

An alternative method of settling a trade payment

Documentary Collections

By using the services of banks worldwide you can trade more safely than just dealing directly with your counterparty.

How it works

The seller ships the goods and then hands the documents relating to the goods to their bankers requesting that they collect the payment. The banks in the country of the seller and the country of the buyer work with each other to try to ensure that the documents are not released until payment has been made or the buyer has promised to pay. The documents may be handled as 'Documents against Payment' (sometimes known as Cash against Documents) in which case the documents are not released until the buyer has paid for them. Alternatively the documents may be handled as 'Documents against Acceptance' in which case the documents are accompanied by a 'Bill of Exchange'. This is signed as accepted by the buyer giving an undertaking to pay.

Benefits

For the Seller

- **Convenience** - your bank will act for you to collect the payment using the services of another bank in an overseas country
- **Control** - of the documents relating to the goods, which may include documents that give control over the goods. This will usually be protected by the banks involved
- **Reduced risk** - lower risk than dealing on 'Open Account' or credit terms with a buyer
- **Ease of use** - you do not need a bank facility to use documentary collections
- **Finance** - the seller may be able to get finance for their overseas sales
- **Guarantee** - if the buyer and their bank agree, the Bill of Exchange may be accepted by the buyer and by their bank. This is known as an 'Avalisation' and gives a bank guarantee of payment

For the Buyer

- **Improved cash flow** - you can defer payment for the goods until the documents relating to the goods arrive
- **Security** - you will be made aware of the documents that have been submitted before you decide to pay or accept to pay
- **Favourable credit terms** - you may be able to get better credit terms from your supplier than if you trade on 'Open Account' terms
- **Convenience** - you may be able to get finance linked to the documentary collection

Features

- The banks deal in the documents and not in the goods themselves. Obtaining the documents does not necessarily guarantee the safe arrival or quality of the goods
- In most cases the banks attempt to collect the payment but they do not guarantee payment
- Personal attention - dedicated Relationship Partner who can make decisions - fast

Complementary solutions

- Foreign Currency Current Account
- Foreign Exchange Solutions

Important facts

What it costs

- Standard charges apply but may be individually negotiated – speak to your International Trade Partner for more details

Terms and conditions

- Documentary Collections are handled in most cases subject to Uniform Rules for Collections (URC) recognised internationally. This set of rules is produced by the International Chambers of Commerce
- Most banks will expect you to have an account opened before they will handle a documentary collection for you

Where do I go from here?

Talk to your local International Trade Partner

Talk to your local Business Partner

Your Notes:

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