

Collections

Doing business in foreign markets can be demanding, complicated and risky.

By dealing on a collection basis you can be sure of international deals – without affecting the necessary flexibility.

What is collections?

Collections is the handling of documents

International collections has nothing to do with “legal collections”. International collections – or just collections – means that the bank handles documents according to the instructions received.

The documents can be:

- Financial documents, which are used to obtain payment, e.g. drafts and demands
- Commercial documents, which are issued at the time of shipment of goods, e.g. shipping documents, bills of lading, invoices and certificates

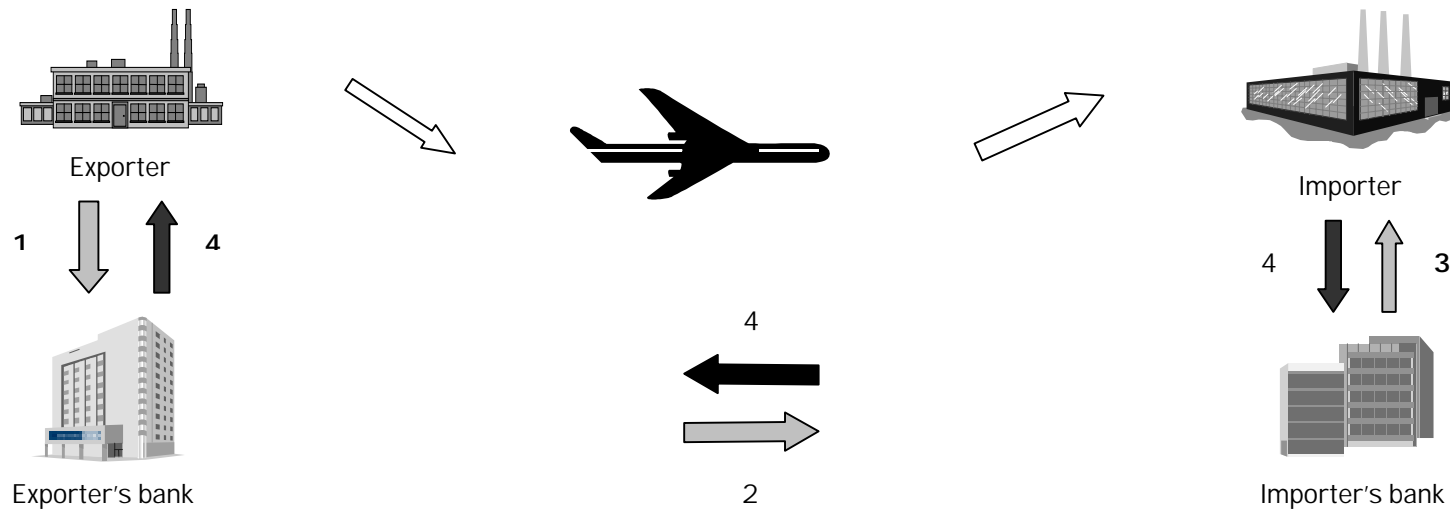
When do we use collections?

Open payments do not always give enough security, e.g. if the exporter does not know the importer well enough to hand over the goods before payment. In such a situation the use of collections can minimise the risk.

The security lies in the fact that the documents will not be handed over until payment has been made – or a draft has been accepted.

How do we use Collections?

Collections abroad are carried out according to international Collection rules. You can obtain a copy of these rules, which are recognised by a large number of foreign banks, in Danske Bank. The course of an international collection deal is shown in the diagram below.



1. The documents are sent to Danske Bank with delivery instructions
2. Danske Bank sends the documents to the foreign bank with instructions that the documents may be handed over against payment or the acceptance of a draft
3. The foreign bank hands over the documents to the importer, when the conditions in the instructions have been followed
4. The exporter receives payment

The exporter's use of collections

As an exporter you know the competition situation in foreign markets. It is a question of being professional. This is also true for the handling of documents in connection with contracted deals.

By using collections, you can be sure that the documents will not be handed over to the importer until he has paid the invoice amount to the foreign collecting bank.

If you have agreed to give credit, the handing over will depend on the acceptance of a draft.

