

**НАЦІОНАЛЬНИЙ БАНК УКРАЇНИ  
УКРАЇНСЬКА АКАДЕМІЯ БАНКІВСЬКОЇ СПРАВИ  
ЧЕРКАСЬКА ФІЛІЯ**

# **ФОРМИ МІЖНАРОДНИХ РОЗРАХУНКІВ**

**НАВЧАЛЬНИЙ ПОСІБНИК**

**ЧЕРКАСИ 2003**

**NATIONAL BANK OF UKRAINE  
UKRAINIAN ACADEMY OF BANKING  
CHERKASY BRANCH**

# **FORMS OF INTERNATIONAL SETTLEMENTS**

**PROFESSIONAL CONTENT BOOK IN ENGLISH**

**CHERKASY 2003**

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## ЗМІСТ.

Передмова.

Unit 1. Payment Order

Unit 2. Bill of Exchange

Unit 3. Letter of Credit

Unit 4. Collection

Словник економічних термінів

## Передмова

Навчальний посібник складається з чотирьох розділів:

1. Платіжне доручення.
2. Вексель.
3. Акредитив.
4. Інкасо.

Даний посібник знайомить читача з міжнародними формами розрахунків в комерційних банках.

Мета його – поглибити знання англійської мови у сфері банківської справи. Цій меті підпорядковано структуру кожного розділу: тематичний текст, словник, вправи, зразки та бланки документів, листи. Структура лексико-граматичних вправ сприяє закріпленню лексики та активізації граматичних явищ англійської мови. Зразки банківських документів, листи, та тексти для додаткового читання сприяють кращій мовній підготовці майбутнього економіста.

Призначено для студентів старших курсів економічних вузів банківських спеціальностей як для аудиторної так і для самостійної роботи.

# UNIT 1

## Topic: PAYMENT ORDER

### TEXT

**Task: Read and translate the text.**

Payment order means an instruction of a sender to a receiving bank, transmitted orally, electronically, or in writing, to pay, or to cause another bank to pay, a fixed or determinable amount of money to a beneficiary.

If an instruction is to make more than one payment to a beneficiary, the instruction is a separate payment order with respect to each payment. A payment order is issued when it is sent to the receiving bank.

The time of receipt of a payment order or communication cancelling or amending a payment order is determined by the rules. A receiving bank may fix a cut-off time or times on a funds-transfer business day for the receipt and processing of payment orders and communications cancelling or amending payment orders.

A payment order received by the receiving bank is the authorised order of the person identified as sender if that person authorised the order or is otherwise bound by it under the law of agency.

If a receiving bank accepts a payment order issued in the name of its customer as a sender which is not authorized the bank shall refund any payment of the payment order received from the customer to the extent the bank is not entitled to enforce payment and shall pay interest on the refundable amount calculated from the date the bank received payment to the date of the refund.

If a payment order addressed to a receiving bank is transmitted to a funds-transfer system or other third-party communication system for transmittal to the bank, the system is deemed to be an agent of the sender for the purpose of transmitting the payment order to the bank. If there is a discrepancy between the terms of the payment order transmitted to the system and the terms of the payment order transmitted by the system to the bank, the terms of the payment order of the sender are those transmitted by the system.

Acceptance of a payment order cannot occur before the order is received by the receiving bank. Acceptance does not occur if the beneficiary of the payment order does not have an account with the receiving bank, the account has been closed, or the receiving bank is not permitted by law to receive credits for the beneficiary's account.

A payment order is rejected by the receiving bank by a notice of rejection transmitted to the sender orally, electronically, or in writing. A notice of rejection need not use any particular words and is sufficient if it indicates that the receiving bank is rejecting the order or will not execute or pay the order.

A communication of the sender of a payment order cancelling or amending the order may be transmitted to the receiving bank orally, electronically, or in writing. A communication by the sender cancelling or amending a payment order is effective to cancel or amend the order if notice of the communication is received at a time and in a manner affording the receiving bank a reasonable opportunity to act on the communication before the bank accepts the payment order.

After a payment order has been accepted, cancellation or amendment of the order is not effective unless the receiving bank agrees or a funds-transfer system rule allows cancellation or amendment without agreement of the bank.

A cancelled payment order cannot be accepted.

### WORDS TO BE LEARNT:

- |                                 |  |
|---------------------------------|--|
| 1. a receiving bank             | - банк-отримувач                               |
| 2. to transmit                  | - передавати, переказувати                     |
| 3. determinable amount of money | - визначена сума грошей                        |
| 4. a beneficiary                | - бенефіціар, отримувач                        |
| 5. with respect to              | - що стосується                                |
| 6. to cancel                    | - відмінити                                    |
| 7. to amend                     | - виправляти, вносити зміни                    |
| 8. to determine                 | - визначати                                    |
| 9. a communication              | - інформація, повідомлення                     |
| 10. to fix a cut-off time       | - встановлювати крайній строк, термін          |
| 11. funds-transfer business day | - операційний день передачі коштів між банками |
| 12. receipt and processing      | - отримання і обробка                          |
| 13. authorised order            | - законне/дійсне доручення                     |
| 14. to be bound                 | - бути зв'язаним                               |
| 15. law of agency               | - закон агентських відносин                    |
| 16. to refund payment           | - відшкодувати гроші                           |
| 17. to the extent               | - в розмірі, в межах                           |
| 18. to be entitled              | - мати право                                   |
| 19. to enforce payment          | - стягнути платіж                              |
| 20. refundable amount           | - відшкодована сума                            |
| 21. funds-transfer system       | - система перерахування коштів між банками     |
| 22. communication system        | - система зв'язку                              |
| 23. to deem                     | - вважати                                      |
| 24. a discrepancy               | - розбіжність, невідповідність                 |
| 25. to occur                    | - мати місце                                   |
| 26. to reject                   | - відхиляти                                    |
| 27. a notice of rejection       | - повідомлення про відмову                     |
| 28. to execute the order        | - виконувати доручення                         |

- |                     |                         |
|---------------------|-------------------------|
| 29. at a time       | - разом                 |
| 30. to afford       | - дозволяти             |
| 31. to act on       | - діяти у відповідності |
| 32. to be effective | - мати силу             |

## EXERCISES

### Exercise 1. Insert the appropriate words in the sentences.

*customer, occur, cancelled, receiving bank, rejection*

1. A payment order is issued when it is sent to the ...
2. If a receiving bank accepts a payment order issued in the name of its ... as a sender the bank shall refund any payment of the payment order.
3. Acceptance of a payment order cannot ... before the order is received by the receiving bank.
4. A notice of ... need not use any particular words and is sufficient if it indicates that the receiving bank is rejecting the order or will not execute or pay the order.
5. A ... payment order cannot be accepted.

