**Acceptance Commission:** The fee that is usually paid by the applicant to the accepting bank to compensate the bank for accepting the draft under a usance Letter of Credit.

**Advising Bank:** The beneficiary’s (exporter’s) local bank that takes responsibility to advise the Letter of Credit.

**Air Waybill:** A non-negotiable shipping document, covering both domestic and international flights, used for the transportation of freight that includes conditions, limitations of liability, shipping instructions, description of commodity and applicable transportation charges.

**Analysis Certificate:** A document that confirms the goods have been analyzed for quality, composition, etc.

**Applicant:** The individual or company applying for a Letter of Credit; synonymous terms are importer, buyer and account party.

**Beneficiary:** The individual or company to whom a Letter of Credit is issued, or who is entitled to draw or demand payment under its terms; synonymous terms are exporter, vendor, shipper and seller.

**Bill of Exchange:** Used interchangeably with the word “draft.” A written order from one person (the drawer) to another (the drawee) specifying the terms (time and amount) of when payment for the shipment is due.

**Bill of Lading:** A document listing and acknowledging receipt of goods for transport.

**C+I:** Cost and Insurance (…named port of destination). Shipping term included in a contract of sale where the seller agrees to arrange and pay for transportation and cargo insurance over the goods to the named destination, such costs are included in the price of the goods. All risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier, is transferred from the seller to the buyer. Furthermore under C&I terms, the cost of the ocean freight and arranging the transportation from the port of discharge are the responsibility of the buyer.

**Certificate of Origin:** A document that certifies a specific country as the origin of specific goods. Certain countries for tariff purposes require this certificate.

**CFR:** Cost and Freight (…named port of destination). The seller must pay the costs and freight necessary to bring the goods to the named port of destination, but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. Given that the seller is responsible for transportation, the seller also chooses the forwarder. (This IncoTerm, CFR, has replaced the term C&F).

**CIF:** Cost, Insurance and Freight (…named port of destination). The seller has the same obligations as under CFR, but in addition has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage. The seller pays the insurance premium and only is required to obtain minimum coverage. Under this arrangement, the seller usually chooses the freight forwarder. Delivery is accomplished at the port of designation.

**Commercial Invoice:** A document that details the transaction between a seller and a buyer. It generally contains the name and address of the seller and buyer, date of the sale, a description of the goods, quantity, unit price, terms of sale, amount due under the Letter of Credit and type of currency.
**Consignor:** The Company that delivers the merchandise; also referred to as the shipper on a bill of lading.

**Discount Charges:** Charges that represent the interest or fee charged by the bank that discounts the draft to the beneficiary. Discount charges are typically calculated based on the face amount of the draft, an interest rate and the number of days prior to maturity of the draft that the beneficiary is receiving payment. The beneficiary of a Letter of Credit can choose to receive immediate payment by having the draft discounted or paid immediately.

**Draft:** A written order from one person (the drawer) to another (the drawee) specifying the terms (time and amount) of when payment for the shipment is due (also referred to as Bill of Exchange).

**Drawn On:** Term referring to the party on whom the draft is drawn or the party who has the unconditional obligation to pay the holder of the draft when it is due.

**ExWK:** Ex-Works (…named port of loading). A basic shipment arrangement that places the minimum responsibility on the seller. In an Ex-Works transaction, goods are made available for pickup at the shipper/seller's factory or warehouse and delivery is accomplished when the merchandise is released to the consignee's freight forwarder. The buyer is responsible for making arrangements with the forwarder for insurance, export clearance and handling all other paperwork. Essentially, in these transactions, the buyer takes possession and ownership of goods as soon as it is outside of the seller's premises.

**Expiry:** Also known as the expiration date. The last date by which the overseas vendor must present the documents to a bank for payment in order to comply with the Letter of Credit terms.

**FAS:** Free Along Side (…named port of loading). In these transactions, the buyer bears all the transportation costs and the risk of loss of goods. Companies selling on these terms ordinarily will use their freight forwarder to clear the goods for export. Delivery is accomplished when the goods are turned over to the buyer's forwarder for insurance and transportation.

