

## **CHAPTER 3**

### **EXPORT BILLS FOR COLLECTION / URC 522**

**CHAPTER 3****EXPORT BILLS FOR COLLECTION / URC 522****INDEX**

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### **3. Introduction**

In simple terms, export bill collection means sending of export bills to overseas buyer through his bank to collect payment under export bills. Where in export bill discounting , the exporter get amount from his authorized bank while submitting export documents.

Once after completion of necessary export procedures and formalities the exporter prepares necessary documents to send to his overseas buyer to take delivery of cargo. These documents includes Commercial invoice, Packing list, certificate of origin, Bill of lading or Airway bill, bill of exchange, quality certificate, and other documents specifically mentioned by the buyer at the time of placing purchase order.

Once after preparing such export documents, the exporter submits them with his authorized bank to send to his overseas buyer. If exporter needs to send the export bill for collection, he advises his bank to send the documents for collection of payment from overseas buyer. Once after paying export invoice amount by overseas buyer to exporter's bank through overseas buyer's bank, the exporter's bank credits the said amount received with exporter's account.

Documentary collections may be more competitive than letter of credit terms because they are less costly and do not require the buyer to tie up his/her local bank credit lines.

All the documents received should be properly acknowledged by the desk officer and a specific number should be given to each bill as per serial allotted by IBD with the year prefix. All the foreign bills under collection to be lodged under FBM menu . All the documents of each collection bill should be stamped with this number.

#### **3.1. General Provisions and Definitions**

- a. Bank will have no obligation to handle either a collection or any collection instructions 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 instruction by telecommunication or, if that is not possible, by other expeditious means, without delay.

#### **3.2. Definition of Collection**

- a) "Collection" means the handling of documents by bank, 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.
- 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 collections 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.

### **3.3. Parties to a collection**

- a) The various parties related to collection bills are as under
  - 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 collection bank making presentation to the drawee.
- b) The "drawee" is the one to whom presenting is to be made in accordance with the collection instruction.

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

#### **3.4.1. Collection Instruction**

- a)
  - i. All documents sent for collection must be accompanied by a collection instructions indicating that the collection is subject to URC 522 and giving complete and precise instructions. Bank is only permitted to act upon the instruction given in such collection instruction and in accordance with these Rules.
  - ii. Bank will not examine documents in order to obtain instructions.
  - iii. Unless otherwise authorized in the collection instruction, bank 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 followed items of information, as appropriate.
  - i. Details of the bank from which the collection was received including full name, postal and SWIFT address, 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(s) 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 bank 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
  - b. interest period
  - c. basis of calculation (for example 360 or 365 days in a year) as applicable.
- x. Method of payment and form of payment advice.
- xi. Instruction in case of non-payment, non-acceptance and/or non-compliance with other instructions.
- c. i. Collection instructions should bear the complete address of the drawee or of the domicile at which the presentation is to be made. If the address is incomplete or incorrect the collecting bank may, without, any liability and responsibility on its part, endeavour to ascertain the proper address.  
ii. The collecting bank will not be liable or responsible for any ensuing delay as a result of an incomplete/incorrect address being provided.

### 3.5. Form of Presentation

#### 3.5.1. Presentation.

- a. Presentation is the procedure whereby the presenting bank makes the documents available to the drawee as instructed.
- b. The collection instruction should state the exact period of time within which any action is to be taken by the drawee.

Expression such as "first", "prompt", "immediate", and the like should not be used in connection with presentation or with reference to any period of time within which documents have to be taken

up or for any other action that is to be taken by the drawee. If such terms are used bank will disregard them.

- c. Documents are to be presented to the drawee in the form in which they are received, except that bank is authorized to affix any necessary stamps, at the expense of the party from whom they received the collection unless otherwise instructed, and to make any necessary endorsements or place any rubber stamps or other identifying marks or symbols customary to or required for the collection operation.
- d. For the purpose of giving effect to the instruction 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.

### **3.5.2.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 payments not later than the appropriate maturity date.

### **3.5.3.Release of Commercial Documents**

#### **Documents Against Acceptance (D/A) vs.**

#### **Documents Against Payments(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 payments (D/P)  
In the absence of such statement commercial documents will be released only against payments 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, document 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.

