



"Reliable payment is the first fundamental of free trade."

John W. Dunlop, is President of AVG Trade Group, providing Letter of Credit management, documents and payment via the Internet to clients worldwide.

The Global Business Model© - GBM

The Global Business Model© is a standardized method of business forms and procedures for buyers and sellers that leads to good Documentary Letters of Credit. Its benefit is the reduced cost and complexity of International transactions.

The GBM was first written, published and copyrighted in 1997. The GMB and its interactive forms are on the Internet at <http://www.AVGTS.com>, and is available free of charge for use by sellers and buyers

The Need for a System

International Documentary Letter of Credit and Standby Letter of Credit are well defined by UCP 500 and ISP 98 respectively. However, their has not been a business standard for conducting a transaction leading up to the Credit. The GBM fills this void and is available on the Internet as interactive forms and procedures.

Internet Interactive GBM Forms

The GBM sales and Letter of Credit management forms are interactive on the Internet. The forms may be used while on the Internet, or downloaded for continuous application. The forms provide a step by step methodology for completing a successful trade transaction; which means getting paid.

The Global Business Model© on the Internet

The Global Business Model is a standard business system for international trade transactions available on the Internet at no cost for use by buyers and sellers.

BOA - The Basic Ordering Agreement

The Basic Ordering Agreement is a common agreement between the buyer and seller. It is an exchange of information before the sales process begin as to the banks that are going to be used, goods that are going to be purchased, the ports of embarkation and destination, the Incoterm mutually decided on, and the terms and conditions of the Letters of Credit to be issued to support the planned business.

RFQ - The Request for Quotation

The buyers Request for Quotation comes from the potential buyer when he has defined the products and services he wishes to purchase, and now needs prices and terms.

QTO - The Quotation

The sellers Quotation addresses the specific quantity, model, part number, units, delivery, etc., and terms of sale in response to the buyers Request for Quotation. It has also defines a time in which the seller will accept a Purchase Order reflecting the price quoted.

POR - The Purchase Order

The buyer's Purchase Order is his commitment to buy a specific quantity, at a specific price, to specific terms, to be delivered within a specific time frame to the specified destination under a specific Incoterm. Specific is obviously the important adjective.

PIV - The Proforma Invoice

The seller's Proforma Invoice contains the total value of the funds for the Letter of Credit or Collection needed by the seller as remuneration to fulfil the Purchase

Order. The Proforma contains not only the cost of goods, but also the cost of freight, insurance, documentation, management, financing, and bank fees. Usually the Quotation does not contain these elements because the seller did not know at that time exactly what the buyer was going to order and when.

LCI - The Letter of Credit Instructions

The Letter of Credit Instructions contain the terms and conditions of the Documentary (or Standby) Letter of Credit that the seller requests form the buyer.

LCA - The Letter of Credit Application

The Letter of Credit Application is used by the buyer to apply for a Credit to be issued from his bank to his sellers advising bank. The issuing bank's application should conform to the standard defined by UCP No. 516.

LC - The Letter of Credit

The Letter of Credit is issued by the buyer's bank to the sellers advising bank. The Documentary Letter of Credit issued from the buyer's bank should conform to UCP 516.

The Shipping Order

The seller's Shipping Order instructs his operations what, when, how, and where to ship the purchased goods.

The Packing List

The seller's Packing List reflects exactly what was shipped in response to the Shipping Order. The PKL takes into account what inventory or capability was on hand regardless of what was directed.

The PKL is the source document for billing the buyer. It is also the source document for what the buy is going to receive regardless of what was ordered.

INV - The Invoice

The commercial Invoice reflects the value of the actual shipment. The Invoice is used for billing and for customs valuation. It is also the source document for the Documentary Draft and Certificate of Origin.

DDR - The Documentary Draft

The Documentary Draft is the sellers demand for payment. It is a bill of exchange between himself and the buyer. In a correct Letter of Credit transaction, the DDR is drawn on the issuing or paying bank in the stead of the buyer.

The Bill of Lading

The Bill of Lading is the sellers contract with a carrier for the transport of goods to the buyer. It also states who the goods are consigned to (owned by), and who to notify at the destination. There are different names for the different types of transport documents, Ocean Bills of Lading; Air Waybills; truck or Straight Bills of Lading; and Rail Waybills. Only the Ocean Bill of Lading is a freely negotiable title document in addition to a carriage contract.

The Insurance Certificate

The seller verifies compliance for taking out cargo insurance with an Insurance Certificate issued from the carrier or Insurance company. It is impractical to provide a copy of the insurance policy, so a certificate is provided in lieu of .

The Certificate of Origin

The Certificate of Origin is issued or stamped from a local Chamber of Commerce, trade organization, and/or destination countries delegation. Many buyer's and their counties are concerned with the origin of their purchased goods for political or tariff reasons. In the age of globalization with its amalgamation of

assembled parts, this documents has become an arcane requirement.

The Inspection Certificate

The Inspection Certificate comes from the seller or a third party hired to provide an impartial inspection of the goods prior to shipment.

Other Documents and Requirements

Any document can be required by the documentary Letter of Credit. However, the GBM only requires proof of movement, proof of value, proof of insurance, and proof of content. All of the Credits documentary requirements should be under the control or capability of the seller to produce in a timely manner.

LCP - Letter of Credit Processing Sheet

The seller's Letter of Credit Processing Sheet instructs AVG Trade Group to process the Credit to include: management, document preparation, and payment tracking as the agent for the seller.

Conclusions

The Global Business Model© in complement with the UCP 500, AVG Trade Group's Letter of Credit services combine to provide exporting companies a complete trade finance department on the Internet.

AVG Trade Group

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