

Frequently Asked questions and answers on Global Trade & Payments Services



INWARD FOREIGN REMITTANCE

Q. What kind of account(s) should my customer open if he wants funds to be remitted from another country to his account in Ghana?

A. Primarily you can open two types of accounts. That is, either a cedi or a foreign account. If it is a Cedi account, the equivalent of the funds received will be credited to the Cedi account. If on the other hand it is a Foreign Currency Account (FCA) / Foreign Exchange Account (FEA), the foreign currency amount received would be credited to the nominated account in line with the Foreign Exchange Act

- Q. What information is required from my customer to enable him receive funds from outside Ghana into his account?**
- A. Your customer should furnish the sender (Remitter) of funds with our offshore correspondent banking details. i.e CBG's Standard Settlement Instructions (SSI).
- Q. My customer has been expecting inflow over a week now but no funds has been received yet alone credited to his account. How can I be of assistance?**
- A. Request SWIFT ADVICE from customer and forward to International Payment Unit via mail to advice
- Q. I have been notified by Compliance Dept. to complete a Remittance Questionnaire for my customer in respect of funds received. Why is this necessary?**
- A. Completing the Remittance Questionnaire allows for due diligence to be conducted on funds received before customer is credited to protect the Bank from possible fraud and money laundering activities.
- Q. What is the maximum amount of inflow a customer can receive?**
- A. There is no maximum amount of remittance a customer can receive.
- Q. My customer nominated his FCA account to be credited with his remittance but his FEA/CEDI account was rather credited. Why is this so?**
- A. This is so because based on the remittance information quoted on the SWIFT ADVICE, in compliance with the foreign Exchange Act 2006(Act 723) inflow received is in connection with proceeds from exports or services rendered in Ghana. As such, remittance received is credited directly into customer's FEA/Cedi account accordingly.
- Q. Can we transfer funds credited from Foreign Exchange Account to Foreign Currency Account?**
- A. No, FCA accounts are only funded by remittances from outside Ghana only. This implies that only staff of Global Trade and International Payment can credit the Foreign Currency Account.
- Q. Does CBG levy any charge on inflows received?**
- A. No, there is absolutely no charge on any inflow received.

EQUITY CONTRIBUTION

Q: What is equity contribution?

A: An equity contribution is an owner's investment in an asset that represents an unencumbered ownership interest

Foreign investors intending to invest in Ghana are by law required to register with the Investment Promotion Centre (GIPC) under the GIPC ACT 478. The registration will be concluded only when the legal minimum equity contribution has been met.

Q: Can both individuals and Companies apply for equity contribution confirmation?

A: Only companies duly registered with Registrar General's Department and any other institution that may be required by law.

Q: what categories of companies can apply for equity contribution?

A: Partly or wholly foreign owned companies incorporated in Ghana

Q: The minimum amounts involved to apply for equity

Joint Venture	-	US\$200,000.00
100%Foreign-Owned Non Trading	-	US\$500,000.00
All Trading Enterprises	-	US\$1,000, 000.00

Q: How can companies import equity into the country?

A: Equity can be imported in the following ways:

- a) **By Bank Transfer** - Affect a Bank to Bank transfer of minimum equity requirement, which has to be converted into local currency (Cedis). This transaction should be confirmed to the Bank of Ghana by the investor's local authorised dealer bank. Bank of Ghana in turn, confirms this transaction to GIPC for the company's registration purposes.

- b) **By Physical Cash** - Physical cash carried into Ghana by individuals for investment purposes should be declared on Bank of Ghana Form FX5 on arrival and subsequently deposited in a bank account within the shortest

possible time. This transaction should be confirmed by your dealer Bank and the Bank of Ghana as in (a) above.

c) By Importation of Plant, Machinery and Equipment i.e. capital expenditure -Enterprises are free to implement their projects by importing the relevant plant, machinery and equipment.

d) Equity in Kind -In the case of equity in kind in the form of imported machinery, equipment and goods, all documents covering such imports should be in the name of the registered company and evidenced by the following which should be submitted to GIPC for registration purposes:

- Bill of Lading/Airway Bill (Originals)
- Destination (Ghana) Inspection Certificate
- Customs Bill of Entry (Originals)
- Import Declaration Form (IDF)
- Certified/Final Invoices
- Evidence of Capitalization – Form 6 from the Registrar General Department

Q: Which kind of bank transfers are acceptable for equity contribution

A: The purpose of the transfer should investment related and not from sale proceeds from goods

Q: Can funds generated from business in Ghana be used as equity contribution

A: No, only funds generated outside the jurisdiction will qualify as equity contribution

Q: Can funds be used by the customer after transfer has been received and converted in to Cedis?

