



## **CHAPTER 4**

### **METHODS OF PAYMENT OR SETTLEMENT**

***Objectives:***

**After studying this chapter you should be able to understand:**

- 4.1 Advance payment**
- 4.2 Open account**
- 4.3 Documentary collections**

Some of the inherent risks involved in the settlement process can be reduced or eliminated depending upon the method of payment selected. Therefore it is necessary for the exporter and importer to agree upon the methods of payment and incorporate the details in the contract of sale.

There are four main Terms of Settlement in the international trade<sup>1</sup>:

1. Advance payment;
2. Open account;
3. Bill of collection/ Documentary collections;
4. Letter of credit.

#### **4.1 Advance payment**

Under this term of settlement the importer will pay to the exporter the goods before the exporter delivers them.

Although full payment in advance is obviously most desirable for the exporter, he will only be able to obtain such terms when there is a seller's market, or occasionally when such terms are customary in that particular trade.

In fact, this is a credit granted by the importer to the exporter. Being a credit, the importer can ask the exporter the payment of an interest. This term is very useful for the exporter.

It is quite common for a sale contract to require partial payments in advance; for example the contract could stipulate, say, 20% payable on the signing of the contract with the remaining 80% payable after dispatch of the goods under one of the other means of payment.

The *risks of the exporter*: the goods received can be specialized goods and if the importer cancels the order before the payment is made, the exporter cannot sell these goods easily.

---

<sup>1</sup> Davies Audrey & Kearns Martin – Banking Operations, Pitman Publishing, London 1992, p.20

## Methods of Payment or Settlement

*The risks of the importer:*

- sometimes the exporter does not send the goods;
- the documents can be wrong;
- the goods are sent with a delay or to a wrong destination.

This method of settlement is used between old partners with a long business relationship. Another method of advance payment can be the following:

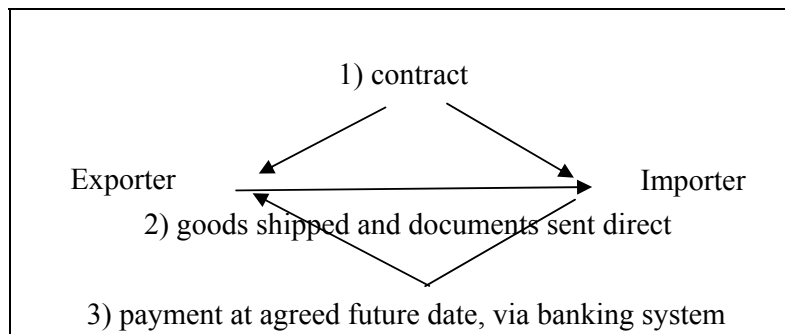
“30% of the value in advance and 70% of the value will be paid upon delivery”.

*Advantages to the importer:*

- few arrangements have to be made other than ensuring that funds are available to meet payments when they are due;
- the importer has the control over the timing of settlement and the method by which funds are remitted;
- inspection of the goods is usually possible before payment is made.

### **4.2 Open account**

When a buyer and a seller agree to deal an open account term, it means that the seller will dispatch his goods to the buyer and will also send an invoice requesting payment. The seller loses control of the goods as soon as he dispatches them. He trusts that the buyer will pay in accordance with the invoice.



## *Methods of Payment or Settlement*

---

Open account is the simplest method of settlement. However, because the exporter is delivering the goods without payment or some other absolute means of insuring that payment is received, this method presents the greatest risk.

Despite all of this, the majority of international trade transactions continue to be settled this way. Open account settlements have some advantages that make them attractive, for both the exporter and the importer, but there are disadvantages also.

The list of advantages and disadvantages that follows, for open account or other means of settlement, is not by any means exhaustive, but should be seen in the context of the needs of the two parties involved: importer and exporter.

The exporter requires payment, protection of the goods until they are paid and perhaps, financial assistance in the intervening period. The importer wants the goods to be delivered on time at the right place and of the correct quality and perhaps, with a period of credit.

