

Chapter 5

BANK PAYMENT OBLIGATION (BPO) AS A NEW PAYMENT TERM

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INTRODUCTION

Bank Payment Obligation or BPO (Bank Payment Obligation) with its abbreviation in English is a new payment method which combines and introduces the advantageous aspects of the traditional payment terms used today with the facility provided by the technology(www.ucp600.info)

BPO is an irrevocable bank commitment which enables the transaction data, which is delivered by a bank to another bank and submitted by the Seller through its bank, to be performed in a maturity which is determined in electronic environment (Özalp, 2014:19).

BPO (Bank Payment Obligation) is a new banking product of which the bank guarantee provides extensive finance opportunities for the methods of payment which are not guaranteed by the bank (Cash against goods, Cash against documents etc.). BPO briefly introduces the bank guarantee for various payment methods such as Cash against Goods and Cash against Documents. It is an alternative payment method which may be used by merchants who consider various products such as letter of credit, stand-by and bank guarantee complex and expensive but who also wish to utilize bank guarantee (Çelik, 2014:7).

BPO is a new alternative for commercial life and has been designed not to replace current commercial finance solutions but to complement them. Sometimes it is called electronic letter of credit however it is not a letter of credit in fact and it is not a guarantee letter of credit or bank guarantee either. It is completely a specific means of financial solution; it is a new tool. BPO is much easier and more practical compared to letter of credit. Letter of credit provides to the Seller a payment obligation upon the submission of physical appropriate documents to the bank, but BPO provides a similar obligation upon submission of electronic appropriate data (<https://www.teb.com.tr>).

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bank does not necessarily have to be the buyer's bank. A third bank can be used within this system. But the Beneficiary Bank must be the bank of the Seller.

It is required for the banks to obtain or develop this database in order to apply this system. Because, as the main element of the system is the correspondence of data, the banks are needed to create a report at the same pool. This pool that the finance institutions are the members, are called as TSU (Trade Services Utility).

BPO system will sustain with an increasing operation volume in the coming years. Many banking groups in the world include BPO in their instrument pools.

This system that provides conveniences under the trust, cost and finance triangle, has started to develop in our country rapidly.

In line with the development of foreign trade and technological advancement in the course of time, a new payment method is hereby added to the current payment methods. The Bank, with this payment method which is described as Payment Obligation, removes the control process on physical documents and matches all data and information over a program by an internet software, thus enables a rapid and secure trade opportunity. The most important issue in this Bank Payment Obligation is that; its usability is quite low right now and it is not known by the companies in general. In this text, theoretical and guiding information is explained from relevant limited sources so that this payment method should be introduced generally and awareness should be provided in this respect.

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