A: Yes, customer is free to use funds at will

Q: Can inflows with the purpose relating to Loan for capital investment be used for equity?

A: No, loans are categorised under debit financing and not equity

Q: Is there any service charge for confirming inflow to BOG for equity contribution approval to GIPC?

There is no service charge related to confirmation equity contribution on behalf of our customers

Q: How long does it take to receive response from BOG on applications sent?

A: It usually takes a minimum two weeks and is on FIFO basis

Q: Can the bank confirm equity contribution on behalf of customers who receive inflow in other bank?

A: No, the bank can only confirm equity contributions for inflows received by the bank on behalf of customers

Q: Can part of the minimum equity be declared to GIPC through BOG?

No, there require the at least the minimum capital be declared

Q: What documents are required from customer?

A: Customers are required to provide the following for the purpose of equity confirmation:

- Request letter
- Company registration documents:
 - Certificate of incorporation
 - Certificate of commencement of business
 - Company`s Regulation
 - Passport/ID of shareholders

OUTWARD FOREIGN TRANSFER

Q. My customer wishes to transfer money in foreign currency outside Ghana from his cedi, can this be done?

A. Yes, any foreign currency can be converted from the cedi account and transferred abroad using exchange rate advised by Global Market.

Q. My customer, who is an individual wants to send funds outside Ghana to his relative, how much can he/she transfer within a year?

A. He/She can transfer up to USD 10,000.00 or its equivalent in other foreign currencies in a year to meet his personal obligations.

Q. How can an individual make payments outside like school fees where the amount exceeds the limit of USD 10,000.00?

A. For payments of obligations that exceed the BoG limit of USD 10,000.00, the individual must provide supporting documents that supports the transfer. For instance, in the case of school fee payment, the individual must provide Letter of Admission and a Bill schedule indicating fees to be paid.

Q. Customer wishes to make an advance payment to his suppliers, what does he require to make this transfer?

A. Your customer requires a duly completed and signed funds transfer form/instruction letter, Declaration Form (IDF), Pro Forma Invoice, and a Letter of Undertaking-indicating that he will submit clearing documents once goods are cleared from sea port or air port within a period not exceeding 90days of the last payment on invoice.

Q. What happens if the customer is unable to submit the shipping and clearing documents within the 90days?

A. If a customer or importer fails to accounts for the shipping and clearing documents after the 90 days, He/She shall not be allowed to transfer foreign exchange abroad for the purpose of importing goods. No banker shall also transfer foreign exchange abroad on behalf of the importer for the purpose importing goods.

Q. Up to how much is allowed by law to be transferred outside Ghana for advance payment?

A. A maximum amount of USD 50,000.00 or its equivalent in other foreign currencies can be transferred for advanced payment.

Q. My customer wishes to make an outward transfer to his suppliers for goods supplied to him. He has submitted some clearing documents to support the payments. Which clearing documents are necessary for the payments?

A. The necessary clearing documents to make payments include: Customs Entry Form (C-12), Import Declaration Form (IDF), Commercial Invoice, Bill of Lading/Airway Bill/Way Bill, Customs Classification and Valuation Report

(CCVR). All these documents must be in place and in originals before the transfer can be made.

Q. Is there a limit to how much a customer can transfer from the Foreign Exchange Account (FCA)?

A. There is no limit to how much a customer can be transfer from the FCA account and must be accompanied by necessary documentation

Q. It has been over 72 hours now since my customer's outward transfer was made and beneficiary claims non receipt of funds. What should I do?

A. Send an email to Trade Operations indicating the details of transfer i.e. Name of your customer, Date of transfer, Amount transferred, Beneficiary Name for an investigation to be carried out.

Q. What is an IBAN?

A. An IBAN is an acronym for ISO 13616 standard compliant International Bank Account Number. Depending on the country of the IBAN user, the length varies and usually consist of the Country Code; Check Digit; Basic Bank Account Number. The IBAN is used widely in the European Zone and some Middle East Countries.

Q. Is the IBAN preferred over an ordinary account number in countries that use it?

A. Yes, countries in the Euro Zone and Middle East like UAE, without the IBAN quoted, the transfer will be rejected and returned.

Q. My customer made a transfer for an amount of USD 5,000.00; however, the beneficiary received less of the amount, why?

A. Deductions in the amount transferred were taken by the correspondent banks that processed the payments. This is known as Correspondent Bank Charges (CBC).