### *Advantages to the exporter:*

1. because this method of settlement tends to be used when there is a long standing relationship between the seller and the buyer, the open account balance is settled on a monthly or quarterly basis and transactions can be dealt within very much the same way as the domestic trade;
2. subject to any contract with the buyer, there are less constraints on documentation, timing of shipments and places of dispatch that make this method more feasible;
3. as only the settlement payments pass through the banking system, the exporter incurs no charges.

### *Disadvantages to the exporter:*

1. there is no guarantee of payment and control if the goods are lost;
2. the exporter is exposed to political, economic and country risks unless other steps are taken to cover these risks;

### *Methods of Payment or Settlement*

---

3. because, often there is no specific constraint on the timing of the payments, it is very difficult to control the cash flow;
4. there is a possibility that delays in the banking system will delay the transfer of funds;
5. when received, payment can be in the form of a foreign cheque that will have to be negotiated or collected, causing further delay;
6. greater debtor control may be required in the form of the maintenance of a sealed ledger and sending out statements and reminders of payment due.

One method by which the exporter can reduce the risk of non-payment is relevant here and that is the use of advance payments, which involve the buyer being persuaded to provide part or the entire payment before receiving the goods.

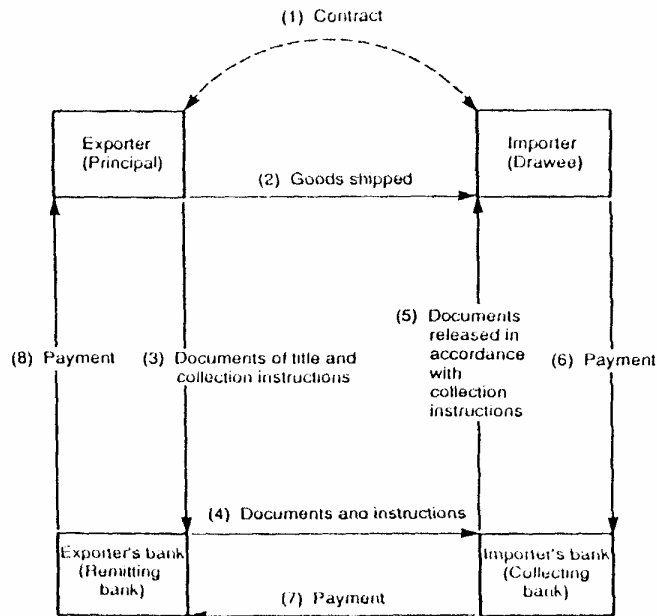
#### *Advantages to the importer:*

1. the importer retains control over the timing of settlement and the method by which funds are remitted;
2. inspection of the goods is usually possible before payment is made.

#### *Disadvantages to the importer:*

1. the importer has little control over shipment details and the timing of the receipt of the goods;
2. there is no control over the quality of the goods. If special documents (certificates of origin) are required, there is no guarantee that these will be received.

### 4.3 Documentary collections



Parties to a documentary collection are:

- **the principal** (*exporter*). This is the customer who entrusts the operation of collection to his bank;
- **the remitting bank**, or the exporter's bank. This is the bank to which the principal entrusts the operation of collection;
- **the collecting bank**, or the importer's bank. This is the bank involved in processing the collection order;
- **the presenting bank** is the collecting bank which makes presentation to the drawee;
- **the drawer** (*importer*). This is the one to whom presentation the payment is to be made according to the collection order.

Under the provisions of the Uniform Rules for Collection, the handling of documents by banks or instructions received in order to:

- obtain acceptance and/or, as the case maybe, payment, or

### Methods of Payment or Settlement

---

- deliver commercial documents against acceptance and/or, as the case maybe, against payment, or
- deliver documents on the other terms and conditions.

This method of settlement<sup>2</sup> provides some comfort to the exporter, who will ship the goods and then arrange for the documents of title and collection instructions to be sent by the exporter's own bank (remitting bank) to a correspondent bank (the collecting bank) in the importer's country. The documents may include a bill of exchange drawn by the exporter on the importer for the amount of the invoice and payable at sight or at a fixed or future determinable time (under British law).