### **3.6. Liabilities and Responsibilities**

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

- a. Goods should not be dispatched directly to the address of a bank or consigned to or the order of a bank without prior agreement on the part of that bank.  
Nevertheless in the event that good 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 conditions without prior agreement on the part of that bank, such bank shall have no obligation to take delivery of goods which remain at the risk and responsibility of the party dispatching the goods.
- b. Bank has no obligation to take any action in respect of the good to which a documentary collection relates, including storage and insurance of the goods even when specific instruction are given to do so. Bank will only take such action, if , when, and to the extent that they may agree to do so in each case. This rule applies even in the absence of any specific advice to this effect by the collecting bank.
- c. Nevertheless, in the case that bank takes actions for the protection of the goods whether instructed or not, they assume no liability or responsibility with regard to the fate and/or conditions of the goods and/or for any acts and /or omissions on the part of any third parities entrusted with the custody and/or protections 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 bank in connections with any action taken to protect the goods will be for the account of the party from whom they received the collection.
- e.
  - i 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, arranges for the release of the goods, the remitting bank shall indemnify such collecting bank for all damages and expenses incurred.

#### **3.6.2. Disclaimer For Acts of an Instructed Party**

- a. Bank utilizing the services of another bank 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. Bank assumes 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 obligation and responsibilities imposed by Foreign laws and usage's.

#### **3.6.3. Disclaimer on Documents Received**

- a. Bank must determine that the documents received appear to be as listed in the collection instruction 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.  
Bank has 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. bank will present documents as received without further examination.

#### **3.6.4. Disclaimer on Effectiveness of Documents**

Bank assumes no liability or responsibility for 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 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 omission, solvency, performance or standing of the consignors, the carriers, the forwarders, the consignees or the insurers of the goods, or any other person whomsoever.

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

- a. Bank 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. Bank will not be liable or responsible for any delays resulting from the needs to obtain clarification of any instructions received.

#### **3.6.6. Force Majeure**

Bank assumes no liability or responsibility for consequence arising out of the interruption of their business by Acts of God, Riots, civil commotions, insurrections, wars, or any other causes beyond their control or by strikes or lockouts.

### **3.7. Payment**

#### **3.7.1. 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. Unless otherwise agreed, the collection bank will effect payment of the amount collected on favor of the remitting bank only.

### **3.7.2. 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.

### **3.7.3. 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.

### **3.7.4. Partial Payments**

- a. In respect of clean collection, partial payment 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.

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

### **3.8.1. 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 delivery for document(s) against payment or acceptance or on other terms and conditions as the case may be, without collecting such interest.
- 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.

### **3.8.2. 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. 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 consequence arising out of any delay in the delivery of the 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.
- b. In all cases where in the express terms of a collection instruction, disbursements and/or collection charges are to be borne by the principal, the collection bank(s) shall be entitled to recover promptly outlays in respect of disbursements, expenses and charges from the bank 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. Bank reserves the right to demand payment of charges/and expenses in advance from the party from whom the collection instruction was received, to cover costs in attempting to carry out any instruction, and pending receipt of such payment also reserve the right not to carry out such instructions.

## **3.9. Other Provisions**

### **3.9.1. 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.

### **3.9.2. Promissory Notes and Other Instruction**

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.

### **3.9.3. Protest**

The collection 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 bank has no obligation to have the document(s) protested (or subjected to other legal process in lieu thereof) for non-payments or non-acceptance. Any charges and/or expenses incurred by bank in connections with such protest, or other legal process, will be for the account of the party from whom the collection instruction was received.

### **3.9.4. Case -of-Need**

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

### **3.9.5. Advises**

**Collection bank is to advise fate in accordance with the following rules:**

#### **a. Form of Advice**

All advises 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 letter 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 advises detailed in (c) i, (c) ii and (c) iii are to be given. In the absence of such instruction, the collecting bank will send the relative advises by the method of its choice at the expense of the bank from which the collection instruction was received.

#### **c. ADVICE OF PAYMENT**

i) The collecting bank must send without delay advice of payment to the bank from which the collection instruction was received, detailing the 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-ACCPTANCE**

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 advise 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.