

Most countries have adopted codified laws on Bills of Exchange. The legal codes in such countries have created laws that follow the rules agreed at the Geneva Conventions in order to standardise the control of Bills of Exchange. The United Kingdom Bills of Exchange Act 1882 is the basis for rules governing Bills of Exchange in Ireland, U.K. and Commonwealth countries that were part of the British Empire. These countries follow a common law framework to create and modify statutes.

The function of the Bill of Exchange in International Trade:

The Bill of Exchange performs many functions in international trade including:

- Facilitates the granting of trade credit in a legal format by permitting payments on agreed future dates.
- Provides formal evidence of the demand for payment from a seller to a buyer.
- Provides the seller with access to finance by permitting them to transfer their debts to a bank or other financier by merely indorsing the Bill of Exchange to that bank or financier.
- Permits the banker or financier to retain a valid legal claim on both the buyer and the seller. In certain circumstances a bank or financier may have a stronger legal claim under a Bill than the party that sold them the debt.
- Permits a seller to obtain greater security over the payment by enabling a bank to guarantee a drawee's acceptance (guarantee to pay on the due date) by signing or endorsing the Bill. (See Guaranteed Bills of Exchange below)
- Allows a seller protect their access to the legal system in the event of problems, while providing easier access to that legal system.

Advantages of Bills of Exchange:

Companies have used Bills of Exchange for hundreds of years. Their longevity is due to the advantages they provide in a trading transaction.

- A Bill of Exchange facilitates the granting of trade credit to a buyer.
- A Bill of Exchange provides a legal acknowledgement that a debt exists.
- It can provide the seller with access to financing.
- It can provide easy access to the legal systems in the event of non-payment.

An advantage for a seller in using a Bill of Exchange is the capability of the Bill of Exchange to provide formal documentary evidence that the demand for payment or acceptance has been made to the buyer. In addition, it may be possible to sue the buyer for non-payment based solely on this documentary evidence. A seller can protect their interests by requesting that a Bill of Exchange be noted or protested for non-payment or non-acceptance. When a Bill is not paid or accepted it is said to have been "dishonoured".