The documents of title are usually sent via the following route:

- (a) The exporter ships the goods and obtains documents of title;
- (b) The exporter sends documents of title to his bank with appropriate instructions;
- (c) The exporter's bank sends documents of title to the importer's bank with the instruction that the documents can only be released:
  - (i) on payment; or
  - (ii) on acceptance of the bill of exchange.
- (d) On payment or acceptance of the bill of exchange, the importer's bank releases the documents of title so that the importer can obtain the goods on their arrival in his country.

It can be seen that the exporter retains control over the goods under this method until either payment is made, or a legally binding undertaking to pay is given.

Where the Bill of Exchange is not accompanied by documents, these having been sent to the importer, the transaction is known as a clean collection. The collecting bank will be instructed to release the documents and, therefore, title to the goods, to the importer against payment (D/P) or acceptance (D/A) of the bill of exchange. Payment or the accepted Bill of Exchange

---

<sup>2</sup> Negruș Mariana – Mijloace și modalități de plată internațională, Editura Academiei, București, 1986, p. 45

### Methods of Payment or Settlement

---

will be sent to the remitting bank that will, in the latter case, present it for payment on the maturity date.

As a conclusion, it should be mentioned that the documentary collection is a form of making payment and ensuring payment through banks, and the documents involved in the carrying out the transactions will be delivered on certain terms and conditions.

As you have already seen, the documentary collection transactions are handled on the basis of the following documents:

- *Documents against Payment (D/P)*. The exporter takes the goods for shipment and the collecting bank may only deliver the documents to the importer in exchange of his immediate payment (at sight). **Or**
- *Documents against Acceptance (D/A)*. The exporter takes the goods for shipment and the collecting bank may only deliver the documents against acceptance of a draft issued by the drawee (importer).

There is a code of practices and procedures governing the terms used and the procedures to be followed by all parties involved in documentary collections. It was drawn up by the International Chamber of Commerce and is known as Uniform Rules for Collections No. 522. The rules cover the liabilities and responsibilities of the parties, and such things as presentation, payment, acceptance, promissory note, receipts and other instruments, protest, case of need and protection of goods, advice of fate, interest charges and expenses. The Uniform Rules for Collections (URC – see Annex No.1) form an internationally accepted code of practice covering documentary collections. The Rules are not incorporated in national or international law, but become binding on all parties because all bank authorities will state that the collection is subject to the Uniform Rules for Collections.

Summary of the provisions of the Uniform Rules for Collections:

- (a) The four main **parties** to a documentary collection are:
- (i) the principal, i.e. the exporter;
  - (ii) the remitting bank. This is the bank to which the principal entrusts the collection order. This is normally the exporter's own bank.
  - (iii) the collecting bank. This is any bank other than the remitting bank which is involved with the collection. Normally this will be a bank in the importer's country.

## Methods of Payment or Settlement

(iv) the presenting bank. This is the bank which notifies the drawee of the arrival of the collection and which requests payment or acceptance from him or her. The collecting and presenting bank will normally be the same bank, but they could be different banks.

(b) **Documents** are of two types:

- (i) financial documents – the instruments used for the purpose of obtaining money (e.g. bills of exchange).
- (ii) commercial documents – the documents relating to goods for which the financial documents are to secure payment (e.g.: bill of lading, insurance document).

**Clean collections** represent financial documents which are not accompanied by commercial documents.

**Documentary collections** represent commercial documents which may or may not be accompanied by financial documents.

(c) **Articles 1 and 2** state that banks will act in good faith and exercise reasonable care. Banks must verify that they appear to have received the documents which are specified in the collection order.

(d) **Banks have no liability for any delay or loss caused by postal or telex failure.**

(e) **Duties of the remitting bank:**

- to check the principal's collection instructions;
- to check that the presented documents are complete;
- to pass on the principal's instructions to the collecting bank/presenting bank;
- to monitor the operation collection.