Q. What are the various CBC charges that CBG's correspondent bank charges for processing outward transfers?

A. Our various correspondent banks charge USD ...; EUR; GBP ... for US Dollar, Euro and Pound outward transfers respectively. Charges by the beneficiary's bank however are not known to CBG

Q. My customer wishes to bear the Correspondent Bank Charges for his outward transfer, where does he indicate this on the transfer form.

- A. On the transfer request form, customer should write boldly under the amount to transfer “Please Include CBC”.

DOCUMENTARY BILLS FOR COLLECTIONS

Q: What is Documentary Bills for Collection (BC)

A: A simple process by which a supplier makes available shipping documents relating to export of goods to his bankers to be delivered to a buyer’s bankers, stating clearly conditions precedent to release documents (either Documents against payment or Documents against acceptance). The bank only serves as a channel but does not guarantee payment and can only make payment if authorized by the buyer. Hence, this is usually practiced by suppliers who have been in a long term relationship with a buyer who has shown a high level of credibility and consistency.

Q: Do we have a banking name/term for the overseas supplier and the local buyer?

A: Yes the buyer is referred to as the Drawee and the supplier known as Drawer

Q: Who are the parties involved in documentary bills for collection?

A: The drawer, drawee and the banks involved. Thus, Suppliers bank (Remitting bank) and Buyers bank (Presenting bank)

Q: Do we have any set of rules that govern all banks under BC

A: Yes, it is called Uniform rules for Collection published by International Chamber of Commerce also known as URC (ICC publication No.52)

Q: Why should I convince my customer to adopt BC (Bills for collection)

A: BC process is very simple, also when the supplier is unwilling to export on ‘open account’ basis because he does not trust the buyer BC is the best option. Furthermore, BC does not require an advance payment, making it very convenient for the buyer as well. Per BOG regulations in Ghana a customer can advance a maximum of USD 50,000.00 to a supplier, this restrict big imports that supplier may require more than USD 50,000.00 to commence production or as commitment fee before goods are exported. One major advantage BC has is that irrespective of the amount involve a drawee can authorize the bank to pay suppliers without any regulatory breach.

Q: So how will shipping documents get to my customer and in time?

A: Through a secured courier service provider. Most overseas banks employ the services of DHL or Fedex and they always deliver on time. Always ensure you give customer CBG's Head Office Annex postal address attention The Head Global Trade & Payment Services Dept.. to be given to supplier's bankers.

Q: How does my customer gets to know that his or her documents have arrived?

A: Immediately shipping documents get to Trade Operations a mail is sent with all the details particularly, payment terms and amount involve to Relationship Officer then, an official notification will be sent to customer through the R/O or RM.

Q: Does my customer pay any charge before picking up his or her shipping documents?

A: NO

Q: Is my customer required to submit any document after taking delivery of the goods at the port.

A: Yes, The Custom Entry Form (C12), Customs Classification and Valuation Report(CCVR) and the Import Declaration Form(IDF). Since documents came through the bank, the bank has in its possession second copy of the bill of lading and invoice. Hence, customer can keep the shipping documents. Note, only originals of the clearing documents above are to be submitted.

Q: Why must the bank retain original documents?

A: It is Bank of Ghana's requirement that original documents (transport and title) be retained in the transaction file as evidence of utilization of funds by the bank/customer.

Q: What does shipping documents mainly comprise of?

A: Bill of Lading, Invoice, Packing List, Certificate of Analyses, Certificate of Origin, Insurance and Health certificate all these are commercial documents. For documents sent under DA (Documents against acceptance) a bill of exchange which is a financial document is included.

Q: What does documents against acceptance (D/A) mean?

A: Term for documentary draft collection instructions requesting the presenting bank (buyer's bankers) to release shipping documents only upon acceptance of the draft/bill of exchange by the importer/buyer and endorsed by only signatories to the account

Q: What does Documents against Payment (D/P) mean?

A: Term for documentary collection instructions requesting the presenting bank to deliver documents only upon receipt of payment from the drawee/importer.

Q: What is a bill of exchange / a draft?

A: It is an unconditional order issued by the supplier to the buyer demanding that the total value of shipping documents (fixed sum) be paid at a future date. Only signatories to an account are allowed to accept the draft.

Q: Is the bank liable in the event of nonpayment of bill upon maturity – under BC?

A: No

Q: What are the remedies available to the exporter when a customer fails to pay for goods purchased under BC?

