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International Trade Terminologies

ASWP: Any Safe World Port;

BCL: Bank Comfort Letter;

Definition: BCL also known as a Bank Capability Letter, or Bank Confirmation Letter, this is a letter from the Buyer's bank confirming his ability to meet a certain level of payment requirements. This letter states that the Buyer has sufficient funds to cover the cost of the order. It should however be understood that this does not imply any guarantee of payment.

BOL-(B/L): Bill of Lading;

Definition: This is the receipt given by the shipping company when goods are loaded on board the vessel. This is an important document and gives title to the goods. It is needed by the buyer to obtain the goods from the port.

CFR: Cost and Freight;

Definition: The price includes the cost of the goods, loading, and freight to the named Destination Port. This does not include unloading charges.

CIF: Cost, Insurance and Freight;

Definition: This is the same as CNF, but also includes insurance to the named Destination Port. e.g. CIF Aqaba Port-Jordan.

DC: Draft Contract;

Definition: A draft contract is an initial contract which is drawn up and sent from the Seller to the Buyer. The Buyer has the opportunity to make amendments and send it back to the Seller for consideration. This process continues until both parties are satisfied with the terms of the contract.

DDP: Delivered Duty Paid;

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Definition: To the named Destination (which can be customer's works) e.g. DDP New York. All delivery charges and duties to the named destination are paid by the exporter.

FCO: Full Corporate Offer;

Definition: Issued by the seller after the preliminary stages of negotiation are complete such as a letter of intent having been issued by the buyer, and a soft probe have been conducted on their accounts by the Seller. A full corporate offer is a document which outlines the conditions of the sale.

ICPO: Irrevocable Corporate Purchase Order;

Definition: This is a document drawn up by commercial Buyers, and contains the quantities and type of commodity required, and other conditions that the buyer would like the sale to proceed under. Once submitted to the Seller, this is deemed to be binding and the corporation is obliged to complete the sale.

LOC-(L/C): Letter of Credit;

Definition: A Letter of credit is a document issued from the Buyer's bank to the Seller which guarantees payment to the beneficiary of the letter of credit (the Seller), as long as the terms and conditions set out in the letter of credit are met. L/Cs are almost always irrevocable, can be transferable, For regular shipments a Revolving L/C is often utilized.

TLC: Transferable letter of credit;

Definition: This is the favourite instrument of the traders and middlemen to offer secure terms of payments to third parties such as their suppliers (second beneficiary in the letter of credit). When the buyer pays the letter of credit, part of the proceeds is transferred to Letters of Credit variations.

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CL/C: (Confirmed Letter of Credit);

Definition: A letter of credit, issued by a foreign bank, with validity confirmed by a First Class (usually US or European) bank. A seller with CL/C terms is assured of payment even if the foreign buyer or the foreign bank defaults.

DL/C: Documentary Letter of Credit;

Definition: A document issued by a bank which guarantees the payment of a buyer's drafts for a specified period and up to a specified amount. The Documentary Letter of Credit provides a more secure means of carrying out transactions in import-export trade than by documentary bills collection (see Bill of Exchange). A letter of credit when transmitted through a bank, usually in the seller's country, becomes the means by which the seller obtains payment. The necessary documents, correctly completed, are presented to a bank by an agreed date. If the terms of the credit are met, a seller can receive payment from a bank immediately.

L/C: (Irrevocable Letter of Credit);

Definition: An Irrevocable Letter of Credit cannot be amended or cancelled without the consent of the issuing bank, the confirming bank (if confirmed), bears the further payment undertaking of another bank, usually the advising bank, called the Confirming Bank here since it adds its confirmation to the letter of credit. This may also be used if the issuing bank is of unknown doubtful standing to the seller and the beneficiary. The payment is guaranteed by the bank if the credit terms and conditions are fully met by the beneficiary. The words Irrevocable Documentary Credit or Irrevocable Credit may be indicated in the L/C. It means that once the buyer's conditions in the letter have been agreed to by the seller, they constitute a definite undertaking by the buyer's bank and cannot be revoked without the seller's agreement.

