

Free of Particular Advantage (FPA): This type of transportation insurance provides the narrowest type of coverage — total losses, and partial losses at sea if the vessel sinks, burns or is stranded, are covered.

Free on Board (FOB): The goods are placed on board the vessel by the seller at the port of shipment specified in the sales contract. The risk of loss or damage is transferred to the buyer when the goods pass the ship's rail.

Free on Board Airport (FOB Airport): Based on the same principles as the ordinary FOB expression, the seller's obligation is fulfilled by delivering the goods to the air carrier at the specified airport of departure, at which point the risk of loss or damage is transferred to the buyer.

Free on Rail and Free on Truck (FOR/FOT): Again, the same principles apply as in the case of ordinary FOB, except that the goods are transported by rail.

With Average (WA): This type of transportation insurance provides protection from partial losses at sea.

FINANCING

The following are the most commonly used terms in international trade financing.

Cash in Advance (Advance Payment): A foreign customer pays a Canadian exporter prior to actually receiving the exporter's product(s). It is the least-risk form of payment from the exporter's perspective.

Confirmed (or Irrevocable) Letter of Credit: A Canadian bank confirms the validity of a letter of credit issued by a foreign bank on behalf of the foreign importer, guaranteeing payment to the

Canadian exporter provided that all terms in the document have been met. An unconfirmed letter of credit does not guarantee payment so, if the foreign bank defaults, the Canadian exporter will not be paid. Canadian exporters should accept only confirmed/irrevocable letters of credit as a form of payment.

Confirming House: A company, based in a foreign country, that acts as a foreign buyer's agent and places confirmed orders with Canadian exporters. They guarantee payment to the exporters.

Consignment: Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pay the Canadian exporter. The seller retains ownership of the goods until they are sold, but also carries all of the financial burden and risk.

Document of Title: A document that provides evidence of entitlement to ownership of goods, e.g. carrier's bill of lading.

Documentary Collection: The exporter ships the goods to the foreign buyer without a confirmed letter of credit or any other form of payment guarantee.

Documentary Credit (sight and term): A documentary credit calling for a sight draft means the exporter is entitled to receive payment on sight, i.e. upon presenting the draft to the bank. A term documentary credit may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

Draft (Bill of Exchange): A written, unconditional order for payment from one party (the drawer) to another (the drawee). It directs the drawee to pay an indicated amount to the drawer. A sight draft calls for immediate payment. A term draft requires payment over a specified period.