### Exercise 2. Find the equivalents.

- |                                 |   |
|---------------------------------|---|
| 1. determinable amount of money | a. встановлювати крайній строк, термін      |
| 2. separate payment order       | b. виправляти платіжне доручення            |
| 3. to amend a payment order     | c. визначена сума грошей                    |
| 4. to fix a cut-off time        | d. закон агентських відносин                |
| 5. authorised order             | e. стягнути платіж                          |
| 6. law of agency                | f. окреме платіжне доручення                |
| 7. to enforce payment           | g. отримати кредит                          |
| 8. refundable amount            | h. система перерахування коштів між банками |
| 9. funds-transfer system        | i. законне платіжне доручення               |
| 10. to receive credit           | j. відшкодована сума                        |

### Exercise 3. Match A with B.

- | A           | B                 |
|-------------|-------------------|
| 1. to pay   | a. payment        |
| 2. to issue | b. an opportunity |
| 3. to fix   | c. money          |



- |                |                    |
|----------------|--------------------|
| 4. to refund   | d. a cut-off time  |
| 5. to close    | e. payment order   |
| 6. to transmit | f. an account      |
| 7. to afford   | g. a communication |

**Exercise 4. Match the English words with their meanings.**

- |                                |   |
|--------------------------------|---|
| 1. payment order               | a. the bank to which the sender's instruction is addressed.   |
| 2. beneficiary                 | b. series of funds transactions.  |
| 3. beneficiary's bank          | c. an instruction of a sender to a receiving bank to pay money to a beneficiary.  |
| 4. receiving bank              | d. the bank in which an account of the beneficiary is to be credited.   |
| 5. sender                      | e. a person to be paid by the beneficiary's bank  |
| 6. funds transfer              | f. a person, including a bank, having an account with a bank.   |
| 7. customer                    | g. exchanging information verbally or by means of a letter, fax. etc.   |
| 8. funds-transfer business day | h. a person giving instructions to the receiving bank.  |
| 9. funds-transfer system       | i. the part of a day during which the receiving bank is open for the receipt, processing and transmittal of payment orders. |
| 10. communication              | j. a wire transfer network through which a payment order may be transmitted.  |

**Exercise 5. Make sentences putting the words and word combinations in the correct order.**

1. an instruction/ payment order/ to/ means/ of a sender/ a receiving bank
2. shall refund/ of the payment order/ the bank/ received/ the customer/ any payment/ from
3. business day/ may fix/ a receiving bank/ on a funds-transfer/ a cut-off time
4. does not occur/ acceptance/ of the payment order/ does not have/ with the receiving bank/ if the beneficiary/ an account
5. a communication/ of a payment order/ may/ to the receiving bank/ of the sender/ be transmitted/ orally or in writing

**Exercise 6. Define the form of the predicate in the sentences.**

1. Payment order means an instruction of a sender to a receiving bank to pay a fixed or determinable amount of money to a beneficiary.
2. A payment order is issued when it is sent to the receiving bank.
3. The bank shall pay interest on the refundable amount calculated from the date the bank received payment to the date of the refund.
4. The payment order has been amended with the agreement of the sender.
5. The receiving bank is rejecting the order by a notice of rejection.

**Exercise 7. Open the brackets and put the verbs in the correct form.**

1. A payment order (**to reject**) by the receiving bank by a notice of rejection transmitted to the sender orally, electronically, or in writing.
2. A notice of rejection (**to indicate**) that the receiving bank is rejecting the order or will not execute or pay the order.
3. A funds-transfer system (**to be**) an agent of the sender for the purpose of transmitting the payment order to the bank.
4. The payment order will be accepted after the receiving bank (**to agree**) to cancel or amend the order.
5. A communication by the sender (**to cancel or amend**) a payment order.

**Exercise 8. Insert the appropriate prepositions in the blanks as in the text.**

1. Payment order is an instruction ... a sender ... a receiving bank to pay a fixed amount ... money.
2. If an instruction is to make more than one payment ... a beneficiary, the instruction is a separate payment order ... respect ... each payment.
3. Acceptance ... a payment order cannot occur ... the order is received ... the receiving bank.
4. A communication ... a payment order is transmitted ... the receiving bank.
5. Cancellation or amendment ... the payment order cannot be effective ... the agreement ... the bank.

**Exercise 9. Translate from Ukrainian into English:**

1. передавати усно/письмово
2. відмінити/виправляти платіжне доручення
3. встановлювати крайній строк
4. операційний день передачі коштів
5. відшкодувати гроші
6. стягувати платіж
7. мати рахунок в банку
8. повідомлення про відмову
9. виконувати доручення
10. діяти у відповідності з законом (вступати в силу)

**Exercise 10. Translate the questions from Ukrainian into English and answer them.**

1. Що таке платіжне доручення?
2. Коли видається платіжне доручення?
3. Який банк відшкодовує суму платіжного доручення?
4. Коли платіжне доручення може бути акцептованим?
5. Хто має право на відміну та виправлення платіжного доручення?

**READING PRACTICE**

**Payment by Beneficiary's Bank to Beneficiary**

If the beneficiary's bank credits an account of the beneficiary of a payment order, payment of the bank's obligation occurs when the beneficiary is notified of the right to withdraw the credit, the bank lawfully applies the credit to a debt of the beneficiary, or funds with respect to the order are otherwise made available to the beneficiary by the bank.

