

DP06

International Trade Finance

9 APRIL 2007

1. Time allowed : Three (3) hours
2. Total number of questions : Seven (7) questions
3. Number of questions to be answered : Five (5) questions of which at least two (2) must be from Part A [20 marks each]
4. Candidates must obtain a minimum of 16 marks in Part A as well as pass the paper as a whole.
5. Begin each answer to a new question on a fresh page.
6. Answer **all** questions in **English**.
7. A blank page is provided at the end of the question paper for rough work.

PART A

ANSWER AT LEAST TWO (2) QUESTIONS

1. (a) Briefly explain the duty and role of an advising bank as per ICC Uniform Customs and Practices for Documentary Credit (UCP500). [3]
- (b) Describe a transferable Documentary Credit (DC) under UCP500. [3]
- (c) Describe **three** advantages of a transferable DC to a trader, who is a “middleman”. [6]
- (d) In accordance with UCP500, a DC can be transferred only on the terms and conditions specified in the original DC.
List **six** exceptional items that can be reduced or curtailed. [6]
- (e) Assume that the first beneficiary asked your bank to change the terms of payment from CIF to CFR as he managed to secure insurance on his own.
Explain your action as the transferring bank. [2]
- (Total:20 marks)

2. (a) Describe a standby letter of credit (SBLC). [3]
- (b) In international trade, a guarantee in the form of a SBLC is preferred compared to a bank guarantee. Explain why. [2]
- (c) Bonds or guarantees issued by a bank can be classified as conditional or unconditional. It is normally argued that banks prefer issuing unconditional bonds.
Explain why from the bank's point of view. [2]
- (d) Describe a shipping guarantee as compared to a bank guarantee issued by a bank. [5]
- (e) Briefly describe a bankers' acceptance (BA). [4]
- (f) In the context of an export financing, briefly describe **two** differences between a “bill discounting” and a “BA”. [4]
- (Total:20 marks)

3. Bank SIM has received a documentary collection for USD500,000 for Street Racer Sdn Bhd (SRSB), an importer of sport motorbikes, to be delivered on acceptance of a bill of exchange (BE) 90 days from the bill of lading date. Upon checking the collection instruction, you, an officer with Bank Sim, noted instructions with regard to the interest to be collected, as follows:

- Interest of 10% to be charged for the delay in accepting the BE.
- In the event the charges cannot be collected from the drawee, the collecting bank is required to pay.

The collection is subject to ICC Uniform Rules for Collections (URC522).

- (a) State **two** advantages of a collection to be delivered against payment to an exporter rather than against acceptance. [4]
- (b) If you have decided not to execute an instruction, what option do you have as a collecting bank? [2]
- (c) The detail in respect of the interest as mentioned above is incomplete for the collecting bank to act.
What are the other details required as per URC522? [4]

- (d) Assume that the remitting bank has informed Bank SIM the required details for the interest.
If there is a delay in accepting the BE and SRSB refuses to pay the interest, is Bank SIM liable? Explain your answer. [4]
- (e) Assume that on the maturity date of the BE, SRSB refused to pay the BE.
- (i) What would you do to protest the BE in accordance with the Bill of Exchange Act 1949, assuming you have been instructed to do so by the remitting bank? Briefly explain the necessary procedure. [4]
- (ii) What would you do if the BE is an inland BE in terms of preserving the right of recourse?[2]
(Total:20 marks)

PART B

4. (a) (i) Define the Incoterm CIP. [2]
(ii) Briefly explain the difference between the usage of Incoterms CIP and CIF. [4]
- (b) (i) Briefly explain what a trust receipt (TR) is. [2]
(ii) Name **three** provisions that are expected of the customer to hold in trust for the bank and that protect the bank, which are usually contained within the TR documents. [3]
(iii) Why do most banks insist on taking an accepted bill of exchange together with a TR from their customers? [3]
- (c) Banks finance the purchases made by importers with TR financing and also Pre-shipment Export Credit Refinancing (ECR) if it meets the ECR criteria set by Export-Import Bank of Malaysia Berhad (EXIM Bank).
Explain why the ECR financing method is cheaper than TR financing. [2]
- (d) When a customer wishes to contract a future exchange of a foreign currency with his banker, he normally wants to hedge the foreign currency exchange risk using a forward foreign exchange contract.
(i) Explain the difference between a “fixed” and “option” forward foreign exchange contract. [2]
(ii) Describe **one** benefit of a forward foreign exchange rate contract to the exporter. [2]
(Total:20 marks)
5. (a) (i) State **three** functions of a Bill of Lading. [3]
(ii) State the **main** difference between a Bill of Lading and a waybill document. [1]
- (b) Briefly explain why a bill of lading is regarded as “quasi-negotiable”. [2]
- (c) Explain the meaning of “riba” and its application in Islamic banking. [4]
- (d) Explain how Documentary Credit works under the following Islamic banking principles:
(i) Al-Murabahah [2]
(ii) Al-Wakalah [2]

