

# Chapter 4 - Trade Documents

## Introduction

International market involves various types of trade documents that need to be produced while making transactions. Each trade document is different from others and presents the various aspects of the trade like description, quality, number, transportation medium, indemnity, inspection and so on. So, it becomes important for the importers and exporters to make sure that their documents support the guidelines as per international trade transactions. A small mistake could prove costly for any of the parties.

For example, a trade document about the bill of lading is a proof that goods have been shipped on board, while Inspection Certificate, certifies that the goods have been inspected and meet quality standards. So, depending on these necessary documents, a seller can assure a buyer that he has fulfilled his responsibility whilst the buyer is assured of his request being carried out by the seller.

The following is a list of documents often used in international trade:

- Air Waybill
- Bill of Lading
- Certificate of Origin
- Combined Transport Document
- Draft (or Bill of Exchange)
- Insurance Policy (or Certificate)
- Packing List/Specification
- Inspection Certificate

### Air Waybills

Air Waybills make sure that goods have been received for shipment by air. A typical air waybill sample consists of three originals and nine copies. The first original is for the carrier and is signed by an export agent; the second original, the consignee's copy, is signed by an export agent; the third original is signed by the carrier and is handed to the export agent as a receipt for the goods.

Air Waybills serve as:  
• Proof of receipt of the goods for shipment.  
• An invoice for the freight.  
• A certificate of insurance.  
• A guide to airline staff for the handling, dispatch and delivery of the consignment.

The principal requirements for an air waybill are :

- The proper shipper and consignee must be mentioned.
- The airport of departure and destination must be mentioned.
- The goods description must be consistent with that shown on other documents.
- Any weight, measure or shipping marks must agree with those shown on other documents.
- It must be signed and dated by the actual carrier or by the named agent of a named carrier.
- It must mention whether freight has been paid or will be paid at the destination point.

Bill of Lading (B/L)

Bill of Lading is a document given by the shipping agency for the goods shipped for transportation from one destination to another and is signed by the representatives of the carrying vessel.

Bill of lading is issued in the set of two, three or more. The number in the set will be indicated on each bill of lading and all must be accounted for. This is done due to the safety reasons which ensure that the document never comes into the hands of an unauthorised person. Only one original is sufficient to take possession of goods at port of discharge so, a bank which finances a trade transaction will need to control the complete set. The bill of lading must be signed by the shipping company or its agent, and must show how many signed originals were issued.

It will indicate whether cost of freight/ carriage has been paid or not :

"Freight Prepaid" : Paid by shipper  
"Freight collect" : To be paid by the buyer at the port of discharge

The bill of lading also forms the contract of carriage.

To be acceptable to the buyer, the B/L should :

- Carry an "On Board" notation to showing the actual date of shipment, (Sometimes however, the "on board" wording is in small print at the bottom of the B/L, in which cases there is no need for a dated "on board" notation to be shown separately with date and signature.)
- Be "clean" have no notation by the shipping company to the effect that goods/ packaging are damaged.

The main parties involve in a bill of lading are:

- Shipper
  - The person who send the goods.
- Consignee
  - The person who take delivery of the goods.
- Notify Party
  - The person, usually the importer, to whom the shipping company or its agent gives notice of arrival of the goods.
- Carrier
  - The person or company who has concluded a contract with the shipper for conveyance of goods

The bill of lading must meet all the requirements of the credit as well as complying with UCP 500. These are as follows :

- The correct shipper, consignee and notifying party must be shown.
- The carrying vessel and ports of the loading and discharge must be stated.
- The place of receipt and place of delivery must be stated, if different from port of loading or port of discharge.
- The goods description must be consistent with that shown on other documents.
- Any weight or measures must agree with those shown on other documents.
- Shipping marks and numbers and /or container number must agree with those shown on other documents.
- It must state whether freight has been paid or is payable at destination.
- It must be dated on or before the latest date for shipment specified in the credit.

- It must state the actual name of the carrier or be signed as agent for a named carrier.

#### Certificate of Origin

The Certificate of Origin is required by the custom authority of the importing country for the purpose of imposing import duty. It is usually issued by the Chamber of Commerce and contains information like seal of the chamber, details of the good to be transported and so on.

