

DOCUMENTARY INCASSO

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ABSTRACT:

THE UNIFORM RULES ESTABLISHED THROUGH THE UNDERSTANDING BETWEEN THE STATES PARTICIPATING IN THE INTERNATIONAL DIVISION OF LABOR ARE CHANGING AND ADAPTING TO THE NEEDS OF INTERNATIONAL PAYMENTS RESULTING FROM THE EVOLUTION OF THE WORLD ECONOMY, THE EVOLUTION OF INTERNATIONAL ECONOMIC COOPERATION RELATIONS AND, IN PARTICULAR, THE EVOLUTION OF INTERNATIONAL TRADE.

KEYWORDS: DOCUMENTARY INCASSO, INTERNATIONAL TRADE, INTERNATIONAL PAYMENT, MONEY, BANK, EXPORTER, IMPORTER, GOODS.

Documentary Incasso is the method of payment by which the exporter sends the importer to collect, by bank, the contractually agreed documents, attesting to the fulfillment of his obligations. These documents include the invoice, the transport document, the certificate of origin, the insurance policy (in specific cases).

In a documentary cassette operation the following parts are involved: the exporter; the receiving bank of documents; correspondent bank abroad; the importer.

Incasso is a simple and inexpensive way to pay, when it comes to the fact that the services provided by the two banks are cheap because they do not hire them and the importer does not see himself obliged to immobilize his money such as documentary credit.

At the same time, it should be noted that the exporter receives with some delay the price of the sold goods, from the date of dispatch, to the possibility that the documentary credit offers him to collect the price shortly after the shipment. The biggest inconvenience for the exporter is that documentary incasso does not guarantee that he will recover his external debt, relying exclusively on confidence in the debtor's ability to pay. In fact, the exporter uses this payment method under the following conditions:

- Belongs to the integrity of the importer that is recognized worldwide, and the importer, for reasons of saving bank charges, insists for payment in this way;
- the merchandise is hard to sell, it is being used at low low-priced prices, the level of which would be further reduced if high bank fees were to occur;
- the law of the importing country requires the use of the documentary incense.

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International rules on international payments are based on uniform rules established by the understanding between the states participating in the international division of labor. These rules are modified and adapted to the needs of international payments resulting from the evolution of the world economy, the evolution of the international economic cooperation relations and, in particular, the evolution of international trade.

An international monetary system can therefore be defined as a set of rules on the institutionalization, realization and circulation of money on an international scale. Since each state has its own monetary system, theoretically, the national monetary systems should be the foundation of the international monetary system. This is almost impossible to achieve because of the different levels of national economies, national legislative particularities, the diversity of interests on different stages of state evolution, the diversity of national political and social regimes, etc. That is why, in practice, the formation of the international monetary system relies mainly on monetary systems of the big states based on objective economic laws with a high economic potential².

At the core of the international monetary system should be a single monetary standard, so it would be impossible to correlate the monetary units of the states. A single monetary standard means the amount of standardized materials embedded in a monetary unit or as a hedge behind this monetary unit. Over the years, different products have been used as standard, especially metals, especially precious metals.

It is noteworthy that the national monetary system based on precious metals was known until the end of the nineteenth century in two forms: the monometalist system and the bimetalist system. In the monometal system the states based on their monetary units gold or silver, and in the bimetallic system has established both metals, with an exchange ratio established between them. Gradually, the monometalist system based on gold was gradually changed. Both in one system and the other, precious metals were used in two ways: each monetary unit put into circulation had a certain amount of the precious metal incorporated; in circulation were made monetary units made of inferior metals or paper, in the deposits of the issuing banks, keeping the precious standard metal as cover. Upon request, the monetary unit in circulation could be exchanged with precious metal, the issuing banks being legally obliged to make the exchange³.

The exchange ratio between the precious melange content of a national currency unit and the content in the same precious metal of another national currency unit is known as monetary parity. It follows that the monetary unit so formed is the result of a social agreement, it is an institution.

Given the existence of a single monetary standard and the possibility of converting national currencies into gold corresponding to the definition of monetary parities, national currencies can be used as a means of payment in international trade. But in the global world economy, national currency units no longer have gold coverage theoretically, as defined by law.

Therefore, although at the base of the national monetary units is gold, theoretically, in fact, the purchasing power of these units resides in commodity production and labor productivity.

Defining elements of documentary incasso

Incasso⁴, as a payment technique used in international economic exchanges, is governed by the document entitled "Uniform Rules for incasso", also known as Publication 522/1995 of

² Stoian, John, Pencea, Radu, Brotac, Leonida, *International Trade Techniques*, to prepare the importer and exporter, vol. 2, Bucharest, 1992, p. 3.

