

# Documentary Collections

Trade & Working Capital

Documentary Collections are an alternative to Letters of Credit that offers a degree of protection to the Importer and Exporter. Banks act as intermediaries to the Exchange of title documents for payment, but are not obliged to pay as is the case under a Letter of Credit.

## Features

The two most common conditions for release of documents are:

### Documents Against Payment (D/P)

- Documents may be released only if the Importer makes payment in exchange for documents. This is also known as a sight collection.
- In this arrangement, the Exporter is exposed to the credit risk of the Importer and the political risk of the Importer's country.

### Documents Against Acceptance (D/A)

- Documents may be released only if the Importer accepts the accompanying draft, thereby incurring an obligation to pay at a specified future date. This is also known as a term collection.
- In this arrangement, the Exporter is again exposed to the credit risk of the Importer and the political risk of the Importer's country.

## Benefits

- More economical and less complicated than Letters of Credit.
- Importer does not require a Line of Credit with their bank.
- Exporter will have control over title documents until the foreign buyer has either made payment or accepted the obligation to make payment.

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**For more information, contact your Relationship Manager or a Trade & Working Capital Specialist.**

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