(f) **Duties of the presenting bank:**

- to confirm receipt of the documents;
- to present the documents to the drawer in strict compliance with the collection instructions (D/P or D/A);

### *Methods of Payment or Settlement*

---

- in the case of D/P, to effect payment to the remitting bank in accordance with the latter's instructions;
  - to notify the remitting bank that the draft has been accepted at its maturity date, or, if requested, to return the bill to the remitting bank,
- (g) etc.

#### *Advantages to the exporter<sup>3</sup>:*

1. the exporter has some measure of control over the documents and goods unless there is no document of title and/or the goods consigned direct to the importer or the importer's agent;
2. if the exporter has to pay charges for the collection, allowance for these, including interest, can be computed when the invoice price is calculated;
3. this method is less expensive than a documentary credit.

#### *Disadvantages to the exporter:*

1. if control is not retained through the documents of title, the exporter relies entirely on the ability and willingness of the importer to pay;
2. if documents against acceptance (D/A) terms are granted to the importer, control of goods is lost once the bill of exchange has been accepted.

#### *Advantages to the importer<sup>4</sup>:*

1. a period of credit can be obtained through the use of a term bill or promissory note;
2. the exporter will normally be responsible for the charges;
3. finance can be raised using the goods as security;
4. it is more convenient and less expensive than a documentary credit.

---

<sup>3</sup> Twells Harry – Exporters' checklist, a step-by-step guide to successful exporting, National Westminster Bank, Lloyd's of London Press LTD, 1992, p. 160

<sup>4</sup> Idem

*Disadvantages to the importer:*

1. payment or acceptance is required on presentation when the commercial documents have arrived at the collecting bank and before the arrival of the goods;
2. if the bill is accepted the importer is legally liable despite, for example, any clauses in the contract relating to defective goods;
3. there is no guarantee that the goods will be received as ordered or on time.



### **Progress Test**

1. What are the main terms of settlement used in the international trade?
2. Describe the advance payment.
3. What are the risks to the exporter or importer under this term of settlement?
4. List the advantages to the importer under advance payment term.
5. Define the open account method of settlement.
6. List the advantages and disadvantages to the exporter.
7. List the advantages and disadvantages to the importer.
8. Define and explain the documentary collection.
9. Enumerate the advantages and disadvantages to the exporter.
10. List the advantages and disadvantages to the importer.
11. An exporter and importer agree to deal on documentary collection terms. Whose name would you expect to appear as the drawer of the draft and whose name would you expect as drawee?
12. What are the Uniform Rules for Collections?
13. Give one example of a financial document, and two examples of commercial documents as defined in URC.
14. Which is the most secure from an exporter's point of view, D/P or D/A?

## **ICC UNIFORM RULES FOR COLLECTIONS<sup>5</sup>**

### **A. General Provisions and Definitions**

#### **Article 1**

##### **Application of URC 522**

- a) The Uniform Rules for Collections, 1995 Revision, ICC Publication no. 522, shall apply to all collections as defined in Article 2 where such rules are incorporated into the text of the “collection instruction” referred to in Article 4 and are binding on all parties thereto unless otherwise expressly agreed or contrary to the provisions of a national, state or local law and/or regulation which cannot be departed from.
- b) Banks shall have no obligation to handle either a collection or any collection instruction or subsequent related instructions.
- c) If a bank elects, for any reason, not to handle a collection or any related instructions received by it, it must advise the party from whom it received the collection or the instructions by telecommunication, or if that is not possible, by other expeditious means, without delay.

#### **Article 2**

##### **Definition of Collection**

For the purpose of these Articles:

- a) “Collection” means the handling by banks of documents as defined in sub-Article 2(b), in accordance with instructions received, in order to:
  - i. obtain payment and/or acceptance, or
  - ii. deliver documents against payment and/or against acceptance, or
  - iii. deliver documents on other terms and conditions.
- b) “Documents” means financial documents and/or commercial documents:
  - i. “Financial documents” means bills of exchange, promissory notes, cheques, or other similar instruments used for obtaining the payment of money;

---

<sup>5</sup> URC No. 522 published by the International Chamber of Commerce from Paris