- (e) (i) Explain, with an example, the foreign exchange risk in international trade. [4]
- (ii) Explain the interest rate risk faced by an exporter if the exporter borrows from a bank based on a facility with a fixed interest rate to finance his trade deal. [2]
- (Total:20 marks)

6. In a Documentary Credit (DC) of USD10million, Bank MIS being the DC issuing bank, has noted and rejected a set of documents presented for the same amount based on the reason that the original insurance document was not presented. This is due to the fact that a photocopy of the first page (out of two pages) of insurance was presented.

Subsequently, the original insurance was re-presented to the DC issuing bank and after checking the documents again, Bank MIS rejected the documents on the basis of the following discrepancies:

- The coverage of the insurance is not sufficient as it mentioned "coverage similar to Institute Cargo Clauses A" instead of "coverage subject to Institute Cargo Clauses A".
- The amount covered is in Singapore Dollar instead of USD.

The negotiating bank disagreed with the second rejection notice due to the fact that Bank MIS must note all discrepancies in the first rejection as per ICC Uniform Customs and Practices for Documentary Credit (UCP500). The negotiating bank also disagreed with the discrepancies noted in the second rejection notice as "coverage similar to Institute Cargo Clauses A" was acceptable and also, there was an equivalent in USD mentioned in the insurance.

- (a) Describe a Documentary Credit under UCP500. [4]
- (b) Describe **two** disadvantages of a Documentary Credit as a mode of payment to an importer. [4]
- (c) Explain the term "negotiation" within the context of UCP500. [2]
- (d) Briefly explain whether the second rejection by Bank MIS was justified. [4]
- (e) Do you agree with the negotiating bank with regard to the discrepancies of the second rejection notice? Explain your answer. [6]
- (Total:20 marks)

7. (a) List **eight** items that should be in a collection instruction as per ICC Uniform Rules for Collections (URC522). [8]
- (b) Describe the possible impact on collection if insufficient information is given as required in the collection instruction as per URC522. [4]
- (c) Explain the following terminologies as provided under URC522:
- (i) Documentary collections [2]
- (ii) Commercial documents [2]
- (iii) Clean collection [2]
- (d) Name and define the **two** non-bank parties in a collection under URC522. [2]
- (Total:20 marks)

– END OF QUESTION PAPER –

OUTLINE ANSWERS

The comments given in the boxes below indicate the areas of weaknesses the examiners have identified and their advice to future candidates.

PART A

Question 1

- Candidates could not provide the appropriate answers on the duty and role of an advising bank, a transferable Documentary Credit (DC), the advantages of a transferable DC and the basic characteristics of a transferable DC.
- Diligent reading of the study manual and the UCP500 articles should help candidates to answer this question and other similar questions on Documentary Credits.

1. (a) An advising bank is a bank that elects to advise a Documentary Credit (DC) to the beneficiary. The advising bank can choose whether or not to advise the DC if nominated by the issuing bank.

If the bank chooses to advise the DC, it shall take reasonable care to check the authenticity of the DC. If the DC cannot be authenticated and the bank still chooses to advise the DC, it can do so but it must inform the beneficiary that the authenticity of the DC cannot be established and also inform the bank from which the DC was received.

If the bank elects not to advise the DC, it must also inform the issuing bank without delay.

- (b) A transferable credit is a credit under which the beneficiary (first beneficiary) may request the bank authorised to pay, incur a deferred payment undertaking, accept or negotiate (the transferring bank), or in the case of a freely negotiable DC, the bank specifically authorised as a transferring bank, to make the credit available in whole or in part to one or more other beneficiary (ies) [second beneficiary (ies)].

