**Bills of Exchange**

**Question 1:**
Could you briefly explain "Bill of Exchange"?

**Answer 1:**
A Bill of Exchange is a negotiable instrument governed by detailed legislation in most countries and used for extending credit to a buyer which also gives the seller security. This document usually is accepted by the buyer, “the drawee” who thereupon is called the “acceptor”. The acceptance is written on the Bill of Exchange by stating “accepted”. By accepting the draft, the acceptor has undertaken to pay the Bill of Exchange amount at it’s maturity. The legal structure of a Bill of Exchange is similar to that of a cheque, but a cheque must be drawn on a bank and is payable upon presentation to that bank.

**Question 2:**
What does it look like and how should it be filled in?

**Answer 2:**

<table>
<thead>
<tr>
<th>Drawer’s name, mailing address (place of issue)</th>
<th>Bill of Exchange</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>A</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>Date of issue</td>
<td>Drawer’s ref</td>
</tr>
<tr>
<td>Drawee’s name, mailing address</td>
<td>Pay against this Bill of Exchange to</td>
<td>H</td>
</tr>
<tr>
<td>C</td>
<td>Payable with</td>
<td>L)</td>
</tr>
<tr>
<td></td>
<td>Place of payment</td>
<td>M)</td>
</tr>
<tr>
<td>Amount in words and currency</td>
<td>D</td>
<td>E</td>
</tr>
<tr>
<td></td>
<td>I</td>
<td></td>
</tr>
<tr>
<td>Accepted by</td>
<td>K</td>
<td>J</td>
</tr>
<tr>
<td></td>
<td>Drawer’s signature</td>
<td></td>
</tr>
</tbody>
</table>

Main feature of a Bill of Exchange.

A) "Bill of Exchange" included in the current text (applicable also under H)
B) Drawer’s name = Name and address of the issuer of the Bill of Exchange i.e. the Seller.
C) Drawee’s name = Name and address of the paying part.

D) The amount expressed in letters.

E) The amount expressed in figures.

F) Date of issue = the date of the issuance of the Bill of Exchange.

G) Maturity = The maturity date of the Bill of Exchange.
   Upon immediate payment, write “At sight”.
   Upon payment at a pre-determined date, write maturity yyyy-mm-dd
   “ ” at a pre-determined date after shipment, e.g. 60 days after
   B/L date, write”60 days date” in G) and under F) date of shipment
   When a Bill of Exchange matures at a pre-determined period after
   acceptance, e.g. 60 days sight the acceptance shall include maturity date.

H) Payee = the party receiving payment at maturity.
   In this field usually is written "ourselves" and the issuer of the Bill
   of Exchange makes an endorsement on the reverse of the Bill of
   Exchange. The endorsement is consisting of the firm’s stamp
   alt. the company’s written name plus a signature of the person authorised
   to sign the Bill of Exchange.
   If required in a Letter of Credit or otherwise that a First and Second
   of Exchange should be presented, write on the
   first “First (Second unpaid)” and on the second “Second (First unpaid)”

I) Field for additional information if applicable, e.g. Letter of Credit No.

J) Drawer’s signature = The Seller’s firm stamp+ signature alt. the company’s
   written name plus the signature of the person authorised to sign the
   Bill of Exchange.

K) When the drawee has accepted the Bill of Exchange he is called acceptor.

L) It could be payable at a the domicile of a third party, e.g. a bank,
   whose address should be stated.

M) Place of payment is the domicile of the drawee provided that M) is
   not evidencing otherwise.

**Question 3:**
Which international conventions are usually governing Bills of Exchange?

**Answer 3:**
Usually the Geneva or UK convention.
**Question 4:**
What happens if the acceptor doesn’t pay timely?

**Answer 4:**
Default of payment must be evidenced by an authentic act (protest for non-acceptance or non-payment), usually carried out by a Notary Public at the place where payment of the Bill of Exchange should have been done. The bona-fide holder (a holder in good faith) of the Bill of Exchange should approach the Notary Public. A summary protocol is established upon protesting. This may be utilized by the Bill of Exchange holder facilitating summary proceedings. A protest is made official at the place where payment should have been made.

**Question 5:**
In case of non-payment at maturity, what would an omission to protest imply for a bona-fide holder? (a holder in good faith)

**Answer 5:**
The bonafide holder is losing his Bill of Exchange rights against endorsers, the drawer and other Bill of Exchange parties with the exception for the acceptor. The holder maintains his right against the acceptor for three years, calculated from the date of maturity.

**Question 6:**
Can you explain “endorsement”?

**Answer 6:**
Endorsement is a legal term for the physical handing over of the instrument. The person handing over it (the endorser) to a succeeding party can either endorse to a named party or make it payable to the bearer – that is the person duly holding the Bill of exchange.

**Question 7:**
Can interest be specified in a Bill of exchange?

**Answer 7:**
When a bill of exchange is payable at sight, or at a fixed period after sight, the drawer may stipulate that the sum payable shall bear interest. The rate of interest must be specified in the Bill of Exchange, in default of such specification the stipulation shall be deemed not to be written.

**Question 8:**
From which date runs the interest in a Bill of Exchange?

**Answer 8:**
From the date of the Bill of Exchange issuance, unless some other date is specified.

**Question 9:**
What consequences would it have where a person is acting for another person, a firm or company without authority to do so?

**Answer 9:**
He is bound himself as a party to the Bill of Exchange.

**Question 10:**
If a bill of exchange bears forged signatures, or signatures of fictitious persons, which are the consequences for the other persons who signed the Bill of Exchange?

**Answer 10:**
The obligations of the other persons who signed it are still valid.

**Question 11:**
What liability to a bona-fide holder have drawers, acceptors, endorsers or guarantors by aval in a Bill of Exchange?

**Answer 11:**
They are jointly and severally liable to the holder. The holder has the right of proceeding against all these persons individually or collectively without being required to observe the order in which they have become bound.

**Question 12:**
I’ve heard that a Bill of Exchange could be guaranteed by an additional party, e.g. a bank?

**Answer 12:**
That’s correct, it’s called avalization. By signing as in this example the avalising party commits itself unconditionnally to pay in case the acceptor or drawee...
should default.

<table>
<thead>
<tr>
<th>Drawer’s name</th>
<th>AB Kylma</th>
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