## ***Methods of Payment or Settlement***

---

- ii. “Commercial documents” means invoices, transport documents, documents of title or other similar documents, or any other documents whatsoever, not being financial documents.
- c) “Clean collection” means collection of financial documents not accompanied by commercial documents.
- d) “Documentary collection” means collection of:
  - i. Financial documents accompanied by commercial documents;
  - ii. Commercial documents not accompanied by financial documents;

### **Article 3**

#### **Parties to a Collection**

- a) For the purposes of these Articles the “parties thereto” are:
  - i. the “principal” who is the party entrusting the handling of a collection to a bank;
  - ii. the “remitting bank” which is the bank to which the principal has entrusted the handling of a collection;
  - iii. the “collecting bank” which is any bank, other than the remitting bank, involved in processing the collection;
  - iv. the “presenting bank” which is the collecting bank making presentation to the drawee.
- b) The “drawee” is the one to whom presentation is to be made in accordance with the collection instruction.

#### **B. Form and Structure of Collections**

### **Article 4**

#### **Collection Instruction**

- a)
  - i. All documents sent for collection must be accompanied by a collection instruction indicating that the collection is subject to URC 522 and giving complete and precise instructions. Banks are only permitted to act upon the instructions given in such collection instruction, and in accordance with these Rules.
  - ii. Banks will not examine documents in order to obtain instructions.

### ***Methods of Payment or Settlement***

---

**iii.** Unless otherwise authorized in the collection instruction, banks will disregard any instructions from any party/bank other than the party/bank from whom they received the collection.

b) A collection instruction should contain the following items of information as appropriate:

**i.** Details of the bank from which the collection was received including full name, postal and SWIFT addresses, telex, telephone, facsimile numbers and reference.

**ii.** Details of the principal including full name, postal address, and if applicable telex, telephone and facsimile numbers.

**iii.** Details of the drawee including full name, postal address, or the domicile at which presentation is to be made and if applicable telex, telephone and facsimile numbers.

**iv.** Details of the presenting bank, if any, including full name, postal address, and if applicable telex, telephone and facsimile numbers.

**v.** Amount(s) and currency(ies) to be collected.

**vi.** List of documents enclosed and the numerical count of each document.

**vii. a.** Terms and conditions upon which payment and/or acceptance is to be obtained.

**b.** Terms of delivery of documents against:

1) Payment and/or acceptance

2) Other terms and conditions

It is the responsibility of the party preparing the collection instruction to ensure that the terms for the delivery of documents are clearly and unambiguously stated; otherwise banks will not be responsible for any consequences arising there from.

**viii.** Charges to be collected, indicating whether they may be waived or not.

**ix.** Interest to be collected, if applicable, indicating whether it may be waived or not, including:

**a.** rate of interest



## *Methods of Payment or Settlement*

- d) For the purpose of giving effect to the instructions of the principal, the remitting bank will utilize the bank nominated by the principal as the collecting bank. In the absence of such nomination, the remitting bank will utilize any bank of its own, or another bank's choice in the country of payment or acceptance or in the country where other terms and conditions have to be complied with.
- e) The documents and collection instruction may be sent directly by the remitting bank to the collecting bank or through another bank as intermediary.
- f) If the remitting bank does not nominate a specific presenting bank, the collecting bank may utilize a presenting bank of its choice.

### **Article 6**

#### **Sight/Acceptance**

In the case of documents payable at sight, the presenting bank must make presentation for payment without delay.

In the case of documents payable at a tenor other than sight, the presenting bank must, where acceptance is called for, make presentation for acceptance without delay, and where payment is called for, make presentation for payment not later than the appropriate maturity date.

### **Article 7**

#### **Release of Commercial Documents**

*Documents Against Acceptance (D/A) vs. Documents Against Payment (D/P)*

- a) Collections should not contain bills of exchange payable at a future date with instructions that commercial documents are to be delivered against payment.
- b) If a collection contains a bill of exchange payable at a future date, the collection instruction should state whether the commercial documents are to be released to the drawee against acceptance (D/A) or against payment (D/P).