A: In the event of non-payment by the drawee CBG will make available the accepted draft (Bill of Exchange) to the supplier through their bankers who can now compel buyer based on the accepted draft to make payment.

Q: How can my customer settle his or her matured BC?

A: By giving his debit authority and submitting originals of clearing documents if documents came under D/A before payment is done.

Q: BC sounds simple and convenient will customer pay anything extra compared to transfers

A: Yes, customer will pay an extra fee for handling of shipping documents. Below are the applicable charges;

- Swift Commission – USD
- Payment commission –
- Handling Fee –

Q: Can my customer settle matured BC received through other banks?

A: Yes, Customer has to authorize the bank involve to send the shipping documents to CBG and more importantly the remitting bank's order or schedule. Also, the customer must send the originals of the clearing documents to Trade Operations . If the above is done, then payment can be made.

Q: My customer is into Export do you have anything under BC for him?

A: Yes, you submit local supplier's shipping documents and clear terms of payment to Trade Operations. If it is D/A ensure customer include a bill of exchange. We will examine documents and send it to the overseas buyer through his bankers giving clear rules as per our customer's instruction. On due date CBG shall serve demand notice accordingly and when funds are received customer's account will be credited however note that there is a fee of USD 100 being charges for handling and courier.

Q: What is an avalised bill?

A: Since BC does not provide the same level of security as LC some suppliers will ask for an avalised bill. This is when the bank agrees to guarantee payment on due date for deferred bills. It is a pure facility and therefore must go through the same management approval process as any credit request does. If management gives the green light, we will send a message via swift confirming OmniBSIC Banks's willingness to make payment on maturity if drawee fails to fund his account. Note that documents are released only when Trade Services receives management approval.

Q: What is Import Declaration Form (IDF)?

A: Import Declaration Form is an import Control document provided by the Ministry of Trade and Industry (MOTI) to monitor imports into the country. It is a regulatory requirement of the Ministry of Trade and Industry that an Import Declaration Form accompany all imports into Ghana. It is therefore mandatory for importers to complete Import Declaration Form at the time of placing their import order.

Q: What is the difference between the country of origin and the country of supply?

A: The country of origin is where the goods are manufactured while the country of supply determines where inspection of goods will be carried out.

Q: Do I need to be a customer of the bank before I can send documents through Access Bank?

A. Yes. In documentary collections, the bank acts as an agent on behalf of its customer. The bank cannot be an agent for non customers

DOCUMENTARY LETTERS OF CREDIT (LC)

Q: What is a letter of Credit?

A: Conditional guarantee of payment made by a bank to a named beneficiary, guaranteeing that payment will be made, provided that the terms of the credit are met.

Q: What rules govern the establishment of an LC?

A: The rules that govern documentary credit or letters of credit is the Uniform Customs and Practice for Documentary Credits, 2007 revision, International Chamber of Commerce (ICC) publication number 600. This is commonly known as **UCP 600**. The text of the credit expressly indicates that it is subject to these rules and they are binding on all parties of the credit

Q: Who are the key parties to an LC?

A: The following are parties to an LC

- ❖ **Applicant** - The buyer/importer who asks his bank, the issuing bank to issue the credit in favour of the exporter
- ❖ **Beneficiary** - The seller or exporter in whose favour the LC is issued.
- ❖ **Issuing Bank** - The issuing bank is the bank which gives the conditional guarantee in favour of the exporter/beneficiary. In other words, it is the applicant's bank.
- ❖ **Advising Bank** - Usually domiciled in the beneficiary's country, which is requested by the issuing bank to advise the beneficiary on the terms and conditions of the credit. The bank that advises beneficiary of the LC.
- ❖ **Confirming Bank** - This is the bank, which upon request, or with the permission of, the issuing bank, **ADDS** its own irrevocable undertaking to honor the credit if the issuing bank should default.
- ❖ **Negotiation Bank** – Usually a bank nominated by the issuing bank to negotiate for documents. Negotiation involves a bank advancing money to the beneficiary on presentation of the required documents. We can also say it is the bank that gives value to complying documents presented under the credit.

Q: What types of LCs do we have?

