

Recommendation 17

PAYTERMS – ABBREVIATIONS FOR TERMS OF PAYMENT

The Working Party on Facilitation of International Trade Procedures, a subsidiary body of the United Nations Economic Commission for Europe, included the following project in its first comprehensive programme of work:

“024 Prepare an inventory of and define customary terms relating to payments in international sales”.

In 1977, facilitation experts from Austria, Belgium and Romania – later joined by a facilitation expert from France – initiated preparatory work for a draft recommendation concerning terms of payment. Their proposal was presented to the twelfth session of the Working Party in September 1980 and was adopted at that session.

As a result of consultations between the interested delegations and the secretariats of the Economic Commission for Europe (ECE) and the United Nations Commission on International Trade Law (UNCITRAL), which took place in 1981, a few drafting changes were made in the Recommendation; these changes were endorsed by the Working Party at its fifteenth session in March 1982, and are reflected in the present text.

At that session, the Working Party requested the ECE secretariat to make the necessary arrangements for bringing up to date the list of terms of payment when required – e.g. to review the list in order to make the terms, their descriptions and abbreviations compatible with any harmonized standard terms of payment in international trade that might be developed under the auspices of a world-wide forum for international trade law, such as the United Nations Commission on International Trade Law.

RECOMMENDATION

The Working Party on Facilitation of International Trade Procedures,

Considering that the standardization of terms of payment will contribute to the simplification of international trade procedures;

Noting that no world-wide international forum for trade law has yet established such terms of payment;

Draws attention to the “PAYTERMS” corresponding to those conditions of payment which are the most fre-

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quently used in international trade, which can be employed when the contract of sale to which they relate makes this appropriate;

Recommends that the abbreviations shown in the list of “PAYTERMS” be used in such contracts.

At the fifteenth session of the Working Party, representatives attended from:

Austria; Belgium; Bulgaria; Canada; Czechoslovakia; Denmark; Finland; France; German Democratic Republic; Germany, Federal Republic of; Hungary; Italy; Netherlands; Norway; Poland; Romania; Spain; Sweden; Switzerland; Turkey; Union of Soviet Socialist Republics; United Kingdom of Great Britain and Northern Ireland; and United States of America. Representatives from Japan, Nigeria and Thailand participated under Article 11 of the Commission’s terms of reference.

The following specialized agencies and other intergovernmental and non-governmental organizations were also represented:

Intergovernmental Maritime Consultative Organization (IMCO); General Agreement on Tariffs and Trade (GATT); European Economic Community (EEC); Customs Co-operation Council (CCC); International Chamber of Commerce (ICC); International Organization for Standardization (ISO); International Union of Railways (UIC); International Chamber of Shipping (ICS); International Civil Airports Association (ICAA); and International Railway Transport Committee (CIT).

I. BACKGROUND

1. An important part of a contract of sale is the conditions under which the buyer will extinguish his debt to the seller: the terms of payment. Lack of precision in terms of payment and different interpretations of such terms are known to give rise to disputes between trade partners. For this reason the ECE Working Party on Facilitation of International Trade Procedures, when discussing its initial comprehensive programme of work in 1972, agreed that there was a need for standardization in the field of terms of payment and agreed to initiate work in this area by preparing an inventory of and defining the most customary terms relating to payments in international trade. Austria, Belgium and Romania, later joined by France, agreed to act as rapporteurs for the project.

2. One reason for this action was the continuous extension of the use of the United Nations Layout Key for trade documents. The space for indicating terms of payment on the Layout Key was limited, making the use of concise expressions essential. Another reason was that automatic data processing for contracts of sales, orders, confirmation of orders, invoices, offers, etc. required a code for terms of payment and that the standardization of the main terms would help in devising such a code.

3. Agreement on the Recommendation was reached by consensus. The delegation of the United States of America stated, as mentioned in the Report of the twenty-second session of the relevant preparatory body – the Group of Experts on Automatic Data Processing and Coding – that “PAYTERMS” would probably not be used by United States banks unless specifically requested by the parties to a transaction.

4. Shortly after the adoption of the present Recommendation in 1980, the ECE secretariat was officially notified about the content of General Assembly resolution 34/142 giving wider responsibilities for the co-ordination of work in the field of international trade law to the United Nations Commission on International Trade Law (UNCITRAL) in Vienna. Consultations between the secretariats of the two Commissions and the rapporteurs resulted in some minor changes in the text of the Recommendation.

5. UNCITRAL may, in the future, initiate work on terms of payment used in international trade in order to establish standard terms whereby the conditions would be described. Their use would result in harmonization of international trade law through the development of standardized trade practices. Should this occur, the Working Party on Facilitation of International Trade Procedures might decide to update the present Recommendation.

II. SCOPE

6. This Recommendation provides abbreviations for certain terms of payment, referred to as “PAYTERMS”, for use in international trade transactions as appropriate.