## ***Methods of Payment or Settlement***

---

In the absence of such statement, commercial documents will be released only against payment and the collecting bank will not be responsible for any consequences arising out of any delay in the delivery of documents.

- c) If a collection contains a bill of exchange payable at a future date and the collection instruction indicates that commercial documents are to be released against payment, documents will be released only against such payment and the collecting bank will not be responsible for any consequences arising out of any delay in the delivery of documents.

### **Article 8**

#### **Creation of Documents**

Where the remitting bank instructs that either the collecting bank or the drawee is to create documents (bills of exchange, promissory notes, trust receipts, letters of undertaking or other documents) that where not included in the collection, the form and wording of such documents shall be provided by the remitting bank, otherwise the collecting bank shall not be liable or responsible for the form and wording of any such document provided by the collecting bank and/or the drawee.

## **D. Liabilities and Responsibilities**

### **Article 9**

#### **Good Faith and Reasonable Care**

Banks will act in good faith and exercise reasonable care.

### **Article 10**

#### **Documents vs. Goods/Services/Performances**

- a) Goods should not be dispatched directly to the address of a bank or consigned to or to the order of a bank without prior agreement on the part of that bank.

Nevertheless, in the event that goods are dispatched directly to the address of a bank or consigned to or to the order of a bank for release to a drawee against payment or acceptance or upon other terms and

### *Methods of Payment or Settlement*

---

conditions without prior agreement on the part of that bank, such bank shall have no obligation to take delivery of the goods, which remain at the risk and responsibility of the party dispatching the goods.

- b) Banks have no obligation to take any action in respect of the goods to which a documentary collection relates, including storage and insurance of the goods even when specific instructions are given to do so. Banks will only take such action if, when, and to the extent that they agree to do so in each case. Notwithstanding the provisions of sub-Article 1(c), this rule applies even in the absence of any specific advice to this effect by the collecting bank.
- c) Nevertheless, in the case that banks take action for the protection of the goods, whether instructed or not, they assume no liability or responsibility with regard to the fate and/or condition of the goods and/or for any acts and/or omissions on the part of any third parties entrusted with the custody and/or protection of the goods. However, the collecting bank must advise without delay the bank from which the collection instruction was received of any such action taken.
- d) Any charges and/or expenses incurred by banks in connection with any action taken to protect the goods will be for the account of the party from whom they received the collection.
- e)
  - i. Notwithstanding the provisions of sub-Article 10(a), where the goods are consigned to or to the order of the collecting bank and the drawee has honored the collection by payment, acceptance or other terms and conditions, and the collecting bank arranges for the release of the goods, the remitting bank shall be deemed to have authorized the collecting bank to do so.
  - ii. Where a collecting bank on the instructions of the remitting bank or in terms of sub-Article 10(e) i, arranges for the release of the goods, the remitting bank shall indemnify such collecting bank for all damages and expenses incurred.

## **Article 11**

### **Disclaimer for Acts of an Instructed Party**

- a) Banks utilizing the services of another bank or other banks for the purpose of giving effect to the instructions of the principal do so for the account and at the risk of such principal.
- b) Banks assume no liability or responsibility should the instructions they transmit not be carried out, even if they have themselves taken the initiative in the choice of such other bank(s).
- c) A party instructing another party to perform services shall be bound by and liable to indemnify the instructed party against all obligations and responsibilities imposed by foreign laws and usage.

## **Article 12**

### **Disclaimer on Documents Received**

- a) Banks must determine that the documents received appear to be as listed in the collection instruction and must advise by telecommunication or, if that is not possible, by other expeditious means, without delay, the party from whom the collection instruction was received of any documents missing, or found to be other than listed.

Banks have no further obligation in this respect.

- b) If the documents do not appear to be listed, the remitting bank shall be precluded from disputing the type and number of documents received by the collecting bank.
- c) Subject to sub-Article 5(c) and sub-Articles 12(a) and 12(b) above, banks will present documents as received without further examination.