If the beneficiary's bank does not credit an account of the beneficiary of a payment order, the time when payment of the bank's obligation occurs is governed by principles of law that determine when an obligation is satisfied.

If the beneficiary's bank pays the beneficiary of a payment order under a condition to payment or agreement of the beneficiary giving the bank the right to recover payment from the beneficiary if the bank does not receive payment of the order, the condition to payment or agreement is not enforceable.

**Words you may need:**

- |                           |                               |
|---------------------------|-------------------------------|
| 1. bank's obligation      | - банківська гарантія         |
| 2. to notify              | - повідомляти                 |
| 3. to withdraw the credit | - вимагати повернення кредиту |
| 4. lawfully               | - на законній підставі        |
| 5. with respect to        | - що стосується               |
| 6. to be governed by law  | - керуватися законом          |
| 7. to determine           | - визначати                   |
| 8. to satisfy             | - виконувати (обов'язки)      |
| 9. under a condition      | - при умові                   |
| 10. to recover payment    | - вимагати платіж             |
| 11. to be enforceable     | - бути примусовим             |

**Exercise 11. Read and translate the text.**

**Exercise 12. Put 5 questions to the text.**

**Exercise 13. Make up an outline of the text.**

### **Rate of Interest**

If a receiving bank is obliged to pay interest with respect to a payment order issued to the bank, the amount payable may be determined by agreement of the sender and receiving bank, or by a funds-transfer system rule if the payment order is transmitted through a funds-transfer system.

If the amount of interest is not determined by an agreement or rule, the amount is calculated by multiplying the applicable Federal Funds rate by the amount on which interest is payable, and then multiplying the product by the number of days for which interest is payable. The applicable Federal Funds rate is the average of the Federal Funds rate published by the Federal Reserve Bank of New York for each of the days for which interest is payable divided by 360. If a receiving bank that accepted a payment order is required to refund payment to the sender of the order because the funds transfer was not completed, but the failure to complete was not due to any fault by the bank, the interest payable is reduced by a percentage equal to the reserve requirement on deposit of the receiving bank.

#### **Words you may need:**

- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 1. rate of interest              | - процентна ставка                |
| 2. to be obliged to              | - бути зобов'язаним               |
| 3. payable                       | - той, що підлягає оплаті         |
| 4. by multiplying                | - шляхом множення                 |
| 5. applicable Federal Funds rate | - діюча ставка федеральних фондів |
| 6. to divide                     | - ділити                          |
| 7. to complete                   | - завершувати, закінчувати        |
| 8. failure                       | - нездатність                     |
| 9. to be due to                  | - бути винним                     |
| 10. fault                        | - провина, помилка                |
| 11. to reduce                    | - скорочувати, зменшувати         |
| 12. reserve requirements         | - резервні вимоги                 |

**Exercise 14. Read and translate the text.**

**Exercise 15. Put 5 questions to the text.**

**Exercise 16. Make up an outline of the text.**

## **SAMPLE OF A DOCUMENT**

**Task: Read and translate the document.**

Вставить Аверьянова, стр. 74

## **FORM OF A DOCUMENT**

**Task: Make out the form.**

Вставить документ 1.

## **SPECIMEN LETTERS**

**Task: Read and translate the letters.**

Вставить Аверьянова, стр.86, 89-90.

## UNIT 2

### Topic: BILL OF EXCHANGE

1. Text
2. Exercises
3. Reading Practice
4. Forms of Documents
5. Specimen Letters

#### TEXT

**Task: Read and translate the text.**

A Bill of Exchange is one of the key financial instruments in International Trade. The laws regulating Bills of Exchange in different countries come under two different legal spheres of influence:

- **Bills of Exchange Act (1882) - United Kingdom**
- **Geneva Conventions of 1930**

A Bill of Exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a certain sum of money to a specified person or to bearer.

A Bill of Exchange must contain:

1. The term "Bill of Exchange" inserted in the body of the instrument and expressed in the language employed in drawing up the instrument.
2. An unconditional order to pay a determinate sum of money.
3. The name of the person who is to pay.
4. A statement of the time of payment.
5. A statement of the place where payment is to be made;
6. The name of the person to whom or to whose order payment is to be made;
7. A statement of the date and of the place where the bill is issued;

8. The signature of the person who issues the bill.

### **The function of the Bill of Exchange in International Trade:**

The Bill of Exchange performs many functions in international trade including:

- Facilitates the granting of trade credit in a legal format by permitting payments on agreed future dates.
- Provides formal evidence of the demand for payment from a seller to a buyer.
- Provides the seller with access to finance by permitting them to transfer their debts to a bank or other financier by merely indorsing the Bill of Exchange to that bank or financier.
- Permits the banker or financier to retain a valid legal claim on both the buyer and the seller. In certain circumstances a bank or financier may have a stronger legal claim under a Bill than the party that sold them the debt.
- Permits a seller to obtain greater security over the payment by enabling a bank to guarantee a drawee's acceptance (guarantee to pay on the due date) by signing or endorsing the Bill.
- Allows a seller protect their access to the legal system in the event of problems, while providing easier access to that legal system.

### **How the Bill of Exchange is used in international trade:**

A Bill of Exchange can either be payable immediately or at some future date.

- If a Bill is payable immediately, it is usually issued payable at sight. The term "at sight" means that a buyer should pay once they have sighted the Bill, that is once the demand for payment has been made.
- If a Bill is payable at some future date, it must facilitate the calculation of the actual due date. For example Bills of Exchange may be drawn payable at 60 days sight, at 60 days from Bill of Lading Date etc.

### **Advantages of Bills of Exchange:**

Companies have used Bills of Exchange for hundreds of years. Their longevity is due to the advantages they provide in a trading transaction.

- A Bill of Exchange facilitates the granting of trade credit to a buyer.
- A Bill of Exchange provides a legal acknowledgement that a debt exists.
- It can provide the seller with access to financing.
- It can provide easy access to the legal systems in the event of non-payment.