- (c) The advantages of a transferable DC to a trader are as follows:
(Choose any *three* of the following)

- Administratively efficient i.e. when the trader receives the transferable DC, he is only to instruct the transferring bank to transfer the specific portion of the DC to the second beneficiary.
- The trader is not required to issue a DC from his bank. His trade facility can be used for other transactions.
- The trader's function is to match both the buyer and seller by transferring the DC, of which he is the first beneficiary and yet ensure his entitlement of the margin/profit upon completion of the transaction in accordance with UCP500.
- It is cost effective. The trader's cost can be passed to either the DC applicant or the second beneficiary or both. He is not required to prepare funds or security for transferring the DC.

- (d) As a transferring bank, if you elect to transfer the DC, you can only transfer the DC on the terms and conditions specified in the original DC, with the exception of the following items, which can be reduced and curtailed:

- Amount
- Unit price
- Expiry date
- Period of shipment
- Last date of presentation
- Percentage of insurance coverage
- Name of first beneficiary substituting the name of applicant

- (e) If you have changed the terms of the DC from CIF to CFR even though requested by the first beneficiary but prohibited under UCP500, it will be at your risk and responsibility.

If everything is complied with, there will be no issue. However, if the reason documents were rejected was due to non compliance of the documents or terms, which you have omitted from the transferred DC to the second beneficiary and no payment is received, you would be liable to the second beneficiary for his portion of the DC.

Even if you have added a certain clause that payment will be made only upon receipt of proceeds from the DC issuing bank, it will not be applicable in this case.

As for the first beneficiary, any arrangement between you and the first beneficiary would be a separate arrangement that you have to resolve separately as well if it occurs.

Question 2

- Candidates failed to describe a standby letter of credit.
- Candidates were unable to explain what a shipping guarantee is compared to a normal bank guarantee and had poor understanding of a Bankers Acceptance (BA) and bill discounting.
- Comprehensive reading of the study manual of DP06 and BA guidelines should help candidates answer the question well.

2. (a) A standby letter of credit acts as a guarantee to the beneficiary of the credit by the issuing bank on behalf of the applicant. In the event of non-performance and/or default by the applicant, claims can be made under the standby letter of credit, which is subject to UCP500 or International Standby Practices (ISP98).
- (b) Each country has its own set of laws governing guarantees that usually differ from one country to another. In international trade a standby letter of credit is preferred as it is subject to ICC Uniform Customs and Practices for Documentary Credits (UCP500), an international rule which is deemed to be more acceptable.
- (c) Banks prefer to issue unconditional bonds because of the possibility that the bank's interpretation of the conditions being met in claims on bonds or bank guarantees may not be conclusive from the viewpoint of others including the court of law.
- (d) A shipping guarantee is actually an indemnity rather than a guarantee given by the customer, countersigned by the bank, specifically to a shipping company or its agent, for the purpose of allowing the shipping company to release the merchandise to the consignee named in the Bill of Lading without the presentation of the original Bill of Lading. The indemnity is without expiry date and, as an indemnity, the bank is also primarily liable.
- (e) A banker's acceptance (BA) draft is a usance bill of exchange drawn payable in the future which:
- has been drawn by a drawer in his own favour, i.e. the drawer is also the payee,
 - has been accepted by a bank, and
 - is payable on a specified future date without any additional days of grace.

- (f) Differences between “bill discounting” and “BA” :
(Choose any *two* of the following)
- For BA, the Bill of Exchange (BE) is accepted by the bank whereas for bill discounting, the BE is accepted by the drawee.
 - For BA, there is a ready secondary market to rediscount the BA to other parties, whereas for bill discounting, the bank which discounts the bill will normally keep the bill till maturity as it is difficult to dispose of the BE due to higher market expectations as the drawee is required to be of good financial standing.
 - There is no specific minimum amount for bill discounting as it depends on the bank that discounts the BE compared to that for a BA, which is RM50,000 as per the BA guidelines.
 - For BA, the BE is drawn payable on a specific future date and excludes days of grace.

Question 3

- Candidates were able to provide the advantages of the term of payment under delivery against payment in a collection under URC522.
- Candidates were unsure of the obligations of a presenting/collecting bank under URC522 if it chooses not to handle an instruction on the collection instruction.
- Candidates failed to understand that the presenting/collection bank is not liable if it could/did not collect interest payment on behalf of the remitting bank as per the collection schedule unless it specifically mentions that the interest cannot be waived.
- Candidates did not know that an inland bill of exchange is not required to be protested in order to preserve the right of recourse.