III. FIELD OF APPLICATION

7. The “PAYTERMS” apply to commercial transactions relating to the provision of goods and/or services.

IV. TERMINOLOGY

8. For the purpose of this Recommendation the following definitions apply:

Terms of payment: Requirements which must be fulfilled in order that a payment may be considered a valid means

of extinguishing the debt to which it relates, and normally including statements regarding time-limit for payment, method of payment (whether or not involving a guarantee), the amount to be paid and the place where payment should be effected; it is understood that the terms do not prejudice the legal interpretation of these statements.

9. For the purpose of the provisions set out under 2.1 and 2.2, the following expressions, defined in the ICC Uniform Rules for Collections, apply:

Collection: The handling by banks, on instructions received, of documents as defined below, in order:

- (a) to obtain acceptance and/or, as the case may be, payment, or
- (b) to deliver commercial documents against acceptance and/or, as the case may be, against payment, or
- (c) to deliver documents on other terms and conditions.

Financial documents: Bills of exchange, promissory notes, cheques, payment receipts or other similar instruments used for obtaining the payment of money.

Commercial documents: Invoices, shipping documents, documents of title or other similar documents, or any other documents whatsoever not being financial documents.

V. REFERENCES

ECE/FAL REC No. 7 “Numerical representation of dates, time and periods of time”;

ISO 2014-1976 “Writing of calendar dates in all-numeric form”;

ECE/UNCTAD Trade Data Elements Directory (UNTDED);

ICC Uniform Customs and Practice for Documentary Credits (UCP);

ICC Uniform Rules for Collections (UCR).

VI. EXPLANATION OF SYMBOLS

10. The following symbols are used in connection with PAYTERMS:

“M” represents month or months (mois); it may be replaced by the symbols “D” or “J” which represent day or days (jour/jours).

“AAAA” represents calendar year (année), “MM” month (mois) of the year and “DD” (or “JJ”) day (jour) of the month, in descending order, represented in accordance with international standard ISO 2014 and ECE/FAL Recommendation No. 7.

“n” represents the number of M (nM) or the amount of percentage (n%).

VII. LIST OF “PAYTERMS”

Group 1 – Documentary Credits

Documentary credits are governed by the ICC Uniform Customs and Practice for Documentary Credits.

Note: It belongs to the parties to agree on the documents required under documentary credits.

1.1 Irrevocable documentary credits

1.1.1 Unconfirmed, period of time for payment unspecified – CREDOC

The debtor is to open an irrevocable unconfirmed documentary credit. The period of time for payment is unspecified.

1.1.2 Unconfirmed, period of time for payment stated – CREDOC/nM

The debtor is to open an irrevocable unconfirmed documentary credit which provides for payment at sight (OM) or at the end of the period of time indicated (1M, 2M, etc. reckoned as extending from the date on which the documents are presented).

1.1.3 Confirmed, period of time for payment unspecified – CONCREDOC

The debtor is to open a confirmed irrevocable documentary credit. The period of time for payment is unspecified.

1.1.4 Confirmed, period of time for payment stated – CONCREDOC/nM

The debtor is to open a confirmed irrevocable documentary credit which provides for payment at sight (OM) or at the end of the period of time indicated (1M, 2M, etc. reckoned as extending from the date on which the documents are presented).

1.2 Revocable documentary credits

1.2.1 Period of time for payment unspecified – RECREDOC

The debtor is to open a revocable documentary credit. The period of time for payment is unspecified.

1.2.2 Period of time for payment stated – RECREDOC/nM

The debtor is to open a revocable documentary credit which provides for payment at sight (OM) or at the end of the period of time indicated (1M, 2M, etc. reckoned as extending from the date on which the documents are presented).

Group 2 – Collections

2.1 Clean collection – COLLECT

The debtor is to pay against financial documents not accompanied by commercial documents submitted for collection by the creditor.

2.2 Documentary collection

Note: It belongs to the parties to agree on the commercial documents against which the debtor is to pay or to accept.

2.2.1 Period of time for payment unspecified – DOCCOLLECT

The debtor is to pay against or to accept, as the case may be, financial documents accompanied by commercial documents or commercial documents not accompanied by financial documents submitted for collection by the creditor. The period of time for payments is unspecified.

2.2.2 Period of time for payment stated – DOCCOLLECT/nM

The debtor is to pay at sight (OM), or to accept for payment at the end of a period of time (1M, 2M, etc. reckoned as extending from the date indicated in the collection order) against financial documents accompanied by commercial documents, or commercial documents not accompanied by financial documents submitted for collection by the creditor.

2.3 Collection of documentary payments (CMEA)

Payment is to be effected by the submission for collection of documents as provided under the General Conditions of Delivery of Goods between Organizations of the Member Countries of the Council for Mutual Economic Assistance.