## WORDS TO BE LEARNT:

1. bill of exchange	переказний вексель, тратта
2. to come under	підпадати
3. unconditional order	безумовне розпорядження
4. to pay on demand	платити за вимогою
5. to bearer	на пре'явника
6. to insert in	вставляти, включати в
7. body of the instrument	головна частина документа
8. to draw up an instrument	складати документ
9. a statement	вказівка
10. to facilitate	сприяти, допомагати
11. granting of trade credit	надання торгового кредиту
12. to permit	дозволяти
13. to provide evidence	свідчити
14. to provide an access to finance	надавати доступ до фінансів
15. to transfer to a bank	переказувати в банк
16. to indorse	ставити підпис на звороті документа
17. to retain	стримувати, зберігати
18. a valid legal claim	дійсна законна вимога
19. to sell the debt	продавати борг
20. to obtain security	отримати гарантію
21. in the event of	у випадку
22. payable at sight	з оплатою по пред'явленню
23. actual due date	фактична дата платежу
24. longevity	довголіття
25. to be due to	через; пояснюватись (тут)
26. trading transaction	торгова операція
27. legal acknowledgement	законне підтвердження

## EXERCISES

### Exercise 1. Insert the appropriate words in the sentences.

*actual due date, statement, payable at sight, legal acknowledgement, unconditional order*

1. A Bill of Exchange must contain a ... of the time of payment.
2. A Bill of Exchange provides a ... that a debt exists.
3. If a Bill of Exchange is payable at some future date, it must facilitate the calculation of the ... .
4. If a Bill of Exchange is payable immediately, it is usually issued ... .
5. A Bill of Exchange must contain an ... to pay a determine sum of money.



## Exercise 2. Find the equivalents.

- |                                    |                                |
|------------------------------------|--------------------------------|
| 1. actual due date                 | a) платити за вимогою          |
| 2. unconditional order             | b) з оплатою по пред'явленню   |
| 3. to pay on demand                | c) на пред'явника              |
| 4. payable at sight                | d) отримати гарантію           |
| 5. trading transaction             | e) фактична дата платежу       |
| 6. to sell the debt                | f) переказувати в банк         |
| 7. to provide an access to finance | g) безумовне розпорядження     |
| 8. to transfer to a bank           | h) торгова операція            |
| 9. to bearer                       | i) продавати борг              |
| 10. to obtain security             | j) надавати доступ до фінансів |

## Exercise 3. Match A with B.

- | A                | B                               |
|------------------|---------------------------------|
| 1. to obtain     | a) evidence                     |
| 2. to sell       | b) security                     |
| 3. to facilitate | c) an instrument                |
| 4. to draw up    | d) on demand                    |
| 5. to provide    | e) the debt                     |
| 6. to pay        | f) a valid legal claim          |
| 7. to retain     | g) the granting of trade credit |

## Exercise 4. Match the English words with their meanings.

- |                     |  |
|---------------------|--|
| 1. to pay on demand | a) a person who presents a Bill of Exchange for payment      |
| 2. due date         | b) that must be paid immediately it is presented for payment |
| 3. to indorse       | c) to pay as soon as it is presented for payment             |

- |                     |   |
|---------------------|---|
| 4. bearer           | d) appointed or agreed date                               |
| 5. payable at sight | e) to sign the back of a Bill of Exchange                 |
| 6. debt             | f) a demand for something that is legally due             |
| 7. legal claim      | h) money owed by one person or an organization to another |

**Exercise 5. Make the sentences putting the words and word combinations in the correct order.**

1. A Bill of Exchange/ with/ can/ access to financing/ the seller/ provide
2. of trade credit/ the Bill of Exchange/ the granting/ facilitates
3. to pay/ the name of the person/ a Bill of Exchange/ who/ is/ must contain
4. issues/ must contain/ a Bill of Exchange/ the bill/ who/ the signature of the person
5. sight/ may be drawn/ Bills of Exchange/ at 60 days/ payable

**Exercise 6. Define the form of the predicate in the sentences:**

1. Companies have issued Bills of Exchange for hundreds of years.
2. The Bill of Exchange provides formal evidence of the demand for payment from a seller to a buyer.
3. The Bill of Exchange allows a seller protect their access to the legal system in the event of problems, while providing easier access to that legal system.
4. Sometimes a Bill is issued payable at sight.
5. The term “at sight” means that a buyer should pay once they have sighted the Bill, that is once the demand for payment has been made.

**Exercise 7. Open the brackets and put the verbs in the correct form.**

1. A Bill of Exchange (**to be**) one of the key financial instruments in International trade.

2. The Bill of Exchange (**to permit**) the banker or financier to retain a valid legal claim on both the buyer and the seller.
3. If a Bill is payable immediately it usually (**to issue**) payable at sight .
4. What functions the Bill of Exchange (**to perform**) ?
5. How the Bill of Exchange (**to use**) in International trade ?

**Exercise 8. Insert the appropriate prepositions as in the text.**

1. Their longevity is due ... the advantages they provide ... a trading transaction.
2. The Bill of Exchange permits a seller to obtain greater security ... the payment ... enabling a bank to guarantee to pay on the due date ... signing or indorsing the bill.
3. The term “Bill of Exchange” is inserted ... the body ... the instrument and expressed ... the language employed ... drawing up the instrument.
4. A Bill of Exchange is an unconditional order in writing, requiring the person ... whom it is addressed to pay ... demand or ... a fixed future time a certain sum ... money ... a specified person or ... bearer.
5. A Bill of Exchange can provide easy access ... the legal systems ... the event ... non-payment.

**Exercise 9. Translate from Ukrainian into English.**

1. безумовне розпорядження
2. платити за вимогою
3. ставити підпис на звороті документа
4. надавати торговий кредит
5. платити на пред'явника
6. вказівка на час платежу
7. з оплатою по пред'явленню
8. гарантувати в назначений термін
9. переказувати в банк
10. надавати доступ до фінансів

**Exercise 10. Translate the questions from Ukrainian into English and answer them.**

1. Що таке вексель ?
2. Що повинен включати вексель ?
3. Які основні функції векселя в міжнародній торгівлі ?
4. Як використовується вексель в міжнародній торгівлі ?
5. Які переваги векселя?

