to obtain the import license. This term may be used irrespective of the mode of transport.

DELIVERED DUTY UNPAID [DDU]: The seller/exporter fulfills its obligation to deliver when the goods have been made available at the named place in the country of importation. The seller has to bear the costs and risks involved in bringing the goods thereto (excluding duties, taxes and other official charges payable upon importation as well as the costs and risks of carrying out customs formalities). The buyer/importer has to pay any additional costs and to bear any risks caused by his failure to clear the goods for import in time. This term may be used irrespective of the mode of transport.

DELIVERED EX QUAY (DUTY PAID) [DEQ]: The seller/exporter fulfills its obligation to deliver when its has made the goods available to the buyer on the quay (wharf) at the named port of destination, cleared for importation. The seller/exporter has to bear all risks and costs including duties, taxes and other charges of delivering the goods thereto. This term should not be used if the seller/exporter is unable directly or indirectly to obtain the import license. If the parties wish the buyer to clear the goods for importation and pay the duty the words "duty unpaid" should be used instead of "duty paid". This term can only be used for sea or inland waterway transport.

DELIVERED EX SHIP [DES]: The seller/exporter fulfills its obligation to deliver when the goods have been made available to the buyer on board the ship uncleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination. This term can only be used for sea or inland waterway transport.

DESK FOLLOWING [DESK FOLLOWED]: A term used to describe less rigorous, informal monitoring of an accounts receivable inventory funded loan. Desk following is usually found only in blanket receivables lending and some secured financing.

DIRECT COLLECTIONS: A method of obtaining payment for goods where the exporter/seller ships the goods to the buyer/importer but sends the collection directly to the importer/buyer designating payment through a specific financial institution.

DISCRETIONARY CREDIT LIMIT [DCL]: The designated maximum amount of credit per foreign buyer on which an insured may commit the insurer without prior approval of the insurer.

DOCUMENTARY COLLECTIONS: A method of obtaining payment for goods or services where the exporter/seller ships the goods to the buyer/importer but instructs his/her bank to collect payment in exchange for the documents involved in the shipment [invoice, bill of lading, etc.]. Banks act only in a fiduciary capacity and do not make any commitment to pay the exporter/seller themselves. Documentary collections are subject to the UCC. There are two types of documentary collections:

DOCUMENTS AGAINST PAYMENT and DOCUMENTS AGAINST ACCEPTANCE.

DOCUMENTS AGAINST ACCEPTANCE: The documents are surrendered [by the bank] to the importer/buyer after the importer/buyer has accepted the accompanying draft, acknowledging the obligation to pay at a future date. See DOCUMENTARY COLLECTIONS.

DOCUMENTS AGAINST PAYMENT: A sight draft to which title documents are attached. The documents are surrendered to the importer/buyer after he/she has paid the accompanying draft. See DOCUMENTARY COLLECTIONS.

DRAFT: A written demand signed by the exporter/supplier which requires the importer/buyer or the importer/buyer's bank to pay on presentation or at a fixed future time a sum certain in money to the order of the payee which may be the exporter/supplier or the exporter/supplier's bank. **SIGHT DRAFT** is payable when presented. **TIME DRAFTS** [also called usance drafts] are payable at a future fixed date or determinable [30,60,90 days, etc.] date.

ELIGIBLE COLLATERAL: A defined term in the loan agreement that controls what collateral can be included in the borrowing base.

EX WORKS [EXW]: "Ex works" means that the seller fulfills his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, etc.) to the buyer. In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. This term thus represents the minimum obligation for the seller. This term should not be used when the buyer cannot carry out directly or indirectly the export formalities. In such circumstances, the FCA term should be used

EXPORT CREDIT INSURANCE: Insurance coverage for sellers/exporters, when they have a sale on other than L/C or CIA terms, to protect against commercial [non-payment] and political [war, insurrection, confiscation] **non-payment** in an international sale.

EXPORT MANAGEMENT COMPANY: A private business which serves as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients in return for a commission or salary.

EXPORT TRADING COMPANY: A business unit operated principally for the purpose of exporting goods and services, or of providing export related services to other companies. An export trading company can import, barter, arrange sales between third countries as well as export.

EXPORTER IDENTIFICATION NUMBER: An identification number required on the Shipper's Export Declaration for all export shipments. US corporations may use their federal Employer Identification Number issued by the IRS.

FACTOR: An individual or firm that purchases another individual or firm's account receivables at less than the receivables value and collects the full value. This is an arrangement in which a company shortens its cash cycle by selling its accounts receivable with or without recourse to a third party known as a "factor".

FORFAITING: The purchase of trade obligations falling due at some future date without recourse to any previous holder of the obligation. Under a typical arrangement, an exporter/supplier receives immediate cash by discounting promissory notes or trade receivables on a "without recourse" basis to a specialized finance firm called a "forfeiter".