By linking the payment to the handing over of documents you will receive your money faster than if you had just sent an invoice and had to wait for payment.

Consignment

The method of consignment is important if - through collection - you want to ensure payment for the documents.

As exporter, you should not as a rule consign the goods to the importer. If the goods are sent to the importer's address - apart from consignments by ship - it is not really possible to impose conditions for payment.

The consignee should, instead, be a third party, e.g. the importer's bank or a transport company. In this case the third party must have the necessary instructions regarding conditions.

Many foreign banks will not accept the consignment of goods to them without warning. The bank must agree beforehand. Danske Bank is always willing to help obtain the necessary permission.

The course of the collection

If you have agreed with the importer to use collection, you must fill out an instruction form when the goods have been sent. You deliver this to us with the documents.

When we receive advice that the collection amount has been paid into Danske Bank's account abroad, the amount will be credited to your account.

"Direct Collection" saves time

In business deals, which require special speed and flexibility, you can use "Direct Collection". Here you can avoid the goods arriving before the documents, due to e.g. a short transport time. You send the documents and the instruction letter to the foreign collecting bank yourself - on our behalf, and send a copy of the instructions letter to Danske Bank. We will deal with the rest of the case.

Credit

If you and the importer have agreed to a period of credit, the documents and therefore the goods, will be handed over on the importer's acceptance of a draft, which matures on the expiry date of the agreed period of credit.

The accepted draft will usually be kept in the foreign bank and presented for payment at maturity. You can, however, also choose to have the draft returned to you for your own use.

It is possible for accepted drafts to be discounted in Danske Bank.

If you often do business on a collection basis, we may be able to offer you a line for discounting accepted drafts.

Export documents to International Collection via DanskeBank TeleService

Access to the system is with DanskeBank TeleService via internet or a direct on-line connection to the bank.

By using Export Collections via DanskeBank TeleService you ensure that all the necessary information about the collection is given to the bank, so that delays in payment can be avoided. The system creates and prints the instruction letter to the bank, so that you do not need to complete special instruction forms for your documents. After the documents have been sent to the bank it will be possible for all subsequent communication with the bank to take place electronically in the system. Thus will do away with a lot of physical letters and the use of paper, also internally in your company.

The system gives you access to all the bank's information about your collections. In this way you can constantly follow the progress of the handling of your documents. Apart from this you will be able to keep account of all your collections, while accessing online information, such as:

- When the draft is accepted
- When the documents are received by the buyer's bank
- When payment is made
- Which collections the debtor has paid
- Which collections you have with debtors in a given currency, e.g. HKD
- How many collections are in EUR and what are the amounts
- Which collections have drafts, which fall due for payment in a given period
- When did Danske Bank forward the documents

If you already have Danske Bank TeleService there is no extra subscription cost to get access to our Trade Finance module and through this to the Export Collections System. In the light of the technical and administrative advantages, which are a natural consequence of the new system, we are able to offer International Collections via DanskeBank TeleService at a somewhat lower price than formerly. We are always available to demonstrate the system to you.

The importer's use of collections

If you buy goods abroad on a collection basis it is the foreign exporter who prepares the documents. A draft from the exporter's bank, for collection in Danske Bank, often accompanies the document.

Paperwork

The paperwork progresses quickly when Danske Bank handles the documents. As soon as the contract is signed, you should make sure that the exporter instructs his bank to send the collection direct to Danske Bank.

When we receive the documents we will advise you of the conditions in the collection. Upon payment or acceptance of a draft the documents and goods can be released.

The fast handling of documents saves you time and expense, e.g. in connection with unnecessary warehousing.

Your check

Before the documents are released you should always check whether or not the documents comply with the agreement you made with the exporter. According to the international rules for Collections, the collecting bank in Denmark is not responsible for the correctness or authenticity of the documents. The bank cannot, therefore, pay back the amount of the collection if protest is made after payment is made, or a draft has been accepted.

Charges

There are charges in connection with collections, both here and abroad. It is, therefore, important that you agree beforehand with your foreign business connection as to who will pay which charges.

In Danske Bank you can get an overview of the different charges and fees in connection with collections.