3. (a) (Choose any *two* of the following)
- The documents will be released to the importer only upon payment. If the importer defaults on payment, the underlying goods can be sold to other buyers in the same market or elsewhere or even be brought back to his country.
 - Routing of documents through the banking system is more secure and reliable to obtain payment.
 - Other instructions can also be included i.e. noting, protest for non-payment, collection of interest, etc.
 - Basis for requesting bank financing.
- (b) Under URC522, banks shall have no obligation to handle either a collection or any collection instruction or subsequent related instructions. If a bank elects for any reason, not to handle a collection or any related instructions received by it, it must advise the party from which it received the collection or the instructions by telecommunication or, if that is not possible, by other expeditious means, without delay.
- (c) Other elements required are:
- Interest period i.e. when it starts and ends.
 - Basis of calculation i.e. per annum, per month, etc. and whether it is 360 days or 365 days, etc.
- (d) No. Bank SIM is not liable to pay the interest even if SRSB refused to pay the interest. This applies even if Bank SIM did not notify the remitting bank that they would not agree to the instruction upon receipt of the collection. This is due to the fact that for interest payment, the collection instruction must specifically mention whether the interest can be waived. If it is silent, then it would be assumed that it can be waived.
- (e) (i) Since you decided to protest the accepted BE for dishonour or non-payment in accordance with the collection instruction and the Bill of Exchange Act 1949, a Notary Public has to be engaged to do the noting and/or protest.

This is to be done in order to preserve the right of recourse. A notice of dishonour should be given to SRSB and protesting should also be carried out. The date of noting must not be later than the next succeeding business day if the actual protest is to be carried out later.

- (ii) No protest is required in accordance with the Bill of Exchange Act 1949 for an Inland BE in terms of preserving the right of recourse.

PART B

Question 4

- Candidates failed to explain the trust receipt (TR) in detail.
- Candidates could not explain that the rate for TR financing is usually higher than financing under ECR due to the fact that, under ECR, the Government subsidises funding via EXIM Bank.
- Comprehensive reading of the study manual could ensure maximum marks for this question.

4. (a) (i) Incoterm CIP means Carriage and Insurance paid to a named place of destination.
- (ii) Incoterm CIP is more appropriate compared to CIF on the following:
- CIP is applicable to any mode of transport, whereas CIF is only applicable to transport either by sea or inland waterway.
 - For some transportation techniques via sea or inland waterway i.e. when a roll-on/roll-off technique is being used, CIF is not appropriate as the term “ship rails” is less meaningful.
- (b) (i) A trust receipt (TR) is a document that provides evidence that the goods and the proceeds of the sale from those goods are the bank’s security. The bank is financing the customer’s purchase against the goods as its security. The proceeds from the sales of the goods will be used to settle the customer’s indebtedness to the bank under the TR.
- (ii) The provisions to hold in trust:
(Choose any **three** of the following)
- The underlying goods and /or documents of title relating thereto.
 - The sale proceeds (to settle the loan via designated account).
 - Insurance claim amount (to settle the loan via designated account).
 - Keeping the goods adequately stored and insured at all times.
 - Returning unsold goods (if any) to the bank.
 - Providing, upon request by the bank, a signed letter of authority.
- (iii) Besides the goods as security, a bank asks for an accepted bill of exchange from the importer as additional security for the TR. This is because it is difficult to determine the whereabouts of the actual goods pledged as security while in transit. Also, the bank may elect to not rely solely on goods as security for the TR loan. In the event of default, it is simpler to obtain repayment by enforcing the bill of exchange via the provision of the Bills of Exchange Act 1949.
- (c) The funds for TR financing are the bank’s internal cost of funds and normally at Base Lending Rate (BLR) plus margin. In ECR, the funding comes from the Government scheme via BNM to EXIM Bank which is much lower as it is subsidised by the Government.
- (d) (i) In a fixed forward foreign exchange contract, the date of the currency transfer is known and fixed. In an option forward foreign exchange contract, the exact date of the transfer is not known but is within a time period.