³ *ibidem*, pag.4.

⁴ *Foreign Legal Legal Dictionary*, Scientific and Enciclopedic Publishing House, Bucharest, 1986.

the Paris International Chamber of Commerce with effect from 01.01.1996 . According to Article 2 of this document, "incasso" means the treatment by banks of commercial and / or financial documents, in accordance with the instructions received, in order to:

- Accept and / or pay;
- Delivers commercial documents against acceptance (D / A)
- and / or, as the case may be, against payment (D / P);
- handing out documents under other conditions

It follows from this definition that the transaction is a simple circulation of documents, the obligation of the banks involved in the provision of a service under the conditions imposed by the instructions received from the exporter and the rules of Publication no. 522. In this context, banks are nevertheless obliged to verify the conformity (apparentness) between the documents submitted by the exporter and those mentioned in the order for collection by advising him of any inconsistencies or shortcomings, executing the exporter's instructions regarding the transmission of the documents and notifying the exporter, as soon as possible, indicating the reasons, on the importer's refusal or non-payment.

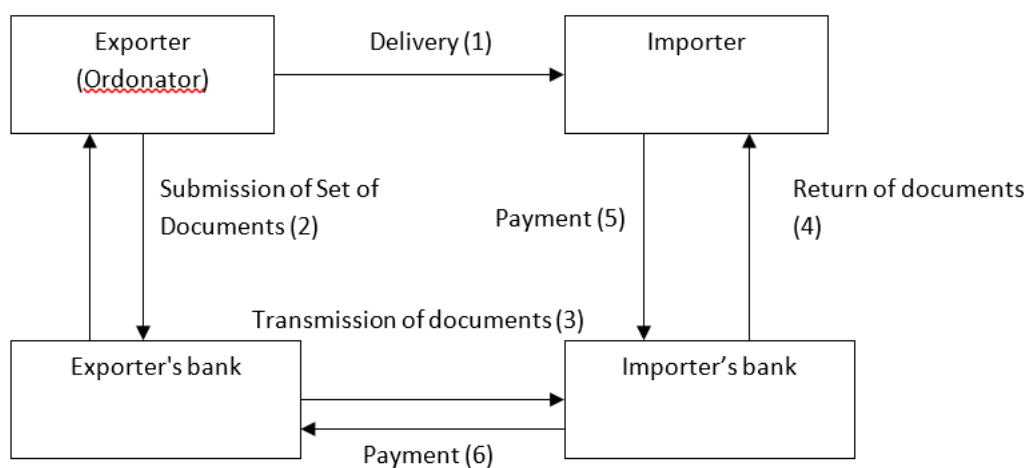
The parties involved in running an incasso, according to Article 3 of the same publication, are:

- the authorizing officer - the exporter who entrusts the collection order with his bank documents;
- the remittance bank - the exporter's bank
- bank responsible for collecting (collectors) - any bank other than the remitting bank, which intervenes in the incasso operation;
- the presenter bank - the bank responsible for presenting the documents of the draw.

The cashing bank and the presenter bank can in practice be the same bank if the exporter's bank corresponds to the importer's bank.

The indrawn - the importer whose documents must be presented for acceptance or payment.

Running incasso operations involves the following steps⁵, as shown below.



⁵ Moxohon, Henry, The technique of international transactions, new publication University, Paris, 1969.

1. the conclusion of the international commercial contract, through which the partners have agreed to pay by documentary registration;
2. the delivery of the goods in strict accordance with the delivery terms and the conditions regarding the goods agreed in the contract;
3. after the delivery of the goods, the exporter obtains the documents proving the fulfillment of the obligations under the international commercial contract: financial documents (bills of exchange, promissory notes, checks, receipts, etc.) and / or commercial documents (invoices, transport documents).

Depending on the type of these documents, there are two types of incasso:

- simple - is a collection of financial documents, not accompanied by commercial documents;
- documentary - is a collection of commercial documents that may or may not be accompanied by financial documents.

The set of documents accompanied by the order of payment to the incasso (collection order) is presented by the exporter to his bank (the remitting bank). It is advisable for the documents to arrive as soon as possible to the importer, preferably prior to receiving the goods. The arrival of the goods well in advance of the documents presents several disadvantages for the exporter in the sense that it extends the credit granted by the importer to the warehouse, contrasts, etc.