FORMULA: A calculation to determine the borrowing base in which a margin or advance rate is applied to each type of collateral.

FULL FOLLOWING: A term describing the process Asset Based Lenders use to closely control credit availability and collateral by means of a borrowing base, control of the cash receipts and field audits.

FREE ALONGSIDE SHIP [FAS]: The seller fulfills his obligation to deliver when the goods have been placed alongside the vessel on the quay or in lighters at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or

damage to the goods from that moment. The FAS term requires the buyer to clear the goods for export. It should not be used when the buyer cannot carry out directly the export formalities. This term can only be used for sea or inland waterway transport.

FREE CARRIER [FCA]: "Free Carrier" means that the seller fulfills his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods in to his charge. When, according to commercial practice, the seller's assistance is required in making the contract with the carrier (such as in rail or air transport) the seller may act at the buyer's risk and expense. The term may be used for any mode of transport, including multimodal transport.

FREE ON BOARD [FOB]: The seller fulfills his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can only be used for sea or inland waterway transport. When the ship's rail serves no practical purpose, such as in the case of roll-on/roll-off or container traffic, the FCA term is more appropriate to use.

IMPORTER: The individual, firm or legal entity that, in the course of trade, brings articles of trade from a foreign source into a domestic market.

INCOTERMS: Trade terms published by the International Chamber of Commerce which define the respective duties of the exporter/supplier and importer/buyer in international transactions. The 13 incoterms are: Ex Works; Free Carrier; Free Alongside Ship; Free On Board; Cost and Freight; Cost, Insurance and Freight; Carriage Paid To; Carriage and Insurance Paid to; Delivered at Frontier; Delivered Ex Ship; Delivered Ex Quay; Delivered Duty Unpaid; Delivered Duty Paid. See individual listings for definitions.

INELIGIBLE COLLATERAL: Pledged receivables or inventory that does not meet the criteria specified in the loan agreement. Ineligible collateral remains part of the Asset Based Lender's collateral pool; however, it does not qualify for inclusion in the borrowing base.

INSURANCE COVERAGE: Total amount of insurance carried.

INSURANCE POLICY: Entire written contract of insurance.

INSURANCE PREMIUM: The amount paid to an insurance company for coverage under an insurance policy.

INSURED: The person[s]/company[s] protected under an insurance policy.

INSURER: The party to the insurance contract, which promises to indemnify losses or provide service; the insurance company.

INVOICE: A document, which includes, inter alia, an itemized list of goods shipped or services rendered, with an account of all of costs involved as well as payment and trade terms.

INVOICE DATE: The date the invoice is issued.

IRREVOCABLE LETTER OF CREDIT: A letter of credit which cannot be amended or canceled unless all parties involved in the Letter of Credit agree to the amendment or cancellation prior to any action being taken..

ISSUING BANK: The buyer/importer's bank that establishes a letter of credit.

LETTER OF CREDIT [L/C]: A legal instrument issued by a bank to a beneficiary [seller/exporter] on behalf of a buyer/importer by which the bank substitutes its own credit for that of the buyer/importer. The seller/exporter receives assurance of payment from the applicant's bank before proceeding with the shipment. After shipment and upon receipt of proper documentation, outlined in the L/C, the bank will pay the beneficiary. Also known as a documentary letter of credit.

LIBOR: London Interbank Offered Rate.

LIEN: A legal right granted by the authority of a court to control or to enforce a charge against another's property until some legal claim is paid or otherwise satisfied.

LIQUIDATION VALUE: The most likely price an asset will bring if it is sold without reasonable market exposure and when the seller is under duress. Sometimes the liquidation value is based on an orderly liquidation that allows for a brief marketing period as contrasted with a forced liquidation value that is based on an auction sale.

LOCK BOX: A cash management product offered by financial institutions that accelerates a client's collection of receivables. The client's customers are directed to make payments or wire transfers to a specific account at the Lender. Lender's use lock boxes in asset based financing to control cash receipts.

LOSS: For insurance policies, the portion of an amount in default, the insured percentage of which is subject either to application of a deductible or to indemnification.

MARGIN: The difference between the market value of collateral pledged to secure a loan and the amount the bank will advance against the collateral.

MARKET VALUE: The most likely price an asset will bring if it is sold in a competitive, open market, with reasonable market exposure and willing, informed buyers and sellers.

MINIMUM ANNUAL PREMIUM: For insurance policies, a fixed minimum premium amount payable in advance at the beginning of a policy year.

NEGOTIABLE BILL OF LADING: Bill of lading transferred by endorsement.

NEGOTIATION: Under a Letter of Credit, the process whereby a bank gives value for the exporter/supplier's draft or documents. Negotiation generally includes checking the documents to ensure they meet the terms and conditions of the Letter of Credit; the documents conform to each other and are compatible with the UCP; and each individual document appears to be properly prepared.

OCEAN BILL OF LADING: A receipt for the cargo and a contract for transportation between a shipper and the ocean carrier.

