

# Collections for exports

– improving your international trade

More secure than open account and simpler than documentary credits.

Collections is a frequently used payment method in international trade. The flexibility of a collection enables you to meet both your and your buyer's requirements, and can provide your company with competitive advantages.

## Speed up payment

Just as in open account trade, a collection does not guarantee that the buyer (or a bank) will actually pay. However, as it is the buyer's bank that advises the collection to the buyer, they know that the buyer (their customer) has an invoice to pay. This is often a sufficient incentive for the buyer to pay. In general, a collection is paid much faster than an invoice sent directly to the buyer under open account.

## Control over goods

In the event of the buyer's non-payment, you would probably like to gain control over the goods so that you can sell elsewhere or have the goods returned. This control can be obtained under a sight collection.

If goods are sent to the buyer via vessel, then you include the transport document – the Bill of Lading (B/L) – among the collection documents. Since the B/L is normally required in exchange for the goods, the buyer needs to pay or accept future payment to get access to the goods. Similar arrangements can also be made for other means of transport.

## Financing

A collection can be payable either at sight directly upon advice of the collection (documents against payment – D/P or cash against documents – CAD) or at a future date, e.g. 90 days after shipment or

acceptance (documents against acceptance – D/A). By using payment at a future date, you offer your buyer financing. But this does not mean that you have to wait for the payment. Nordea can pay you directly<sup>1</sup> and thereby provide you with financing.

## How it works

First you and the buyer agree on the terms of the contract (1), in this case that settlement will be made under a sight collection. Then you deliver the goods (2) and send the documentation (invoice and transport documents etc.) to Nordea (3), who will forward the documents to the buyer's bank (4). The buyer's bank will advise the buyer of the collection (5) and they gain access to the documents after having made payment or having accepted to pay at a future date (6). The payment is then sent to Nordea (7) who forward it to you (8). The banks involved will handle the collection subject to the "Uniform Rules for Collections" published by the International Chamber of Commerce (ICC).

Contact us to find out more about how we can assist you with your trade finance transactions. You can also find us at [nordea.com/tradefinance](http://nordea.com/tradefinance)

1) Subject to credit approval.

## CONTACT

Please contact us and find out more about our trade finance solutions.

[NORDEA.COM/TRADEFINANCE](http://NORDEA.COM/TRADEFINANCE)

## SHORTCUTS

More tools to help you improve your international trade:

[NORDEA.COM/TF-PUBLICATIONS](http://NORDEA.COM/TF-PUBLICATIONS)

## FACTS

Nordea offers a full range of trade finance services and is the largest trade finance bank in the Nordic region. We offer trade finance services including collections, documentary credits and guarantees as well as related e-solutions.

Located in Denmark, Finland, Norway, Sweden, Germany, China, Estonia, Latvia, Lithuania, Russia, Singapore, the UK and USA.

### How it works

First you and the buyer agree on the terms of the contract (1), in this case that settlement will be made under a sight collection. Then you deliver the goods (2) and send the documentation (invoice and transport documents etc.) to Nordea (3), who will forward the documents to the buyer's bank (4). The buyer's bank will advise the buyer of the

collection (5) and they then gain access to the documents after having made payment or having accepted to pay at a future date (6). The payment is then sent to Nordea (7) who forward it to you (8). The banks involved will handle the collection subject to the "Uniform Rules for Collections" published by the International Chamber of Commerce (ICC).