2.3.1 With immediate payment and later acceptance – INNO

2.3.2 With prior acceptance – INPA

Group 3 – Payment by Instalments – PARTS

The debtor is to pay in instalments, each corresponding to a fraction of the total amount due. To specify the fractions and the corresponding dates, the abbreviation PARTS should be followed by the different fractions and corresponding abbreviations, the fractions being separated by commas, e.g. PARTS, 30 per cent CASH, 30 per cent 1M, 40 per cent 3M FACULTIMO. The abbreviation PARTS standing alone indicates that the fractions and the corresponding dates are to be found in a separate document or, in the absence of any such document, that they have not been agreed upon.

Group 4 – Other types of payment

4.1 Payment of an agreed date

4.1.1 Payment on a fixed date – AAAA/MM/JJ

The debtor is to pay on the date indicated.

4.1.2 Date of payment determined by delivery of the goods

4.1.2.1 Payment in advance – ANTICIP

The debtor is to pay before delivery of the goods. The exact date of payment is not specified.

4.1.2.2 Payment on delivery – CASH

The debtor is to pay on delivery of the goods.

4.1.2.3 Payment to the carrier on delivery – REMBURS

The debtor is to pay the carrier on delivery of the goods.

4.1.2.4 Payment by end of month of delivery – ULTIMO

The debtor is to pay not later than the end of the month in which the goods are delivered.

4.1.2.5 Payment at the end of a period following the end of the month of delivery – ULTIMO/nM

The debtor is to pay 1, 2, 3, etc. months after the end of the month in which the goods are delivered. The creditor may draw a draft payable at maturity and present it for acceptance.

4.1.2.6 Payment at the end of a period following delivery – DEL/nM

The debtor is to pay 1, 2, 3, etc. months after delivery of the goods. The creditor may draw a draft and present it for acceptance.

4.1.3 Date of payment determined by receipt of the invoice

4.1.3.1 Payment on receipt of the invoice – CASHFAC; CASHINV

The debtor is to pay on receipt of the invoice.

4.1.3.2 Payment on the last day of the month of receipt of the invoice – FACULTIMO; INVULTIMO

The debtor is to pay on the last day of the month of receipt of the invoice.

4.1.3.3 Payment at the end of a period following the last day of the month of receipt of the invoice – FACULTIMO/nM; INVULTIMO/nM

The debtor is to pay on the last day of the first, second, third, etc. months following that of receipt of the invoice. The creditor may draw a draft payable at maturity and present it for acceptance.

4.1.3.4 Payment at the end of a period following receipt of the invoice – FAC/nM; INV/nM

The debtor is to pay 1, 2, 3, etc. months following the date of receipt of the invoice. The creditor may draw a draft payable at maturity and present it for acceptance.

4.1.4 Optional dates

Note: The discount term can be repeated indicating several different discounts for payment at different times (e.g. 3 per cent 1M, 1 per cent 2M). The final due date is indicated by an abbreviation for a time period which is not preceded by a discount (e.g. 3 per cent 1M, 1 per cent 2M, 3M). The interest percentage after the final due date (e.g. 3 per cent 1M, 1 per cent 2M, 3M, 9 per cent). The discount or interest for delayed payment term, alone or in one of the combinations here indicated may be combined with any appropriate PAYTERM in Group 4.1.

4.1.4.1 Discounts – DIS n% nM; ESC n% nM

The debtor is entitled to reduce his payment by the percentage shown if he makes it earlier than the date indicated (e.g. 3 per cent 1M).

4.1.4.2 Interest for delayed payment – INT nM n%

The debtor is to pay the indicated percentage rate of interest if payment is made after the indicated date (e.g. 3M 9 per cent).

4.2 Compensatory payment – COMPENS

Payment is to be effected by setting off the amount due against all or part of one or more existing or future claims of the debtor against the creditor.

4.3 Payment on consignment – CONSIGN

The debtor is to pay as soon as he has himself sold the goods and collected the proceeds.

Group 5 - Special Arrangements

5.1 Payment by *agreement* – AGREE

The debtor is to pay according to the terms contained in a separate document, e.g. in the order or order voucher, in correspondence within the context of a government agreement or an over-all credit facility, etc.

Note: Details “stet” the place where the precise terms are set out; “stet” may be included after the abbreviation, with or without an oblique stroke.

5.2 Payment on customary terms – HABIT

The debtor is to pay according to the customary terms of payment between the parties.

Note: This term presupposes previous dealings between the parties with sufficiently well-known and customary terms of payment.

Group 6 - Without payment - NOPAY

No payment is required for the goods or services in

question. There may be several reasons for this - for example: gifts, samples, replacement goods, consign-

ments for trial, load or inspection, goods sent for repair or processing, returns, etc.

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