OPEN ACCOUNT: The seller/exporter supplies terms of payment to the buyer and ships the merchandise prior to receiving payment.

OPERATING CYCLE: The period of time it takes a business to convert purchased and manufactured goods and services into sales, plus the time to collect the cash from the associated sales.

PARI PASSU: Credit facilities in which two or more lenders are accorded equal treatment under a loan agreement. Most frequently applied to collateral, but may also refer to loan structure, documentation, maturity or any other substantive condition.

POLITICAL RISK: Risk of default due to cancellation of an import or export license, war, expropriation, confiscation or intervention or transfer risk. Consult your specific policy for definition.

PREMIUM AMOUNT: The cost to purchase insurance.

PREMIUM RATE: Depending on the insurance company the cost per \$100 or insured amount.

PRO FORMA INVOICE: An invoice provided by the exporter/supplier to the importer/buyer, which is used as a preliminary invoice together with a quotation.

PROMISSORY NOTE: A negotiable instrument that is evidence of a debt **between** the borrower **and** the creditor. where the borrower promises to pay a specific amount on specific date[s] at a defined rate of interest.

PURCHASE MONEY SECURITY INTEREST [PMSI]: The UCC prescribes that if a creditor provides financing for a debtor to acquire specific goods, the creditor can perfect a security interest in the goods despite the existence of financing statements on similarly described collateral.

RED CLAUSE LETTER OF CREDIT: A type of Letter of Credit, which provides shipper/exporter with some funds prior to shipment to finance production of the goods.

REVOLVING CREDIT FACILITY: A loan agreement that allows the borrower to frequently draw down and repay advances. The proceeds are usually used to support the working capital needs of the borrower. A borrowing base requirement in the loan agreement commonly mitigates the Lender's credit risk.

REVOLVING LETTER OF CREDIT: A type of Letter of Credit where the issuing bank restores the Letter of Credit to the original amount after it has been drawn down.

SECURITY AGREEMENT: A document giving a Lender a security interest in assets pledged as collateral. This agreement, signed by the Borrower, describes the collateral and its location in sufficient detail so the Lender can identify it, and assigns to the Lender the right to sell or dispose of the assigned collateral if the Borrower is unable to pay the obligation.

SHIPMENT DATE: The date the goods are considered enroute to their destination.

SHIPPERS EXPORT DECLARATION: A form required by the US Treasury Department and completed by the exporter/shipper showing the value, weight, consignee, destination, etc., of export shipments with declared value greater than \$2,500.

SIGHT DRAFT: A draft that is payable upon presentation to the drawee on sight or on demand. See **DRAFT**

SIGHT PAYMENT: Under Letter of Credit, payment on receipt of the documents by the issuing bank or the negotiating or confirming bank.

STANDBY LETTER OF CREDIT: A Letter of Credit that can be drawn against only if certain performance does not take place. This type of letter of credit is primarily a payment or performance guarantee. It is used primarily in the United States as U.S. banks are prohibited by law from giving certain guarantees.

TIME DRAFT: A draft [also known as a usance draft] which is payable at a fixed or determinable future time. See **DRAFT**

TRADE CYCLE ANALYSIS – A method of computing whether working capital is sufficient to support the working investment need of a business [See **OPERATING CYCLE**]

TRADE FINANCE: A bank term for financing export sales which includes, inter alia, Letters of Credit, drafts, forfaiting, factoring, structuring, pre-export, post-export, and receivables.

TRADE NAME: The name under which a firm conducts business.

TRADE TERMS: The terms of a sale, which include price, responsibility for shipping, insurance and customs duties.

TRANSACTION RISK: Transaction risk is the current and prospective risk to earnings or capital arising from fraud, error and the inability to deliver products or services, maintain a competitive position and manage information. Transaction risk is evident in each product and service offered. Transaction risk encompasses: product development and delivery, transaction processing, systems development, computing systems, complexity of products and services and the internal control environment.

TRANSFER RISK: Currency measures taken by a foreign government, which make it impossible for the importer/buyer to transfer foreign exchange abroad.

TRANSFERABLE LETTERS OF CREDIT: A Letter of Credit, which enables the beneficiary [exporter/supplier] to transfer portions of the credit to another party.

UNIFORM COMMERCIAL CODE [UCC]: A model framework of laws that addresses commercial transactions. Each state may modify or exclude provisions of the model framework when adopting the UCC. While the UCC varies from state to state, the spirit of the state-adopted statutes is basically consistent. The UCC was set forth to stimulate

interstate commerce by providing a fair measure of consistency among states' commercial laws.

UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS: A compendium of rules that, along with Article 5 of the Uniform Commercial Code, govern documentary credit transactions. The UCP 500 frequently is incorporated by reference into the terms of Letter of Credit Transaction.

USUANCE: The time allowed for payment of an international obligation. A usance credit is credit available against time drafts.