The payment order⁶ at incasso clearly and precisely specifies the conditions under which the importer's documents (for payment, acceptance or other conditions) will be handed over, the name of the documents and the number of copies (original and copies) to be handed over. It is the responsibility of the party preparing / drawing up the order for recovery (the ordering party) to ensure that the terms and conditions for the release of the documents are clearly stated, without ambiguity; otherwise, banks will have no responsibility for any consequence arising from it. Out of those elements, the document also contains the following:

- the full name and address of the importer (trasfer);
- the name and address of the banks involved;
- the name and address of the incasso recipient (the exporter);
- The exact name of the goods and their description (quantity, quality, unit price, etc.);
- if the goods have to be stored and insured, if the documents are not taken over at the arrival of the goods. This clause is known as "store and insure". Under this clause, if the importer does not pay or accept the bill, the bank will receive instructions for storage and merchandise insurance. The cost of these operations will be claimed from the exporter's bank, who will debit his client's account. If consignment notes indicating the importer as consignee are used, that clause becomes superfluous.
- details of transport and delivery (transmissible and non-admissible transshipments and deliveries, the age of vessels admitted to chartering, etc.);
- the value of the incasso with the currency of payment indicated;
- whether partial payments are permitted or not. Banks may accept partial payments only in the case of simple bills and only if the regulations in force at the place of payment do not prohibit this. In the case of the importer's refusal to pay the documents in full, the exporter may give instructions to the bank to issue the

⁶ Deteşan, Alexandru, Rucăreanu, Ion, Ştefănescu, Brânduşa, International Trade Law, Economic Review, 1976.

documents without receiving the difference (if the exporter pays the importer) or may instruct the bank to keep the documents at the disposal of the remittance bank until the difference is collected, which adds extra costs.

- explanations regarding the bill of exchange that accompanies the documents, namely: its maturity; instructions to the bank, in the case where the importer does not accept the bill, regarding the preparation of formalities for protest of non-payment or non-acceptance; the billing circuit to maturity in the sense that it must be returned to the exporter or kept in the cashing bank or in a trustee bank and if, in the case of dishonest bills, the bank abroad should contact an agent of the exporter in that country case of need clause);
- whether or not interest will be charged, including the interest rate, the period for which interest is calculated (the covered period) and the basis of calculation (360 or 365 days, as the case may be);
- whether bank or other charges should be charged in addition to the amount of bills or not;
- the designation of the party paying the fees and commissions. If the draw refuses to pay them, they will be charged automatically by the ordering party.

The commercial invoice must be presented in the number of copies provided in the basic contract and include the corresponding data taken from the transport document, insurance document, etc.

Transport documents must be issued in such a way as to ensure that the exporter's control over his goods is ensured by the importer. For shipping, the bill of lading must be borrowed in white at the remittance bank's order. For other modes of transport, it is recommended that the documents be addressed in the name of an international forwarding house with precise instructions not to release them to the importer other than proof that they have paid or accepted the payment commodity.

The blank policy or blank insurance policy in the CIF and CIP delivery terms.

The Promissory Note⁷ is a precautionary payment measure for incasso. Unlike bills under documentary letters of credit, incasso bills are drawn directly to the importer and the beneficiary may be the exporter himself or his bank. Bills can be spot-paid (the importer pays them when the documents are taken over) or with payment at maturity (the importer accepts them when the documents are taken over).

Other documents issued and drafted in accordance with the conventions and provisions of the basic contract.

Documentary Incasso:

a) Documents for payment

The bank in charge of the collection (the presenter bank) is not allowed to deliver documents until the bill has been paid. However, this payment instrument should only be used if the business relationship between the two partners is stable and trust is reciprocal. If the buyer refuses to honor his commitments, the seller is often very difficult to re-enter the goods without incurring large losses.

b) Documents Against Acceptance

This is another type of documentary incasso. As a rule, the bank of the seller transmits the bank's documents to the importer with instructions not to issue them except for accepting the

⁷ The Romanian Civil Code of 1859

effect presented. Acceptance is most often done by the buyer, but it may also be necessary to guarantee the effect by looking for a bank.

The inconvenience of this process is that it allows the buyer to take possession of the goods before they are paid. There is, of course, a claim, but this is not always easy to recover in the country of the importer.

The revocable Letter of credit

It may be modified or canceled at any time by the issuing bank without prior notification to the beneficiary, provided the automatic bank does so.

Irrevocable letter of credit not confirmed by the notifying bank

The issuing bank (usually the buyer's bank) assumes the seller's commitment to make the payment if documents conforming to the terms and conditions of the letter of credit are submitted within the specified time limit. There is no involvement of another bank, which can raise certain issues when it comes to countries with high political or high-risk risks. The solvency of the issuing bank plays a predominant role in this case.

