

## Chapter 31 Documentary Collection

### I. Objectives

- A. To gain an understanding of collection
- B. To gain an understanding of documentary collection
- C. To learn what a draft is and how it operates
- D. To gain an understanding of how collection operates
- E. To explore the difference between documents against payment and documents against acceptance
- F. To learn relevant words, expressions and structures

### II. Introduction

In international business, terms of payment have been the key parts in the contracts all the time. It involves how exporters collect the pay for their goods in time and guarantee the normal and orderly development of their business. Under different situations, the choice of payment terms is also flexible. There are different terms of payment, among which documentary collection is a fairly common means of payment

在外贸中，支付方式历来都是合同的要件。它涉及出口商如何及时收回货款，保证外贸业务正常有序的进行。当然情况不同，支付方式也灵活多样，其中，跟单托收是很常见的支付方式。

### III. Main points of the text

- A.
  1. Documentary collection is a means of ensuring that the goods are handed over to the buyer when the draft is paid or when the draft is accepted.
  2. Payment by a draft was the most popular means of payment before a letter of credit was introduced.
- B.
  1. Collection does not use a bank's credit.
  2. A draft plays an extraordinary role in documentary collection
  3. A draft is an unconditional order, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future a sum certain in money to order or to the bearer.
  4. The three parties involved in the operation of a draft, the drawer, or the exporter, the drawee, or the importer, and the payee, usually the bank.
- C.
  1. How documentary collection operates.
  2. Documents against payment and documents against acceptance
  3. Risks to be run when documents against acceptance is employed
- D.
  1. Factors one should consider when deciding whether to employ documentary collection

### IV. Background and terminology

#### 1) collection: 托收

the practice of presenting checks, drafts, and other negotiable instruments to the point of origin, and receiving payment from the paying bank. The term covers such as checks and drafts, and also non-cash items, including acceptances, bonds, and notes, which are

referred to as Collection Items.

2) documentary collection: 跟单托收

as a banking practice, in the Buyer's and Seller's country a bank acts for the Seller by presenting commercial documents (like invoices, the bill of lading, etc) to the Buyer along with a payment demand (usually a bill of exchange.)

3) draft, or bill of exchange: 汇票

an unconditional order in writing, addressed by the Drawer (Seller) to the Drawee (Buyer), signed by the party giving it (Drawer) and requiring the party to whom it is addressed (Drawee) to pay on demand or at a fixed future date, a pre-determined sum of money to Drawer or another specified party or to Bearer (holder of the bill of exchange).

4) time draft: 远期汇票

draft (bill of exchange) payable to a third party on a specified or determinable future date, as opposed to a Sight Draft. a Banker's Acceptance is an example of a time draft.

5) sight draft: 即期汇票

A draft or bill that is payable on demand or upon presentation. Also called demand draft

6) a letter of credit: 信用证

A letter of credit, often abbreviated as an LC or L/C, and also referred to as a documentary credit, often abbreviated as DC or D/C, documentary letter of credit, or simply as credit, is a document issued mostly by a bank which provides an irrevocable payment undertaking to a beneficiary against complying documents as stated in the credit. This means that once the beneficiary or a presenting bank acting on its behalf, makes a presentation to the issuing bank or confirming bank, if any, within the expiry date of the LC, comprising documents complying with the terms and conditions of the LC, the issuing bank or confirming bank, if any, is obliged to pay irrespective of any instructions from the applicant to the contrary. In other words, the obligation to pay is shifted from the applicant to the LC issuing bank or confirming bank, if any.

Letters of credit are often used in international transactions to ensure that payment will be received. Due to the nature of international dealings including factors such as distance, differing laws in each country and difficulty in knowing each party personally, the use of letters of credit has become a very important aspect of international trade. The bank also acts on behalf of the buyer (holder of letter of credit) by ensuring that the supplier will not be paid until the bank receives a confirmation that the goods have been shipped.

## V. Language points

1) ensure: to make certain that something will happen properly 确保, 保证

The role of the police is to ensure (that) the law is obeyed.

警察的作用就是要确保人们遵守法律。

Our precautions ensured our safety.