- (ii) In international trade that involves foreign currency, the exporter is vulnerable to foreign exchange risk/exposure that may affect the exporter's profit and loss as a result of exchange rate movements over time. The extent of the loss/profit will depend on how much the difference is in the exchange rate movement during the period. In order to mitigate the risk/exposure for the exporter, a forward foreign exchange rate contract can be done so that he will know the actual RM equivalent he will be receiving as the exchange rate contracted will be used for the proceeds that he will be receiving in four months.

Question 5

- Candidates could provide the functions of a bill of lading and state its differences with a waybill document.
- Candidates explained foreign exchange risk in international trade well and gave relevant examples.
- Candidates were unable to explain the principles of Al-Murabahah and Al-Wakalah under a documentary credit usage.
- Comprehensive reading of the study manual should help candidates attain better marks.

5. (a) (i) The three functions of a Bill of Lading are as follows:
- Acts as a receipt for the underlying goods
 - Contains the terms and conditions of the contract of carriage
 - Acts as a document of title for the underlying goods
- (ii) The difference between a Bill of Lading and a waybill document is that the waybill is not a document of title.
- (b) Once a Bill of Lading is made out to the order, it possesses some features of negotiable instruments where the rights and titles can be transferred by endorsement basis. This is why it is also regarded as "quasi-negotiable".
- (c) The literal translation of the word "riba" is "increase" or "excess", which is forbidden under the Syariah law. Islamic banking is governed under the Syariah law. Hence any accrued interest for deposit and/or loan that is predetermined, which is considered as an "increase" or "excess", is prohibited. Nevertheless, any profit from business activity that involves a certain risk where the profit cannot be determined is allowed since it depends on the relative success of the businesses or entrepreneurial activities. The element of sharing the undeterminable profit is allowed and does not contravene the Islamic principles and is acceptable in Islamic banking.
- (d) Documentary Credit (DC) issued in Islamic banking under:
- Al-Murabahah i.e. DC issued on "cost plus" basis, where the importer will pay the bank that issued the DC on a differed basis, a sum that equals the cost of the goods as imported plus the bank's profit for agreeing to issue the DC. The importer acts as an agent of the bank as far as the goods are concerned.
 - Al-Wakalah i.e. the bank is now acting as an agent of the importer where the DC issued was fully financed by the importer. The bank merely generates a fee/commission income for the service provided.

- (e) (i) An example is, if the exporter intends to export palm oil from Malaysia with a total cost of USD100 million in 4 months' time. Assume that at the point of signing the contract of sales the USD/MYR is 3.7600, equivalent of RM376 million. If, after 4 months when the export has been completed and the USD proceeds have arrived, the exchange rate moved to 3.5000, the exporter will have to convert the USD into Ringgit equivalent of RM350 million instead of the projected RM376 million i.e. a loss of RM26 million during the period of 4 months for the same amount of palm oil.

The possible loss of RM26 million if not mitigated earlier may cause erosion of the profit margin or even result in a loss to the exporter if a back-to-back business deal arrangement had been done earlier. However if the exchange rate moves in the opposite i.e. USD/MYR 3.900, the possible gain in Ringgit due to the exchange rate change will be RM14 million.

- (ii) Fixed rate: The interest risk the exporter faces once he has borrowed at a certain fixed rate is, when the Interest rate falls dramatically at a later date. The Exporter would have committed himself at a higher cost of borrowing, which is fixed. Therefore his profits would not be as high as it could have been.

Question 6

- Candidates failed to give a detailed description of a Documentary Credit (DC), its disadvantages as a mode of payment to an importer and had difficulty explaining the meaning of the term "Negotiation" under UCP500.
- Candidates could neither grasp nor understand that a re-presentation of documents under a DC with a new document or a document that was not fully available to be checked earlier would be checked in accordance with the UCP500 requirement. Therefore, any discrepancy noted will be considered as an addition to any previous discrepancies.
- Diligent reading of the study manual and the UCP500 articles should help candidates answer this question and other similar questions on documentary credits.