## READING PRACTICE

### Legislation for Bills of Exchange

Most countries have adopted codified laws on Bills of Exchange. The legal codes in such countries have created laws that follow the rules agreed at the Geneva Conventions in order to standardize the control of Bills of Exchange. The United Kingdom Bills of Exchange Act 1882 is the basis for rules governing Bills of Exchange in Ireland, U.K. and Commonwealth countries that were part of the British Empire. These countries follow a common law framework to create and modify statutes.

In relation to the most fundamental aspects of a Bill of Exchange the two sets of rules are similar in that both identify the following:

- A Bill of Exchange is an unconditional order to pay a specific amount of money.
- The Bill of Exchange must state a particular time of payment.
- The Bill of Exchange must contain the name of the person who is to pay.

There are, however, certain differences between the Bills of Exchange Act (1882) and the Geneva Convention. In particular the United Kingdom Act sets out fewer formal requirements, for example:

- The term "Bill of Exchange", which is an integral part of the physical Bill according to the Geneva Convention, need not be written on the Bill.
- Bills can be made payable to 'bearer'.
- The place and date of issue are also not obligatory parts of the Bill.

The United Nations Commission on International Trade Law (UNCITRAL) is at present trying to harmonize laws through the "United Nations Convention on International Bills of Exchange and International Promissory notes".

## **Words you may need:**

1. codified laws	кодифіковані закони
2. legal code	правовий кодекс
3. to standardize the control	стандартизувати контроль
4. to govern	керувати
5. common law framework	основа загального права
6. to modify statute	вносити поправки в закон
7. formal requirements	формальні вимоги
8. integral part	невід'ємна частина
9. obligatory part	обов'язкова частина
10. promissory note	простий вексель

**Exercise 11. Read and translate the text.**

**Exercise 12. Put 5 questions to the text.**

**Exercise 13. Make an outline of the text.**

## **FORM OF A DOCUMENT**

**Task: Make out the form.**

Вставити документ 2.

## **SPECIMEN LETTERS**

**Task: Read and translate the letters.**

Вставити Ashley, стр.144, 145,149.

# UNIT 3

## Topic: LETTER OF CREDIT

1. Text
2. Exercises
3. Reading Practice
4. Samples of Documents
5. Specimen Letters

### TEXT

**Task: Read and translate the text.**

A letter of credit is a document issued by a bank guaranteeing a client's ability to pay for goods or services. a bank or finance company issues a letter of credit on behalf of an importer or buyer, authorizing the exporter or seller to obtain payment within a specified timeframe once the terms and conditions outlined in the letter of credit are met. the letter of credit acts like an insurance contract for both the buyer and seller and practically eliminates the credit risk for both parties, while at the same time reducing payment delays. a letter of credit provides the exporter or seller with the greatest degree of safety when extending credit. it is useful when the importer or buyer is not well known and when exchange restrictions exist or are possible.

Banks may issue several types of letters of credits. It is best for importers and exporters to meet with their banking officer to determine which type of credit best suits their needs. The most common types of letters of credits are:

- Revocable
- Irrevocable
- Transferable
- Confirmed
- Unconfirmed
- Back-to-back
- Standby
- Cash advance against letter of credit

a revocable letter of credit allows for amendments, modifications and cancellation of the terms outlined in the letter of credit at any time and without the consent of the exporter or beneficiary.

An irrevocable letter of credit requires the consent of the issuing bank, the beneficiary and applicant before any amendment, modifications or cancellations to

the original terms can be made. Irrevocable letters of credit can be both confirmed and unconfirmed.

With a transferable letter of credit, the exporter can transfer all or part of his rights to another party. Transferable letters of credit are often used when the exporter is the importer's agent or middleman between supplier and importer, and not the actual supplier of merchandise.

A confirmed letter of credit is when a second guarantee is added to the document by another bank. This confirmation means that the seller/beneficiary may also look to the credit worthiness of the confirming bank for payment assurance.

Unconfirmed letter of credit is when the document bears the guarantee of the issuing bank alone. The advising bank merely informs the exporter of the terms and conditions of the letter of credit, without adding its obligations to pay.

Back-to-back letters of credit are two individual letters of credit that together offer an alternative to a transferable letter of credit. It allows exporters who do not qualify for unsecured bank credit to use a letter of credit as security for a second letter of credit in favour of a supplier. Even the initial letter of credit is not successfully completed, the second remains valid, and the issuing bank is obligated to pay under terms.

Unlike a commercial letter of credit, a standby letter of credit is a form of a bank guarantee. It may be used as necessary to cover nonpayment of a financial obligation, and is intended to be drawn on only in the event of nonpayment.

A cash advance against a letter of credit works like back-to-back letters of credit, with the exception that the bank or financial company will issue cash to the suppliers instead of another letter of credit.

The letter of credit is the safest, most secure and most convenient settlement method for international transactions.

### **WORDS TO BE LEARNT:**

1. letter of credit (L/C)	акредитив
2. to issue /to open	відкривати
3 applicant /importer/ buyer	заявник
4. to authorize	уповноважувати
5. beneficiary /exporter/ seller	отримувач грошей по акредитиву
6. terms and conditions of the letter of credit	умови акредитива
7. to act	діяти
8. insurance contract	страховий договір
9. to eliminate	усувати, ліквідувати
10.credit risk	кредитний ризик

11.party	сторона
12.payment delay	прострочка платежа
13.to extend /to prolong	продовжити
14.exchange restrictions	валютні обмеження
15.revocable	відзивний
16.irrevocable	безвідзивний
17.transferable	оборотний
18.confirmed	підтверджений
19.unconfirmed	непідтверджений
20.back-to-back	компенсаційний
21.standby	запасний, резервний
22.cash advance against letter of credit	аванс готівкою проти акредитива
23.amendment	зміна, поправка
24.cancellations	анулювання, відміна
25.consent	згода
26.issuing bank	емісійний банк
27.merchandise	товари
28.confirming bank /advising bank	підтверджуючий банк
29.payment assurance	гарантія оплати
30.to bear	нести (відповідальність)
31.valid	дійсний
32.to pay under terms	оплатити згідно з умовами
33.to cover nonpayment	покрити неплатіж
34.to draw	виставляти, виписувати

## EXERCISES

### Exercise 1. Insert the appropriate words in the sentences.

*confirmed, insurance contract, supplier, issues, terms and conditions*

6. With a transferable letter of credit the exporter is not the actual ... of merchandise.
7. A bank ... a letter of credit on behalf of an importer or buyer.
8. Irrevocable letters of credit can be both ... and unconfirmed.
9. The letter of credit acts like an ... for both the buyer and the seller.
10. A bank or finance company issues a letter of credit once the ... outlined in the letter of credit are met.