Revocable Letters of Credit are rarely used as the terms of the credit can be cancelled or amended by an overseas buyer at any time without notice to the seller.

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RLC-(ARDLC): Auto-Revolving Documentary Letter of Credit;

Definition: Is a financial guarantee or performance bond issued by a bank on behalf of a buyer i.e. a written obligation of the issuing bank to pay a sum to a beneficiary on behalf of their customer in the event that the customer himself does not pay the beneficiary. The SL/C is regulated by the ICC600 rules.

LOI: Letter of Intent;

Definition: Letter of Intent is a document issued from the Buyer to the Seller which indicates that the Buyer would like to enter into negotiations with the Seller in the hope of purchasing commodity. The letter of intent is not legally binding, but it does provide a starting point for negotiations.

SBL: Stand-by Letter of Credit;

Definition: It is financial guarantee or performance bond issued by a bank on behalf of a buyer i.e. a written obligation of the issuing bank to pay a sum to a beneficiary on behalf of their customer in the event that the customer himself does not pay the beneficiary. The SL/C is regulated by the ICC600 rules.

PB (%): Performance Bond;

Definition: This is a type of bank guarantee which is issued from the Seller to the Buyer. It guarantees that the Seller will meet the terms of the contract. Normally issued in the amount of 2 % of the total amount of the contract, a performance bond can be drawn upon by the Buyer in the event that the Seller breaks the contract and fails to provide the product which was stipulated in the contract.

POP: Proof of Product;

Definition: A Proof of Product ('POP') is often requested by customers or agents who believe it will give them some guarantee of the existence of the product and ability of the supplier to deliver the product. In practice many POP's are false. POP offers no proof at all, because once a POP has been drafted it is

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automatically out of date -the product could have been sold to another buyer and therefore no longer exists. Nevertheless, a POP is still occasionally requested as apparent proof that a seller has the product, A POP is realistically provided only when the Buyer's bank issues a Bank Confirmation Letter (BCL) to the Seller and or seller's bank via SWIFT. Then the Seller's bank can check the availability of funds in the Buyer's bank and issue a POP to the Buyer's bank within an agreed time period (e.g. 5 days). A seller will not issue a POP to buyer without a non-operative letter of credit opened. See our procedures. The (PB) of 2 percent will render the DLC operative. The bank will then send the POP five days later.

RWA: Ready, Willing and Able;

Definition: This is a document which is issued by the Buyer's bank. The bank confirms that their client has the sufficient funds in their possession and is ready, willing and able to engage in the contract.

SGS INSPECTION (www.sgs.com);

Definition: SGS is the world's leading inspection, verification, testing and certification organization. SGS is recognized as the global benchmark for quality and integrity. The core services offered by SGS can be divided into three categories:

- 1- Certification Services: SGS certifies that products, systems or services meet the requirements of standards set by governments (e.g. GOST R), standardization bodies (e.g. SO 9000) or by SGS customers. SGS also develops and certifies its own standards;
- 2- Inspection Services: SGS inspects and verifies the quantity, weight and quality of traded goods. Inspection typically takes place at the manufacturer/supplier's premises or at time of loading or at destination during discharge/off-loading;
- 3- Testing Services: SGS tests product quality and performance against various health, safety and regulatory standards. SGS operates state of the art laboratories on or close to customer's premises.

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SOFT PROBE;

Definition: This is an authorization from the buyer to the seller to contact the buyer's bank to verify the buyer has the financial capability to purchase the amount of sugar and the method of payment agreed in the (LOI) Letter of Intent.

SWIFT: Society for Worldwide Interbank Financial Telecommunication;

Definition: A global service that is responsible for facilitating communication between banks. Most payments are made via SWIFT.