

B Exercise 1 and Exercise 2 (Track 13)

Ms Crane: Good morning, Ms Henson. How are you?

Ms Henson: Hello Ms Crane. Well, I'm fine so far. Just a little bit nervous because I don't really know how to manage the shipment of our goods to America.

Ms Crane: Yes, I remember. We talked about it on the phone yesterday. What exactly would you like to know?

Ms Henson: First of all we'd prefer payment for the goods by documentary letter of credit. Could you provide me with more detailed information on that, please?

Ms Crane: Certainly. The letter of credit is a binding document that your customer can request from his bank in order to guarantee that the payment for the goods will be transferred to your company. Generally speaking, a letter of credit ensures that you will receive payment for the goods. For this you have to present the necessary shipping documents confirming the delivery of goods within a given time frame.

Ms Henson: Could you tell me a bit more about the shipping documents? I've only heard that the commercial invoice has to fulfil certain requirements.

Ms Crane: You're quite right. As this is the official regular invoice it should contain not only a detailed description of the goods, the quantity, weight, number of packages and shipping marks, but also the terms of payment, delivery and insurance costs. These details have to comply exactly with those mentioned in the letter of credit.

Ms Henson: Ok, could you also tell me something about the bill of lading?

Ms Crane: The bill of lading is very important because it is a document of title. This means that the person to whom it is issued is entitled to the goods.

Ms Henson: Are there any other documents I have to consider?

Ms Crane: Yes, you have to present a certificate of origin which shows where the goods originated. It has to be certified by the Chamber of Commerce.

Ms Henson: Why's that?

Ms Crane: The customs authorities of the importing country only accept bills of lading which are certified by an approved authority. Another reason might be a political one because goods from certain countries may be under an embargo. And last but not least: Don't forget the insurance policy.

Ms Henson: Yes, I've already taken care of that because we don't want to lose everything if the goods are stolen or damaged during transport. I've got another question. As I said, we'd prefer payment by letter of credit. But are there any other ways to arrange payment with America?

Ms Crane: Another possibility might be payment by banker's draft. In this case your customer asks his bank to prepare a draft payable to your company on presentation.

Ms Henson: And can you please explain what a bill of exchange is?

Ms Crane: This is a written order issued by a person or business directing the recipient to pay a fixed sum of money to a third party at a future date. The future date may be either fixed or negotiable. A bill of exchange must be signed and dated.

Ms Henson: So, all in all a letter of credit seems to be the best method because the customer's bank guarantees payment. What is the exact procedure?

Ms Crane: Your customer arranges for his bank, the issuing bank, to open a documentary letter of credit by delivering the letter to your bank, the so-called advising bank. In this case we would be the advising bank and we would inform you about the negotiated terms for payment. Then the goods are dispatched and you have to present to us the required shipping documents we talked about earlier. This is the moment we pay the bill to your account. We then send the shipping documents to the issuing bank, which in turn pays us and receives payment from your customer, who then receives the shipping documents so that he can claim the goods.

Ms Henson: Aha. Not so easy to follow, but I think, quite clear so far. Are there different forms of letters of credit?

Ms Crane: Yes, it could be either revocable or irrevocable and confirmed. Revocable means that the importer can cancel the credit at any time, irrevocable means that the credit cannot be cancelled without the exporter's agreement and confirmed means that the advising bank will agree to pay the exporter if there is any default by the importer or the issuing bank.

Ms Henson: Well, that's a lot of information. I think I'll have to sort it out a bit. Thank you very much for your patience and may I come back to you if I have any further questions?

Ms Crane: You're welcome, and just call me if you have any more questions. I'll be glad to help you with your overseas business.