A: Revocable, Irrevocable, Revolving, Transferable, back to Back, Red Clause, Green Clause and Stand-by

- ❖ **Revocable** – This type of LC is now extinct. It is the type where at any point in time, one party can decide on anything and not inform the other party and consider it binding on the other party. An example is where one the applicant or the beneficiary decides that they do not want to go ahead of the LC again and then back out without informing the other party of her decision.
- ❖ **Irrevocable** – This is the type of LC where any decision taken under the LC have to be agreed by both parties. Until that time where the applicant and beneficiary both agrees to do something under the credit, they are both bound by the initial credit advised. If one party wants to opt out of the transaction, the other party would have to agree before it can be deemed to be binding on both parties.
- ❖ **Revolving LC** – This is when a single LC covers multiple shipments over a period of time and up to an amount. Instead of arranging for a new LC for each separate shipment, the buyer establishes a LC that revolves either in value (a fixed amount is available which is replenished when exhausted) or in time (an amount is available in fixed installments over a period such as a week, month or year)
- ❖ **Transferable** - A Transferable L/C is a documentary letter of credit designated as transferable. (Look for the wording, “This L/C is transferable.”). It can be transferred by the first beneficiary (transferor) to the second beneficiary (transferee).
- ❖ **Back to Back** – This type of LC consists of two entirely separate documentary credits, but one acts as security for the other. It usually applies in transactions where original suppliers and ultimate buyers deal through a middleman. If the supplier insists on a documentary credit, the middleman may apply to his bankers for them to issue one on his behalf.
- ❖ **Red Clause** - This is where an L/C that contains an instruction from the issuing bank for the advising bank to make an advance to the exporter prior to shipment. When exporter subsequently presents the documents, the amount of the advance, and interest, will be deducted from the full amount of the credit.
- ❖ **Green Clause** – This covers an advance granted by bank against an L/C not containing a red clause. It allows beneficiary to draw certain percentage of documents value for goods which have been warehoused in the Supplier’s country. Goods must be warehoused in a designated warehouse and also inspected by a 3rd party who will issue a certificate confirming that goods have indeed been inspected in the warehouse
- ❖ **Stand by** – This is a conditional undertaking issued by a bank on behalf of its customer to cover non-payment or default risk. This is also called Negative L/Cs. It performs similar role like a Bank Guarantee, except that it may be issued in the format of Documentary Credit and governed by the UCP 600 and stipulates that a sum of money will be paid in the event of default or non-performance

Q: How do you know an LC is transferable?

A: For transferable LC, the initial LC states that it is transferable. On top the LC issued, look out for the words 'LC IS TRANSFERABLE' or 'IRREVOCABLE TRANSFERABLE'

Q: **Are transferable LCs transferable by the second beneficiary?**

A: A transferred LC cannot be transferred at the request of a second beneficiary to any subsequent beneficiary. (see Article 38.g. of UCP 600).

Q: **When are Transferable LCs used?**

A: Transferable LCs are used when the first beneficiary is unable to supply some or all of the merchandise called for in the letter of credit, or, the first beneficiary acts as agent of, or principal supplier to, the applicant. Such L/Cs are usually issued for a large amount and the first beneficiary will be responsible for distributing portions of the L/C to various suppliers, or, the first beneficiary is unable to secure back-to-back letter of credit facilities from bankers.

Q: **Are partial shipments allowed under Transferable LCs?**

A: Yes. If it allows for partial shipments, it may be transferred to one or more second beneficiaries, each party receiving its own portion of the transaction.

Q: **Is the ultimate buyer aware that the LC is transferable?**

A: Yes. The ultimate buyer is aware that he is dealing with a middleman.

Q: **How do you know the LC is a back to back one?**

A: You never know if an LC is a back to back one until the beneficiary presents it and wants to use it as a security to establish another LC.

Q: **Are the two LCs under back to back relate in anyway?**

A: The two LCs are entirely separate documentary credits. The only relation between them is that one acts as security for the other.

Q: **Are the documents called for under a back to back LC different in anyway?**

A: The second credit must call for the same documents as the first credit, apart from the invoices, and must have an earlier expiry date and be for a lower amount than the first credit.

Q: **Who is or are liable under a back to back LC?**

A: The middleman and his bank are responsible for paying the second credit irrespective of whether payment is later received under the first credit.

Q: What document is presented before the advance payment is made under the red clause?

A: Usually, an undertaking from the beneficiary is given to the applicant via the issuing bank stating that the amount of advance payment made would be paid back in addition to any interest that may have accrued over the period should the beneficiary fail to perform under the credit.

Q: How much is paid in advance under a red clause LC?

A: The amount paid in advance under a red clause LC is usually a percentage of the full credit amount.

Q: What happens after beneficiary presents final documents?