### Exercise 2. Find the equivalents.

- |                             |                       |
|-----------------------------|-----------------------|
| 1. credit risk              | a) від імені заявника |
| 6. standby letter of credit | b) уповноважувати     |
| 7. to pay under terms       | c) відповідати умовам |



- |                                      |                              |
|--------------------------------------|------------------------------|
| 8. on behalf of an importer          | d) аванс готівкою            |
| 9. cancellation                      | e) оплатити згідно з умовами |
| 10. cash advance                     | f) прострочка платежа        |
| 11. payment delay                    | g) резервний акредитив       |
| 12. to extend a credit               | h) кредитний ризик           |
| 13. to meet the terms and conditions | i) анулювання                |
| 14. to authorize                     | j) продовжити акредитив      |

**Exercise 3. Match A with B.**

- | <b>A</b>        | <b>B</b>                           |
|-----------------|------------------------------------|
| 1. to reduce    | a) a credit risk                   |
| 2. to remain    | b) payment delays                  |
| 3. to issue     | c) the consent of the issuing bank |
| 4. to determine | d) valid                           |
| 5. to guarantee | e) a letter of credit              |
| 6. to eliminate | f) the type of credit              |
| 7. to require   | g) safety                          |

**Exercise 4. Match the English words with their meanings.**

- |                               |  |
|-------------------------------|--|
| 1. applicant                  | a) change or correction to something   |
| 2. to draw                    | b) to provide insurance money for something  |
| 3. to cover                   | c) a letter of credit to which the paying bank has added its guarantee that payment will be made against presentation of certain documents |
| 4. cancellation               | d) a person or an organization that applies to an authority for permission to do something   |
| 5. confirmed letter of credit | e) legally effective or acceptable, current  |
| 6. amendment                  | f) to write a cheque or bank order that instructs a bank to make a payment to another person or organization                               |
| 7. valid                      | g) the stopping of an arrangement already made   |

**Exercise 5. Make the sentences putting the words and word combinations in the correct order.**

1. requires/ the consent of the issuing bank/ an irrevocable letter of credit
2. is/ unlike a commercial letter of credit/ a form/ a standby letter of credit/ of/ a bank guarantee
3. to pay/ under terms/ is obligated/ the issuing bank
4. against a letter of credit/ like/ a cash advance/ back-to-back letters of credit/ works
5. provides/ when extending credit/ a letter of credit/ the exporter/ of safety/ with the greatest degree

**Exercise 6. Define the form of the predicate in the sentences:**

1. A second guarantee is added to the document by another bank.
2. A letter of credit provides the exporter or seller with the greatest degree of safety when extending credit.
3. Even the initial letter of credit is not completed, the second remains valid.
4. A standby letter of credit is intended to be drawn on only in the event of nonpayment.
5. The bank will issue cash to the suppliers.

**Exercise 7. Open the brackets and put the verbs in the correct form.**

1. Letter of credit ( **to be** ) the most convenient settlement method for international transactions.
2. The issuing bank ( **to obligate** ) to pay under terms.
3. The confirmation ( **to mean** ) that the beneficiary may also look to the credit worthiness of the confirming bank for payment assurance.
4. Which type of credit ( **to suit** ) your needs?
5. What ( **to allow** ) a revocable letter of credit)?

**Exercise 8. Insert the appropriate prepositions as in the text.**

1. ... a transferable letter of credit , the exporter can transfer all or part ... his rights ... another party.
2. A revocable letter of credit allows ... amendments, modifications and cancellation ... the terms outlined ... the letter of credit.
3. A letter ... credit is a document issued ... a bank.
4. Back-to-back letters of credit allow exporters to use a letter of credit as security ... favour ... a supplier.

5. The advising bank informs the exporter ... the terms and conditions of the letter of credit, ... adding its obligations to pay.

**Exercise 9. Translate from Ukrainian into English.**

1. відкрити акредитив
2. ліквідувати кредитний ризик
3. оплатити згідно з умовами
4. уповноважити отримувача
5. продовжити акредитив
6. від імені заявника
7. додати підтвердження
8. згода емісійного банку
9. покрити платіж
10. залишатися дійсним

**Exercise 10. Translate the questions from Ukrainian into English and answer them.**

1. Що таке акредитив ?
2. Чим забезпечує акредитив заявника ?
3. Які є основні види акредитивів ?
4. Що таке безвідзивний акредитив ?
5. Яка різниця між підтвердженим та непідтвердженим акредитивами ?

## READING PRACTICE

### Transferable Letter of Credit

With a transferable letter of credit, the exporter uses the credit standing of the issuing bank and avoids having to borrow or use his own funds to buy goods from supplier. Before transfer can be made, the exporter must contact, in writing, the bank handling the disbursement of funds- the transferring bank. Transferable letters of credit can only be transferred based on the terms and conditions specified in the original credit, with certain exceptions.

The transferring bank, whether it has confirmed the letter of credit or not, is only obligated to effect the transfer to the extent and in the manner expressly specified in the letter of credit. Transferable letters of credit involve specific risks. When a bank opens a transferable letter of credit for a buyer, neither party can be certain of who will be the ultimate supplier. Both parties must rely upon the importer's assessment of the exporters reputation and ability to perform. To reduce overall risk and prevent

the shipment of substandard, an independent certificate of inspection can be required in the documentation.

Many banks prefer single transfer and discourage multiple transfers, but will do multiple transfers if conditions are right. Partial transfers can also be made to one or several suppliers if the terms of the original letter of credit allow for partial shipments. Furthermore, the beneficiary of the transferable letter of credit must be available throughout the entire negotiation process to assist the transferring bank.