## **Article 13**

### **Disclaimer on Effectiveness of Documents**

Banks assume no liability or responsibility for the form, sufficiency, accuracy, genuineness, falsification or legal effect of any document(s), or for the general and/or particular conditions stipulated in the document(s) or superimposed thereon; nor do they assume any liability or responsibility for

## ***Methods of Payment or Settlement***

---

the description, quantity, weight, quality, condition, packing, delivery, value or existence of the goods represented by any document(s), or for the good faith or acts and/or omissions, solvency, performance or standing of the consignors, the carriers, the forwarders, the consignees or the insurers of the goods, or any other person whomsoever.

### **Article 14**

#### **Disclaimer on Delays, Loss in Transit and Translation**

- a) Banks assume no liability or responsibility for the consequences arising out of delay and/or loss in transit of any message(s), letter(s) or document(s), or for delay, mutilation or other error(s) arising in transmission of any telecommunication or for error(s) in translation and/or interpretation of technical terms.
- b) Banks will not be liable or responsible for any delays resulting from the need to obtain clarification of any instructions received.

### **Article 15**

#### **Force Majeure**

Banks assume no liability or responsibility for consequences arising out of the interruption of their business by Acts of God, riots, civil commotion's, insurrections, wars, or any other causes beyond their control or by strikes or lockouts.

## **E. Payment**

### **Article 16**

#### **Payment without Delay**

- a) Amounts collected (less charges and/or disbursements and/or expenses where applicable) must be made available without delay to the party from whom the collection instruction was received in accordance with the terms and conditions of the collection instruction.
- b) Notwithstanding the provisions of sub-Article 1(c) and unless otherwise agreed, the collecting bank will affect payment of the amount collected in favor of the remitting bank only.

**Article 17**  
**Payment in Local Currency**

In the case of documents payable in the currency of the country of payment (local currency), the presenting bank must, unless otherwise instructed in the collection instruction, release the documents to the drawee against payment in local currency only if such currency is immediately available for disposal in the manner specified in the collection instruction.

**Article 18**  
**Payment in Foreign Currency**

In the case of documents payable in a currency other than that of the country of payment (foreign currency), the presenting bank must, unless otherwise instructed in the collection instruction, release the documents to the drawee against payment in the designated foreign currency only if such foreign currency can immediately be remitted in accordance with the instructions given in the collection instruction.

**Article 19**  
**Partial Payments**

- a) In respect of clean collections, partial payments may be accepted if and to the extent to which and on the conditions on which partial payments are authorized by the law in force in the place of payment. The financial document(s) will be released to the drawee only when full payment thereof has been received.
- b) In respect of documentary collections, partial payments will only be accepted if specifically authorized in the collection instruction. However, unless otherwise instructed, the presenting bank will release the documents to the drawee only after full payment has been received, and the presenting bank will not be responsible for any consequences arising out of any delay in the delivery of documents.
- c) In all cases partial payments will be accepted only subject to compliance with the provisions of either Article 17 or Article 18 as appropriate.  
Partial payment, if accepted, will be dealt with in accordance with the provisions of Article 16.

## **F. Interest, Charges and Expenses**

### **Article 20**

#### **Interest**

- a) If the collection instruction specifies that interest is to be collected and the drawee refuses to pay such interest, the presenting bank may deliver the document(s) against payment or acceptance or on other terms and conditions as the case may be, without collecting such interest, unless sub-Article 20(c) applies.
- b) Where such interest is to be collected, the collection instruction must specify the rate of interest, interest period and basis of calculation.
- c) Where the collection instruction expressly states that interest may not be waived and the drawee refuses to pay such interest the presenting bank will not deliver documents and will not be responsible for any consequences arising out of any delay in the delivery of document(s). When payment of interest has been refused, the presenting bank must inform by telecommunication or, if that is not possible, by other expeditious means without delay the bank from which the collection instruction was received.

### **Article 21**

#### **Charges and Expenses**

- a) If the collection instruction specifies that collection charges and/or expenses are to be for account of the drawee and the drawee refuses to pay them, the presenting bank may deliver the document(s) against payment or acceptance or on other terms and conditions as the case may be, without collecting charges and/or expenses, unless sub-Article 21(b) applies.