**FOB:** Free On Board (…named port of loading). In these transactions the shipper/seller uses the freight forwarder to move the merchandise to the port or designated point of origin. Though frequently used to describe inland movement of cargo, FOB specifically refers to ocean or inland waterway transportation of goods. Delivery is accomplished when the shipper/seller releases the goods to the buyer's forwarder; the buyer's responsibility for insurance and transportation begins at the same moment.

**IncoTerms:** International Commercial Terms. A set of rules, published by the International Chamber of Commerce for the interpretation of the most commonly used trade terms in foreign trade that parties can agree upon to avoid misunderstandings, disputes and litigation. These terms distinguish when the seller's responsibility ends and the buyer's responsibility begins (see the pdf of the Incoterm’s Responsibility Matrix on the Guided Tour).

**Inspection Certificate:** Upon inspection of goods, this document certifies that merchandise was in good condition or in accordance with certain specifications immediately prior to shipment.

**Insurance Document:** Any document required under a Letter of Credit as proof that insurance has been secured against loss of the goods. The document typically is the insurance certificate.

**Issue Method:** The method by which the Letter of Credit will be transmitted overseas.
Latest Shipping Date: The last date which the exporter can ship the merchandise and still be in compliance with the terms of the Letter of Credit, usually stated on the shipment transport document.

Letter of Credit (L/C), Commercial: A bank-issued document (requested by the customer) to a specified beneficiary by which the bank substitutes its credit for that of the customer. The bank makes payments to the beneficiary under conditions specified in the L/C.

Letter of Credit, Sight: A Letter of Credit, payable immediately upon shipment or demand (compare LETTER OF CREDIT, USANCE).

Letter of Credit, Usance: A Letter of Credit payable at some future maturity date; also called a time Letter of Credit because it allows the buyer a certain period of time to pay all drawings under the Letter of Credit (compare LETTER OF CREDIT, SIGHT).

Multimodal Transport: Transportation by at least two modes of transport, such as shipping by rail and by sea.

Packing List: A document that lists the quantity and kinds of items being shipped.

Partial Shipment: A shipment under a Letter of Credit representing only part of the goods covered by the Letter of Credit.

Reimbursement & Security Agreement: Document required by the issuing bank of a Letter of Credit that is signed by the applicant and authorizes the bank to issue credit with the specified terms and conditions; includes the applicant’s legal promise to reimburse the issuing bank for all drawings and payments made under the Letter of Credit.

Sight Letter of Credit: Payment has to be made at the time of shipment if the complying documents are presented to KeyBank.

Swift/Telex: Electronic communication method used between banks to transmit information related to Letters of Credit.

Terms, Shipping: (See Incoterms.) Terms outlining where the seller's responsibility ends and where the buyer's begins with regard to shipping the merchandise and its associated charges (usually stated in abbreviated form. e.g. FAS, FOB, C&F, CIF).

Time Draft: A draft that is payable at a fixed or determinable future date.

Transport Document: Any document that evidences acceptance, receipt and shipment of goods.

Transferable: Allows the beneficiary of the Letter of Credit to transfer the entire transaction to a third party usually in situations where the first beneficiary is an intermediary between the importer and the KeyBank customer in the United States and the ultimate shipper of the merchandise.

Transshipment: The transfer and reloading of merchandise during the shipping process, either with two or more of the same mode of transport or from one mode of transport to another mode of transport.

Usance Letter of Credit: (AKA time Letter of Credit). The bank accepts a draft and payment is made at a future point in time.
**Variance**: A plus or minus percentage that the applicant will allow on either the invoice or the product.

**Weight List**: A document prepared by the shipper that typically indicates the exact weight of the individual cartons, containers or pieces being shipped, as well as the total weight.

**Uniform Customs and Practice for Documentary Credits**: (UCP) International standards of Letter of Credit practice established for bankers by the International Chamber of Commerce. Historically, the UCP is revised about every 10 years to keep up with changing practices. The most recent revision, UCP500, was completed in 1993. Although the UCP defines rights and obligations of the various parties in a Letter of Credit transaction, it is not law and any given letter of credit is subject to the UCP only to the extent indicated in the Letter of Credit itself.