The irrevocable letter of credit confirmed by the notifying bank

If the conditions of the letter of credit are met, the payment is responsible, in addition to the issuing bank, for a second, confirming bank. For the seller, this form of payment in most cases removes the country's risks and confidence inherent to unconfirmed letters of credit. (Country risks = the danger that foreign assets and claims can not be repatriated by customary methods due to events on which the government as a power may have some influence but which are completely outside the sphere of influence of private and private businesses Country risks include political and transfer risks).

Warranty in case of non-payment

With this guarantee, the bank undertakes to make the payment to the exporter at the first request, if it gives him a remission of payment. It is often used together with the payment method in time and is especially suitable for the commodity trade.

Letter of credit "stand by"

It is a non-payment guarantee instrument, subject at the same time to the uniform rules and guidelines for documentary letters of credit (RUU). Payments are generally made against the handing over of copies of cargo shipments, including sight-paying negotiations, when required, as well as a statement by the payee stating that the amount owed to him has not yet been paid.

This type of letter of credit with a warranty character is mainly used in the United States of America.

Synoptic picture of types of bank guarantees,
illustrated by an example of export⁸

Problem data	The bank guarantee
1. Motorcycle Factory Creator S.A. in Geneva wants to get a contract proposed by Energy Supply Ltd. Osaka. In order to eliminate the less serious or unqualified tenderers, the buyer only accepts offers accompanied by a warranty.	In order to guarantee its offer, Creator SA requires the bank to provide the required bond (bid bond)
2. Creator S.A. has obtained the contract and establishes details of execution and delivery with Energy Supply Ltd.	In order to guarantee delivery and benefits, the bank establishes a factory performance guarantee.
3. To begin manufacturing the ordered motorcycles, Creator S.A. requires an advance from Energy Supply Ltd	The Bank establishes the order of the Creator S.A. a guarantee of repayment of the advance payments guaranteed, which is executed but the delivery is not performed.
4. Creator S.A. provides the services with other consortium members or subcontractors but is solely responsible for Energy Supply Ltd. as a general contractor.	From the Creator S.A. the bank issues guarantees for the entire amount (consortium collateral), including passwords of other consortium members or subcontractors. In order to limit its commitment to its own part, Creator S.A. requires the other members of the consortium or subcontractors to sub-guarantee the corresponding partial amounts. In order for other members of the consortium or subcontractors to benefit from the security of payment in the form of a letter of credit opened by the buyer's bank in its favor, Creator S.A. either ask the bank to make one or more L / C transfers or to open one or more back-to-back letters of credit in favor of the other members of the consortium or subcontractors, or establish with the other members of the consortium or with subcontractors a proportional assignment of rights of the receivable by virtue of the documentary letter of credit.
5. Creator S.A. finances delivery by an export credit covered by GRE (Federal Export Insurance Guarantee under Swiss law).	The Bank grants the export credit provided that, under the provisions in force and the elective requirements, the Federal Export Guarantee Guarantee (GRE) has been granted in advance.
6. Creator S.A. and Energy Supply Ltd. have agreed that the payment for a specified part of the deliveries is to be done by documentary evidence.	Creator S.A. mandates the Union of Banks Suisses (UBS) to issue the documentary incaso. This (UBS) transmits the bank's documents to the buyer, who in turn transfers them to Energy Supply Ltd. for payment or against the acceptance of an exchange swap (order).
7. Creator S.A. and Energy Supply Ltd. have agreed to pay for the principal delivery by documentary letter of credit.	The Issuer of the Order - Energy Supply Ltd. asks its bank (the issuing bank) to open a documentary letter of credit in favor of Creator S.A. depending on the needs of the trading partners, the L / C will be revocable, irrevocably confirmed or irrevocably confirmed (possibly transferable) and most often notified by a corresponding bank (eg UBS) in the country of the seller. The documents provided in the document are sent by the beneficiary (Creator S.A.) to the notifying bank, which sends them to the issuing bank, to be returned to the ordering authority (Energy

⁸ Cristureanu, Titus, Statistics of Foreign Trade, Bucharest, 1971.

	Supply Ltd.). Payment will be made at sight or on time, depending on the terms of the L / C.
8. Creator S.A. can not sell abroad unless the country of destination can deliver goods in return for Creator S.A. or for a third party.	In order to guarantee barter, compensation and "switch" operations, documentary letters of credit can be opened and their adjustment made through a compensated account.

Consequently, an analysis of international trade relations reveals that the most important place today is documentary credits and documentary incasso. Thus, these payment documents are able to adapt both in terms of increases in trade volumes and when there are restrictions on this volume.

The role and significance of documentary incasso, appreciated by the frequency of its use as an important means of payment in international trade, should be emphasized.

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