Whenever collection charges and/or expenses are so waived they will be for the account of the party from whom the collection was received and may be deducted from the proceeds.

- b) Where the collection instruction expressly states that charges and/or expenses may not be waived and the drawee refuses to pay such charges and/or expenses, the presenting bank will not deliver documents and will not be responsible for any consequences arising out

## ***Methods of Payment or Settlement***

---

of any delay in the delivery of document(s). When payment of collection charges and/or expenses has been refused, the presenting bank must inform by telecommunication or, if that is not possible, by other expeditious means without delay the bank from which the collection instruction was received.

- c) In all cases where in the express terms of a collection instruction or under these Rules, disbursements and/or expenses and/or collection charges are to be borne by the principal, the collecting bank(s) shall be entitled to recover promptly outlays in respect of disbursements, expenses and charges from the bank from which the collection instruction was received, and the remitting bank shall be entitled to recover promptly from the principal any amount so paid out by it, together with its own disbursements, expenses and charges, regardless of the fate of the collection.
- d) Banks reserve the right to demand payment of charges and/or expenses in advance from the party from whom the collection instruction was received, to cover costs in attempting to carry out any instructions, and pending receipt, of such payment also reserve the right not to carry out such instructions.

## **G. Other Provisions**

### **Article 22 Acceptance**

The presenting bank is responsible for seeing that the form of the acceptance of a bill of exchange appears to be complete and correct, but is not responsible for the genuineness of any signature or for the authority of any signatory to sign the acceptance.

### **Article 23 Promissory Notes and Other Instruments**

The presenting bank is not responsible for the genuineness of any signature or for the authority of any signatory to sign a promissory note, receipt, or other instruments.

**Article 24**  
**Protest**

The collecting instruction should give specific instructions regarding protest (or other legal process in lieu thereof), in the event of non-payment or non-acceptance.

In the absence of such specific instructions, the banks concerned with the collection have no obligation to have the document(s) protested (or subjected to other legal process in lieu thereof) for non-payment or non-acceptance.

Any charges and/or expenses incurred by banks in connection with such protest, or other legal process, will be for the account of the party from whom the collection instruction was received.

**Article 25**  
**Case-of-Need**

If the principal nominates a representative to act as case-of-need in the event of non-payment and/or non-acceptance the collection instruction should clearly and fully indicate the powers of such case-of-need. In the absence of such indication banks will not accept any instructions from the case-of-need.

**Article 26**  
**Advices**

Collecting banks are to advise fate in accordance with the following rules:

**a) Form of Advice**

All advices or information from the collecting bank to the bank, from which the collection instruction was received, must bear appropriate details including, in all cases, the latter bank's reference as stated in the collection instruction.

**b) Method of Advice**

It shall be the responsibility of the remitting bank to instruct the collecting bank regarding the method by which the advices detailed in (c)i, (c)ii and (c)iii are to be given. In the absence of such instructions,

## ***Methods of Payment or Settlement***

---

the collecting bank will send the relative advices by the method of its choice at the expense of the bank from which the collection instruction was received.

**c) i. ADVICE OF PAYMENT**

The collecting bank must send without delay advice of payment to the bank from which the collection instruction was received, detailing the amount or amounts collected, charges and/or disbursements and/or expenses deducted, where appropriate, and method of disposal of the funds.

**ii. ADVICE OF ACCEPTANCE**

The collecting bank must send without delay advice of acceptance to the bank from which the collection instruction was received.

**iii. ADVICE OF NON-PAYMENT AND/OR NON- ACCEPTANCE**

The presenting bank should endeavor to ascertain the reasons for non-payment and/or non-acceptance and advise accordingly, without delay, the bank from which it received the collection instruction.

The presenting bank must send without delay advice of non-payment and/or advice of non-acceptance to the bank from which it received the collection instruction.

On receipt of such advice, the remitting bank must give appropriate instructions as to the further handling of the documents. If such instructions are not received by the presenting bank within 60 days after its advice of non-payment and/or non-acceptance, the documents may be returned to the bank from which the collection instruction was received without any further responsibility on the part of the presenting bank.