The certificate must provide that the information required by the credit and be consistent with all other document, It would normally include :

- The name of the company and address as exporter.
- The name of the importer.
- Package numbers, shipping marks and description of goods to agree with that on other documents.
- Any weight or measurements must agree with those shown on other documents.
- It should be signed and stamped by the Chamber of Commerce.

#### Combined Transport Document

Combined Transport Document is also known as Multimodal Transport Document, and is used when goods are transported using more than one mode of transportation. In the case of multimodal transport document, the contract of carriage is meant for a combined transport from the place of shipping to the place of delivery. It also evidence receipt of goods but it does not evidence on board shipment, if it complies with ICC 500, Art. 26(a). The liability of the combined transport operator starts from the place of shipment and ends at the place of delivery. This documents need to be signed with appropriate number of originals in the full set and proper evidence which indicates that transport charges have been paid or will be paid at destination port.

Multimodal transport document would normally show :

- That the consignee and notify parties are as the credit.
- The place goods are received, or taken in charges, and place of final destination.
- Whether freight is prepaid or to be collected.
- The date of dispatch or taking in charge, and the "On Board" notation, if any must be dated and signed.
- Total number of originals.
- Signature of the carrier, multimodal transport operator or their agents.

#### Commercial Invoice

Commercial Invoice document is provided by the seller to the buyer. Also known as export invoice or import invoice, commercial invoice is finally used by the custom authorities of the importer's country to evaluate the good for the purpose of taxation.

The invoice must :

- Be issued by the beneficiary named in the credit (the seller).
- Be address to the applicant of the credit (the buyer).
- Be signed by the beneficiary (if required).
- Include the description of the goods exactly as detailed in the credit.
- Be issued in the stated number of originals (which must be marked "Original) and copies.
- Include the price and unit prices if appropriate.
- State the price amount payable which must not exceed that stated in the credit
- include the shipping terms.

## Bill of Exchange

A Bill of Exchange is a special type of written document under which an exporter asks importer a certain amount of money in future and the importer also agrees to pay the importer that amount of money on or before the future date. This document has special importance in wholesale trade where large amount of money involved.

Following persons are involved in a bill of exchange:  
Drawer: The person who writes or prepares the bill.  
Drawee: The person who pays the bill.  
Payee: The person to whom the payment is to be made.  
Holder of the Bill: The person who is in possession of the bill.

On the basis of the due date there are two types of bill of exchange:

- Bill of Exchange after Date: In this case the due date is counted from the date of drawing and is also called bill after date.
- Bill of Exchange after Sight: In this case the due date is counted from the date of acceptance of the bill and is also called bill of exchange after sight.

## Insurance Certificate

Also known as Insurance Policy, it certifies that goods transported have been insured under an open policy and is not actionable with little details about the risk covered.

It is necessary that the date on which the insurance becomes effective is same or earlier than the date of issuance of the transport documents.

Also, if submitted under a LC, the insured amount must be in the same currency as the credit and usually for the bill amount plus 10 per cent.

The requirements for completion of an insurance policy are as follow :

- The name of the party in the favor which the documents has been issued.
- The name of the vessel or flight details.
- The place from where insurance is to commerce typically the sellers warehouse or the port of loading and the place where insurance cases usually the buyer's warehouse or the port of destination.
- Insurance value that specified in the credit.
- Marks and numbers to agree with those on other documents.
- The description of the goods, which must be consistent with that in the credit and on the invoice.
- The name and address of the claims settling agent together with the place where claims are payable.
- Countersigned where necessary.
- Date of issue to be no later than the date of transport documents unless cover is shown to be effective prior to that date.

## Packing List

Also known as packing specification, it contain details about the packing materials used in the shipping of goods. It also include details like measurement and weight of goods.

The packing List must :

- Have a description of the goods ("A") consistent with the other documents.
- Have details of shipping marks ("B") and numbers consistent with other documents

#### Inspection Certificate

Certificate of Inspection is a document prepared on the request of seller when he wants the consignment to be checked by a third party at the port of shipment before the goods are sealed for final transportation.

In this process seller submit a valid Inspection Certificate along with the other trade documents like invoice, packing list, shipping bill, bill of lading etc to the bank for negotiation.

On demand, inspection can be done by various world renowned inspection agencies on nominal charges.