### **Words you may need:**

1. to avoid	уникати
2. to borrow funds	позичати кошти
3. to handle	обробляти
4. disbursement of funds	використання коштів
5. transferring bank	банк, що переказує
6. original credit	первинний акредитив
7. to effect payment	здійснити переказ
8. to the extent of	в розмірі
9. expressly specified	чітко визначений
10. to involve risk	підпадати під ризик
11. ultimate supplier	основний (кінцевий) постачальник
12. to rely (on, upon)	покладатися
13. assessment	оцінка
14. overall	повний, всеохоплюючий
15. shipment	відвантаження
16. substandard goods	неякісні товари
17. single	єдиний
18. multiple	складний, багаточисленний
19. partial	частковий
20. available	наявний, доступний
21. negotiations	переговори

**Exercise 11. Read and translate the text.**

**Exercise 12. Put 5 questions to the text.**

**Exercise 13. Make an outline of the text.**

## Back-to-back Letters of Credit

With a back-to-back letters of credit, if a foreign buyer will issue a letter of credit to an exporter, certain banks and trade finance companies will issue independent letters of credit to the exporter's suppliers so that the required goods can be purchased. Even if the initial letter of credit is not successfully completed, the second remains valid, and the issuing bank is obligated to pay under its terms.

Although back-to-back letters of credit provide small and medium exporters virtually unlimited working capital to finance their sales and complete more export transactions, many banks are reluctant to take on this type of arrangement. Because back-to-back letters of credit involve two separate transactions, it is likely that several participating banks will be involved and the risk of confusion and dispute is high. To protect itself, a bank generally will require that the exporter present all relevant documents that are part of the first letter of credit before issuing the second letter of credit. The second document is worded to conform precisely to the original and dated to expire at some date prior to the first, ensuring that the seller has sufficient time to present documents within the time limits of the first.

### Words you may need:

- |                    |                                  |
|--------------------|----------------------------------|
| 1. to purchase     | купувати                         |
| 2. working capital | оборотний капітал                |
| 3. reluctant       | вимушений                        |
| 4. arrangement     | домовленість, згода, організація |
| 5. dispute         | конфлікт                         |
| 6. relevant        | відповідний                      |
| 7. to word         | виражати словами                 |
| 8. to expire       | закінчуватися (про термін)       |

**Exercise 14. Read and translate the text.**

**Exercise 15. Put 5 questions to the text.**

**Exercise 16. Make an outline of the text.**

### **SAMPLE OF A DOCUMENT**

**Task: Read and translate the document.**

Вставить Гарантии и Аккредитивы, стр. 60  
Документ 3

### **SPECIMEN LETTERS**

**Task: Read and translate the letters.**

Вставить Ashley, стр.159-160.

# UNIT 4

## Topic: COLLECTION

1. Text
2. Exercises
3. Reading Practice
4. Samples of Documents
5. Specimen Letter

### TEXT

**Task: Read and translate the text.**

**Collection** is the handling of documents by banks in accordance with their customers' instructions to:

- receive an accept or payment, or
- release trade documents against acceptance or payment, or
- release documents under other conditions.

**Parties of collection are:**

- drawer (exporter, seller)
- remitting bank
- collecting bank
- presenting bank
- drawee (importer, buyer)

**Drawee**- the person to whom a negotiable instrument is addressed. He is a seller of goods and services.

**Drawer** - the person who signs a negotiable instrument.

**Remitting bank** - Under a documentary collection it is the bank to which the principal has entrusted the operation of the collection. The bank that has remitted to its correspondent or branch clean collections, e.g. checks, traveler's checks, etc. for payment and credit to its account.

**Collecting (correspondent) bank** - A bank that presents the documents to the importer or passes them over to a presenting bank.

**Presenting bank** - When dealing with clean or documentary collections, it is the collecting bank which requests the presenting bank to present the financial document, with or without commercial documents attached, to receive acceptance/payment of the instrument or documents.

There are two types of collection of payment: a documentary collection and a clean one.

Documentary collection bills usually contain the following information:

- name and address of the presenting bank
- reference, name and address of the remitting bank
- date of preparation of the collection bill
- reference
- due date
- amount
- charges
- document release instructions
- drawer's name
- drawee's name
- collection documents and details of shipment

### **WORDS TO BE LEARNT:**

- |                             |                              |
|-----------------------------|------------------------------|
| 1. collection               | - інкасо                     |
| 2. handling of documents    | - обробка документів         |
| 3. to release documents     | - видавати документи         |
| 4. acceptance               | - акцепт                     |
| 5. drawer                   | - трасант, отримувач         |
| 6. remitting bank           | - банк-ремітент / відправник |
| 7. collecting bank          | - банк-інкасатор             |
| 8. presenting bank          | - банк, що представляє       |
| 9. drawee                   | - трасат, платник            |
| 10. negotiable instrument   | - оборотний документ         |
| 11. to entrust an operation | - доручати операцію          |
| 12. due date                | - строк платежу              |
| 13. charges                 | - витрати                    |



## EXERCISES

### Exercise 1. Insert the appropriate words in the sentences.

*collecting bank ,documentary collection, drawer, drawee, collection*

1. ... is a seller of goods and services.
2. There are two types of collection of payment: a ... and a clean one.
3. ... is the person who signs a negotiable instrument.
4. ... presents the documents to the importer or passes them over to a presenting bank.
5. ... is the handling by banks of the financial documents.