A: The amount paid in advance is deducted from the final documents presented and the difference is paid as balance outstanding under the credit.

Q: Under what condition is a green clause LC established?

A: Goods must be warehoused in a designated warehouse and also inspected by a 3rd party who will issue a certificate confirming that goods have indeed been inspected in the warehouse

Q: How does a green clause LC benefit the beneficiary?

A: The green clause LC enables beneficiary to raise working capital for goods or to pay sub-manufacturing contractors by presenting an invoice and certificate to the nominated or confirming bank.

Q: How different is a stand by LC from a normal LC?

A: A documentary credit (LC) undertakes payment when the beneficiary **CARRIES OUT** his contract with the buyer while a stand-by L/C undertakes payment when the applicant **FAILS TO CARRY OUT** his contract with the beneficiary

Q: In what main transactions are stand by LCs used?

A: a. In construction contracts

b. To cover re-insurance companies against failure by their insurers to reimburse them
c. for claims settled within the terms of an agreement between the companies

d. In oil market, in view of multiple sales along the supply chain

e. To reduce the cost of providing continuous streams of documentary credits covering trade between buyer and overseas supplier

Q: What are the types of payments under LCs?

A: Sight payment, Deferred payment and mixed payment.

- ❖ **Sight Payment** - Payment is effected once documents are sighted and they conform strictly to the terms stipulated in the L/C.
- ❖ **Deferred Payment** - Payment is made at a later date, usually calculated several days from the shipment or Bill of Lading date. This is usually agreed on at the start of the transaction.
- ❖ **Mixed Payment** - A combination of sight and deferred payments where part of the LC is paid at sight and another half or part paid at a later date.

Q: Are there any other types?

A: Acceptance, Fully Cash Backed, Partial Cash Cover, Non Cash Backed

- ❖ **Acceptance** - This is where a draft is drawn on the applicant /issuing bank and it has to accept to pay at a specified future date.
- ❖ **Fully Cash Backed** – This is whereby the applicant provides full cash-cover for the L/C. That is, the applicant provides cash covering the full amount of the LC being established.
- ❖ **Partial Cash Cover** – With this, the applicant provides some cash-cover upfront for the L/C and the bank funds the remainder
- ❖ **Non Cash Backed** - This is whereby the bank undertakes to make payment on the L/C upon maturity against a facility granted the applicant. This is as against either a fully cash backed or partial cash cover.

Q: Who is our main correspondent bank when it comes to advice of LCs?

A:

Q: Do we have any other correspondent bank for the advising our LCs?

A:

Q: What are the merits of using a letter of credit for a transaction instead of direct transfer?

A: a. This provides security for both parties. The beneficiary is assured that payment will be made by issuing bank if documents are presented in accordance with the L/C even when applicant defaults.

b. The applicant does not have to pay for the merchandise until shipment has been made by the exporter and documents presented in good order.

Q: Any demerits?

A: The buyer is not assured of receiving the merchandise as exactly ordered because banks deal only in documents and not with the merchandise. Its decision to pay is based on examination and certification of the documents and not receipt of or inspection of merchandise. **Article 5 of UCP 600.**

Q: What are Incoterms?

A: Incoterms is an abbreviation of International Commercial Terms. This term helps to indicate the port of loading and port of discharge, and the respective responsibilities of exporter and importer. It basically states the delivery terms under the transaction.

Q: What other information does the incoterm give/portray?

A:

- a. The division of costs between buyers and sellers
- b. The point at which delivery occurs, i.e. the point at which the risk of loss or damage transfers from the seller to the buyer
- c. Which party is responsible for export and import clearance

Q: Who are the main users of the Incoterms?

A: Directly by buyers and sellers and indirectly by banks, insurers and clearing/forwarding agents.

Q: What is the use of incoterms to banks?

A:

- a. All credits will state an incoterm
- b. It enables banks to check the extent to which documents called for in the credit are consistent with the term used.
- c. It enables banks to check the extent to which documents presented in the credit are consistent with the term used.

Q: What is/are the uses of incoterms to insurers?

A:

- a. Incoterms determine whether it is the buyer or seller that is at risk
- b. If there is a loss or damage to a cargo, insurers need to establish where it has occurred and therefore whether the buyers or sellers were responsible (and therefore the extent of their-insurers' own responsibility).

Q: What is/are the uses of incoterms to clearing/forwarding agents?

- A:
- a.** To determine which party (buyer/seller) will be responsible for payment of freight charges
 - b.** To determine which party (buyer/seller) will be responsible for the various activities in transportation