6. (a) A written undertaking by a bank given to seller at the request and on the instructions of the buyer to pay at sight or at a determinable future date, up to a stated sum of money, within a prescribed time limit and against stipulated documents subject to Rules under ICC Uniform Customs and Practice for Documentary Credits (UCP500).
- (b) *(Choose any two of the following)*
- The DC cannot be cancelled or amended once issued without the consent of the issuing bank, the DC confirming bank (if any) and the beneficiary.
 - Payment and liability of the DC depends on the compliance of documents with regard to the terms and conditions of the DC only and not the actual goods. The DC deals with documents and not goods.
 - Charges, fees and other expenditures are usually borne by the instructing party i.e. the DC applicant, which could be substantial especially if the DC confirmation and charges, fees and other expenditure are added to the cost of the goods purchased.
 - DC issuance requires a DC facility to be available with a bank, which normally involves cost and the pledging of security by the DC applicant with the bank.
- (c) Negotiation as per UCP500 means the giving of value for draft(s) and/or the documents by the bank authorised to negotiate. If the documents are forwarded to the issuing bank without putting value to the documents, that does not constitute a "negotiation".

- (d) Yes. Bank MIS has acted correctly. The second rejection notice is justified as it involves discrepancies noted in the insurance document that was not presented earlier. Even though the UCP500 article 14 (d) mentioned that any rejection notice must state all the discrepancies, it would not be applicable here as the original insurance was not presented and the photocopy was only the first page i.e. not complete. On first presentation, Bank MIS should be given the opportunity to review the insurance document that was re-presented for any discrepancy and act accordingly as per UCP500.
- (e) No. The discrepancies noted by the DC issuing bank in the second rejection notice are correct.
- Bank MIS is right that there was a discrepancy as the expression “similar to Institute Cargo Clauses A” would leave a doubt as to the sufficiency of the insurance coverage as it is not corresponding with /equivalent to the Institute Cargo Clauses A.
 - Bank MIS is also right on the second discrepancy noted as the coverage was in Singapore Dollars and not USD even though it mentioned the equivalent in USD at the point of issuance of the insurance documents. The exchange rate fluctuates according to time. There may be doubt as to the actual USD equivalent on the date of payment of the claim, if any. Thus, there is a discrepancy since the amount is expressed in Singapore Dollars instead of USD as required in the DC.

Question 7

- Candidates could provide the items/information required in the collection instruction as per URC522, the two non-bank parties in a collection and the terms “documentary collections”, “commercial documents” and “clean collection”.
- Comprehensive reading of the study manual and URC522 should help candidates attain better marks.

7. (a) Information or items in a collection instruction as per ICC Uniform Rules for Collections URC522:
(Choose any *eight* of the following)
- Details of the bank including its full name, postal and SWIFT addresses, telex, telephone, facsimile numbers and reference.
 - Details of the principal including full name and postal address.
 - Details of the drawee including full name and postal address or the domicile at which presentation is to be made.
 - Details of the presenting bank, if any, including full name, postal address and, if applicable, telex, telephone and facsimile numbers.
 - Amount(s) and currency(ies) to be collected.
 - List of documents enclosed and the numerical count of each document.
 - Terms and conditions upon which payment and/or acceptance is to be obtained.
 - Terms of delivery of documents e.g. payment and/or acceptance or other terms and conditions.
 - Charges to be collected, if any, indicating whether they may be waived or not.
 - Interest to be collected, if any, indicating whether it may be waived or not including the rate of interest, interest period and basis of calculation.
 - Method of payment and form of payment advice.
 - Instruction in case of non-payment, non-acceptance and/or non-compliance with other instructions.

- (b) Possible impact on the collection:
- The collecting bank may refuse to handle the collection and/or return the collection to the sender of the collection.
 - Unnecessary delay in the delivery of the documents in order to obtain further instruction from the party who sends the collection.
 - Related impacts as a result of late delivery of documents due to insufficient information include incurring demurrage charges, losses of perishable goods, not meeting the back-to-back contract arrangements, possible non compliance to actual sales contract, and dispute in payment terms, etc.
- (c) (i) “Documentary collections” mean collections of financial documents accompanied by commercial documents, or commercial documents that are not accompanied by financial documents.
- (ii) “Commercial documents” under URC522 include invoices, transport documents, documents of titles or other similar documents, or any other documents which are not financial documents and instruments used for obtaining the payment of money.
- (iii) “Clean collection” under URC522 means collection of financial documents only not accompanied by commercial documents e.g. cheque to obtain payment or a Bill of Exchange (BE) for acceptance or to obtain payment. Financial documents include bills of exchange, promissory notes, cheques, or other similar instruments used for obtaining payment of money.
- (d) The **two** non-bank parties in a collection under URC522:
- The Principal: the party entrusting the handling of a collection to a bank, and
 - The Drawee: the party to whom presentation is to be made in accordance with the collection instruction and URC522.