### Exercise 2. Find the equivalents.

- |                            |                         |
|----------------------------|-------------------------|
| 1. presenting bank         | a) оборотний документ   |
| 2. to release documents    | b) доручати операцію    |
| 3. negotiable instrument   | c) видавати документи   |
| 4. to entrust an operation | d) обробка документів   |
| 5. due date                | e) банк, що представляє |
| 6. to receive acceptance   | f) строк платежу        |
| 7. charges                 | g) отримати акцепт      |
| 8. remitting bank          | h) витрати              |
| 9. handling of documents   | i) ім'я платника        |
| 10. drawee's name          | j) банк, що переказує   |

### Exercise 3. Match A with B.

**A**

**B**

- |               |                    |
|---------------|--------------------|
| 1. to handle  | a) the information |
| 2. to contain | b) the documents   |

- |                 |                                    |
|-----------------|------------------------------------|
| 3. to address   | c) trade documents                 |
| 4. to release   | d) clean collections               |
| 5. to entrust   | e) a negotiable instrument         |
| 6. to receive   | f) the operation of the collection |
| 7. to deal with | g) an accept or payment            |

**Exercise 4. Match the English words with their meanings.**

- |                    |  |
|--------------------|--|
| 1. drawee          | a) appointed or agreed time  |
| 2. acceptance      | b) a person who writes a check, a bank order, etc and instructs a bank to make a payment to another person or organization |
| 3. collection      | c) the person named on a bill of exchange who promises to pay  |
| 4. collecting bank | d) the handling by banks of the financial documents with or without commercial documents                                   |
| 5. drawer          | e) the words written on a bill of exchange to say that a person agrees to pay  |
| 6. due time        | f) to trust a person to complete or look after something   |
| 7. to entrust      | g) a bank that presents the documents to the importer or passes them over to a presenting bank                             |

**Exercise 5. Make the sentences putting the words and word combinations in the correct order.**

1. to whom/is addressed/a negotiable document/drawee/the person/is
2. attached/commercial documents/requests/the collecting bank/to prevent/representing bank/the financial document/with or without
3. drawee's name/documentary collection bills/contain/and/drawer's name
4. the operation of the collection/to which/the bank/has entrusted/remitting bank/is/the principal
5. a negotiable/ signs/drawer/instrument

**Exercise 6. Define the form of the predicate in the sentences:**

1. The remitting bank is the bank that has remitted to its correspondent or branch clean collections for payment and credit to its account.
2. Drawee is the person to whom a negotiable instrument is addressed.
3. Correspondent bank presents the documents to the importer and passes them over to a presenting bank.
4. When dealing with clean or documentary collections, it is the collecting bank which requests the presenting bank to receive acceptance of the instruments or documents.
5. Parties of collection are: drawer, remitting bank, collecting bank, presenting bank, drawee.

**Exercise 7. Open the brackets and put the verbs in the correct form.**

1. There (**to be**) two types of collection of payment: a documentary collection and a clean one.
2. What information (**to contain**) documentary collection bills?
3. Who (**to sign**) a negotiable instrument?
4. What (**to be**) parties of collection?
5. Drawee is the person to whom a negotiable instrument (**to address**).

**Exercise 8. Insert the appropriate prepositions as in the text.**

1. ... a documentary collection the remitting bank is the bank ... which the principal has entrusted the operation...the collection.
2. Collection is the handling ... documents ...banks in accordance ...the customers' instructions to receive an accept or payments.
3. What bank presents the documents...the importer or passes them over ... a presenting bank?
4. Documentary collection bills contain reference, name and address ... the remitting bank, date ... preparation ... the collection bill.
5. Our charges will be credited ... our account ... due date.

**Exercise 9. Translate from Ukrainian into English.**

1. банк-інкасатор
2. обробка документів банку
3. видавати торгові документи

4. документи проти акцепту чи платежу
5. доручати операцію
6. банк, що представляє чек до оплати
7. отримати акцепт чи платіж
8. адресувати оборотний документ
9. банк-ремітент/відправник
- 10.переслати чеки до оплати

**Exercise 10. Translate the questions from Ukrainian into English and answer them.**

1. Що таке інкасо?
2. Які складові інкасо?
3. Хто такий трасант?
4. Які є два види інкасо?
5. Яку інформацію містить документарне інкасо?

## **READING PRACTICE**

### **Documentary Collection**

**A documentary collection** is a manner of payment where a bank, on the basis of an order of the seller, sends an invoice along with other documents related to goods (bills of lading, waybills and certificates) to the beneficiary's bank for payment by the buyer.

With the help of documentary collection, the seller entrusts his bank with receiving a specified sum from the buyer upon the transfer of the shipping documents. The payment can be made in cash or by the acceptance of a draft. To justify a documentary collection, the following conditions must be met:

- The guaranteed capability and desire of the buyer to pay;
- The stability of political and economic conditions in the country of the importer;
- The absence of difficulties in obtaining the necessary licenses or import restrictions such as exchange control in the country of the importer;
- Mass production of the goods delivered (not a single item produced to order).

A buyer cannot receive the goods without paying for them. Consequently, documentary collection gives the seller more certainty in the contract being fulfilled by the recipient of the goods. The payments are regulated by the Uniform Rules for Collections of 1995 (ICC 522).

### **Words you may need:**

- |                  |                                     |
|------------------|-------------------------------------|
| 1. related to    | - визначати зв'язок між чим- небудь |
| 2. specified sum | -певна сума                         |
| 3. to justify    | -підтверджувати                     |
| 4. capability    | -здатність                          |
| 5. consequently  | -отже, в результаті                 |
| 6. certainty     | -впевненість                        |
| 7. recipient     | -отримувач                          |

### **Clean Collection**

**Clean collection** is similar to documentary collection. Upon this type of collection only one document – a financial document (bill of exchange, promissory note, check, payment receipt) – is sent to the bank of the counterparty and this document will be given to the payer only against payment. In case of purchase and sales transactions the buyer or the buyer's bank is not obliged to accept a payment order or pay. The buyer's bank, if it is willing to handle the collection, is obliged to follow the orders of the bank (i.e. the seller) remitting the collection and after having received the money from the seller, transfer the money to the seller. All parties of collection are connected only to documents, not goods or services to which collection documents are connected.

**Exercise 14. Read and translate the text.**

**Exercise 15. Put 5 questions to the text.**

**Exercise 16. Make an outline of the text.**

## **SAMPLES OF DOCUMENTS**

**Task: Read and translate the document.**

Вставить Аккредитивы, Документарное инкассо, стр. 84  
Голуб, стр. 418

## **SPECIMEN LETTER**

**Task: Read and translate the letters.**

Вставить Аверьянова, стр.142.