我们的预防措施保证了我们的安全。

- 2) assure: to tell someone that something will definitely happen or is definitely true so that they are less worried 向...保证  
The station master assured us that the train would be on time.  
站长向我们保证火车将会准时到达。  
I assure you (that) there's no danger.  
我向你保证没有危险。
- 3) bearer: the person who holds a legal document, for example a draft (汇票) 持有人
- 4) get hold of: to have control over something 控制; 抓住  
The success of their promotion enabled them to get hold of the market.  
他们促销的成功, 使得他们控制了市场。  
I got hold of the toy in both hands and lifted it on to the table.  
我两手抓住玩具把它举到桌子上。
- 5) to order: according to the requirement (of someone) 按照 (...的) 要求
- 6) make out: to write something such as a bill or check 书写; 填写  
Draft must be made out to be payable either on sight or on demand or within a specified time.  
汇票必须填写清楚: 是见票即付还是在某一指定的时间内付款。  
We asked the seller to make out the invoices.  
我们要求卖方开具发票。
- 7) act on: to do something because of another person's advice or order, or because you have received information 按照.....办事  
We must act on the instructions from our head office.  
我们必须按总公司的指示办事。  
The customers acted on our suggestion.  
客户按照我们的建议做了。
- 8) on sight: as soon as you see someone or something 一见就...  
The police threatened to shoot looters on sight.  
警察威胁说, 一看见暴民就会射击。
- 9) dishonor: to fail or refuse to accept or pay (a note, bill, or check, for example) 拒付, 拒绝承兑 (如票据或支票)
- 10) pick (up): to select from a group 挑选  
The best swimmer was picked (up).  
最佳游泳选手被选出来了。  
The hotel was picked as the best small hotel in the area.  
作为该地区最佳的小型旅店, 这家旅店被挑选了出来。

### Difficult sentences

- 1) Documentary collection is a means... in the future.  
这个句子中的主句是 Documentary collection is a means of ensuring ...。其中 ensuring 的宾语是个由 that 引导的宾语从句，而宾语从句中又有两个并列的由 when 引导的时间状语从句，这两个状语从句都修饰谓语 “are handed over”。
- 2) A draft, also called 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 a sum certain in money to order or to the bearer.  
这句中的主句是：A draft is an unconditional order，它是个系表结构；  
also called a bill of exchange 是主语 A draft 的后置定语；  
an unconditional order 后面分别由一个介词短语 in writing 和三个分词短语作的后置定语修饰：  
a) addressed by one person to another,  
b) signed by the person giving it,  
c) requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future a certain sum of money to order or to the bearer。  
在第三个分词短语中，“to whom it is addressed”是个限制性的定语从句，修饰名词 person。
- 3) This merely means that he fills in a bill of exchange with all the relevant details relating to the particular shipment.  
这句中的主句是 This means，that 引导的是宾语从句；  
从句中的介词短语 with all the relevant ... shipment 是词组动词 fill in 的状语，表示用什么内容来填写。在这里 with 的意思是 by the presence or use of (通过使用或通过...的存在)，例如：  
a pillow stuffed with feathers; 用羽毛装满的枕头  
balloons filled with helium; 充满氦气的气球，等等  
而其中的分词短语 relating to the particular shipment 又是 details 的后置定语。

## VI. Summary

Documentary collection was the most popular means of payment in international trade before documentary credit was adopted, and is still very popular. In its operation, a draft plays an extraordinary role, and three parties are involved, which are the drawer of the draft, namely the exporter, the drawee, usually the importer, and the payee, in this case, the remitting bank on the exporter's side and the collecting bank on the importer's. Under documentary collection, two arrangements exist, the documents against payment and the documents against acceptance. However, one drawback is that the bank's credit is not involved.

## VII. Comprehension questions

1. What had been the most popular means of payment before a letter of credit was introduced?
2. Why does the seller think the documentary collection is advantageous?
3. Does collection seek guarantee from the bank?
4. How many parties are involved in a draft? Who are they?
5. On whose instructions does the bank act in documentary collection?



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6. What's D/A? And what's D/P?