

Trade Finance

Checklist for bills of exchange

Please note the following important points in connection with bills of exchange:

When you issue a bill of exchange

The bill must contain the following eight elements (seven in the case of promissory notes: point three does not apply because the issuer is also the drawee):

1. The term "bill of exchange" must be inserted in the body of the instrument
 2. An unconditional order to pay a determinate sum of money
 3. The name of the person who is to pay (drawee)
 4. A statement of the time of payment (months should be written in words)
 5. A statement of the place of payment (bank domicile)
 6. The name of the person to whom or to whose order payment is to be made (payee)
 7. A statement of the date and place where the bill is issued (months should be written in words)
 8. The legal signature of the person issuing the bill (drawer)
- A bill of exchange is not subject to any other formal requirements and no special form requires to be completed. A normal letter containing the aforementioned eight or seven points will suffice.
 - A bill of exchange may not be issued or signed in pencil.
 - Changes to material parts of the bill, such as corrections, deletions etc., must be avoided. They could lead to difficulties in the event of litigation.
 - The bill may be issued by computer.

When you accept a bill of exchange

- With time drafts the acceptance must stipulate a certain date.
- With sight drafts an acceptance is not required because they are presented directly for payment.
- No acceptance is required for promissory notes because they already contain a promise to pay.

When you receive a bill of exchange and pass it on

- Verify the formal correctness of every bill (eight or seven points).
- Verify that there are no gaps in the list of endorsements.
- The endorsement – preferably a full endorsement – must be signed with legally binding effect.

When a bill of exchange becomes due for payment

- Payment under a bill of exchange must be demanded by presenting the bill to the drawee.
- If the maturity of the bill falls on a Saturday, Sunday or legal holiday, the bill will be presented for payment on the following working day.
- A domiciled bill of exchange must be presented for payment in the place designated on the bill.

When a bill of exchange is presented to you for payment

- Verify the identity of the presenter.
- Verify that there are no gaps in the list of endorsements.
- After payment ensure that the bill is returned to you with the payee's signed receipt of payment on it.

When a bill of exchange is not honoured

- If a bill of exchange is presented and payment is refused, it must be protested by a notary public within two working days following its maturity. The last endorser and the drawer must be informed within four working days.
- In the case of bills of exchange that are designated "without costs" no protest needs to be made.