

# Trade Finance.

## Payment Terms for Exporters.

In practice, documentary credits often have to be amended after they are issued because payment terms were not clearly defined, or other important details were not set out in the contract. It is important to select the right form and type of documentary credit.

You will find below various **payment terms** for the most common types of documentary credits: sight, deferred payment and acceptance. Exporters should incorporate these terms in their contracts. This will improve the chances of the future documentary credit being issued in conformity with the contractual terms.

Types of documentary credits	Payment Terms
<p><b>Sight documentary credit, unconfirmed</b> (without obligation to pay by UBS) – transaction with contemporaneous performance if available/payable with UBS.</p>	<p>against documentary <b>credit</b>, to be <b>advised</b> through UBS AG, Trade Finance, P.O. Box, CH-8098 Zurich (SWIFT UBSWCHZH80A), in our favour, valid until (= date) at the counters of UBS AG,</p> <p>available <b>by sight payment</b> with UBS AG, against presentation of the required documents.</p>
<p><b>Sight documentary credit, confirmed</b> (obligation to pay by UBS) – classic transaction with contemporaneous performance.</p>	<p>against documentary <b>credit</b>, to be issued by a first class bank and <b>confirmed</b> by UBS AG, Trade Finance, P.O. Box, CH-8098 Zurich (SWIFT UBSWCHZH80A), in our favour, valid until (= date) at the counters of UBS AG,</p> <p>available <b>by sight payment</b> with UBS AG, against presentation of the required documents.</p>
<p><b>Documentary credit available by deferred payment, unconfirmed</b>            Exporter grants the buyer a period for payment and waits until the period expires.</p>	<p>against documentary <b>credit</b>, to be <b>advised</b> through UBS AG, Trade Finance, P.O. Box, CH-8098 Zurich (SWIFT UBSWCHZH80A), in our favour, valid until (= date) at the counters of UBS AG,</p> <p>available <b>by deferred payment</b> with UBS AG <b>at ... days</b> from/after date of shipment, against presentation of the required documents.</p>
<p><b>Documentary credit available by deferred payment, confirmed</b>            Exporter grants the buyer a period for payment. Under certain circumstances, the exporter can benefit from early fulfilment, i.e. to have advanced the proceeds of the credit subject to an interest charge once the stipulated documents have been taken up.</p>	<p>against documentary <b>credit</b>, to be issued by a first class bank and <b>confirmed</b> by UBS AG, Trade Finance, P.O. Box, CH-8098 Zurich (SWIFT UBSWCHZH80A), in our favour, valid until (= date) at the counters of UBS AG,</p> <p>available <b>by deferred payment</b> with UBS AG <b>at ... days</b> from/after date of shipment, against presentation of the required documents.</p>

## Types of documentary credits

## Payment Terms

### Documentary credit available by acceptance, confirmed

Classic financing instrument. After acceptance, draft may be discounted by UBS.

Exporter grants a period for payment and pays the discount.

Exporter does **not** grant a period for payment. Discount charges are for the account of the buyer. <sup>1)</sup>

against documentary **credit**, to be issued by a first class bank and **confirmed** by UBS AG, Trade Finance, P.O. Box, CH-8098 Zurich (SWIFT UBS-WCHZH80A), in our favour, valid until (= date) at the counters of UBS AG,

available **by acceptance of a time draft**, drawn on UBS AG **at ... days** from/after date of shipment, accompanied by the required documents.

**Acceptance** commission is for **applicant's** (buyer's) account. However, the relative **discount charges** are for **beneficiary's** (seller's) account.

**Acceptance and discount charges** are for **applicant's** (buyer's) account. Therefore, beneficiary (seller) is to receive the draft amount as if it were drawn **at sight**.

<sup>1)</sup> The confirming bank discounts the bank acceptance to the account of the issuing bank; exporter receives immediate **sight payment**.



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