

1. Best Practice in the Letter of Credits

1.1. Payment Options

The exporter should consider whether it is necessary to use a letter of credit or if another method

of payment could be acceptable, desirable or more appropriate. You may wish to consider other

forms of payment, such as:

- Payment in advance (Usually part payment up front - e.g. 40% of selling price with the remainder payable on agreed credit terms)
- Documentary collection (Bills of Exchange)
- Open account (credit) terms (Payment made at a set period after receipt of goods or invoice)

1.2. The Negotiating Stage

When dealing with a letter of credit, best practice starts before the credit is received. The terms and conditions of the credit should be agreed at the contract negotiation stage with the importer, considering the following issues:

- Should the Letter of Credit be "confirmed"?
- This must be stipulated when it is opened
- The payment terms
- Payable "at sight" or after an agreed period?
- Currency of payment and where it is payable
- Who pays bank charges abroad and in the UK
- Which documentation will be requested under the letter of credit?
- Expiry date of the credit
- Allow time for production, shipment and presentation of documents to the banks (normally 21 days after shipment)

In order to ensure that all these points are considered the exporter should, where possible, complete the bank application form with their customer. Alternatively, the exporter should provide suggested wording to the importer as early as possible during the sales negotiations. On agreement, it should be built into the sales and purchase contract, reducing the likelihood that goods or payment will be delayed due to problems with the credit.

The L/C should be kept simple and refer to rather than recreate the sales contract. For example, it is preferable to state, "goods provided as per sales contract [number]" rather than reproduce the full goods description.

1.3. Essential Checks When the Letter of Credit is Received

Even when these steps are followed, it is essential to review the credit as soon as it is received

using the following checklist:

- Is the credit subject to UCP 600?
- Are the names and addresses of the Applicant and Beneficiary complete and correct?
- Are there any terms or conditions within the credit that cannot be met? (If yes, immediate arrangements must be made with the Applicant for the credit to be amended)
- Do the terms cited in the credit match those in the sales contract? (Also check that descriptions, names and addresses are consistent in both documents)
- Are the prices correct?
- Are the description, price and quantity of the goods stated in accordance with the terms of the contract? (Under-drawing a credit may sometimes cause problems, although under certain circumstances, UCP 600 allows a tolerance of $\pm 5\%$ on quantity).
- Can the goods be shipped within the stated period?
- Can the mode of transport specified be used?
- Can shipment be made from the port/airport specified?
- If part-shipments and transshipment of goods are prohibited, can the full quantity of the goods be exported on a vessel direct from the port of loading to the port of destination?
- Can the required documentation be obtained?
- Do any documents need to be legalised?
- Are the insurance requirements of the credit acceptable?
- Are drawings under the credit negotiable?
- Are drawings under the credit payable in the UK rather than abroad?
- Can the goods be shipped within the period specified and documents presented to the bank within 21 days from the date of shipment (unless a shorter time is stipulated) but, in any case before the credit expires?

The documents called for should fulfil the requirements stated in the sales contract

1.4. Compiling Documents Under a Letter of Credit

Amount payable

- Do not overstate of the amount to be drawn as this could lead to the rejection of documents when presented
- In a credit the words "about" or "approximately" permit up to a $\pm 10\%$ variation in the amount stated of the credit, quantity or the unit price
- Unless a credit stipulates that the quantity of the goods specified must not be exceeded nor reduced, a tolerance of $\pm 5\%$ is permissible - provided the total amount of the drawings does not exceed the amount of the credit (This tolerance does not apply when the credit specifies quantities in number of packing units or individual items)

Shipment

- Can the specified shipping documentation be obtained?
- If you are chartering a vessel or shipping on deck, does the credit specifically permit such methods?

- Do the ports of shipment and discharge, if specified, conflict with your price quotations?
- If partial shipment or transshipments have to be made, does the credit allow this?
 - Any installments not shipped within a stipulated period will effectively cancel the credit
 - Partial shipments are allowed under UCP 600
 - The prohibition of transshipment is inappropriate - even if the credit prohibits transshipment, transport documents may indicate goods may or will be transhipped provided the entire carriage is covered by one and the same document
- You need to ensure that the time available for shipment and the period allowed for presentation of documents after shipment are sufficient. If a credit expires on a day when banks are not open, the validity is usually extended to the next working day. However, this does not apply to the stipulated time (after shipment) allowed for the presentation of documents (usually 21 days)

1.5. Individual Documents

Banks will not generally accept liability or responsibility for the consequences arising out of delay, loss in transit or other errors arising in delivery of documents when they are sent in accordance with the credit.

Draft (or Bill of Exchange)

An unconditional order by which the Applicant (the party creating it) orders the Advising bank to pay money to the Beneficiary "at sight" or at a fixed time. It must be drawn in accordance with the terms of the credit, bear the requisite reference number and also comply with the requirements in the Bills of Exchange Act and/or flowing from the rules agreed in the Convention Providing a Uniform Law For Bills of Exchange and Promissory Notes (Geneva Convention, 1930).

You should check that it is:

- Correct in words and figures
- Correctly dated
- Drawn for immediate payment "at sight" or at a given future time
- Claused in accordance with the credit terms

Transport Documents

There are a number of types of transport document, e.g. sea, air, road, rail, inland waterway, multimodal, courier or postal despatches. The most traditional is the Bill of Lading, which has a threefold purpose: i) formal receipt by the ship owner for goods; ii) evidence of the contract of carriage; and iii) Document of title to goods. In some cases house bills of lading or house air waybills (HAWBs) may also be used against a letter of credit.

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- Transport documents may be issued by any party, including freight forwarders, other than a carrier, owner, master or charterer
- Short form or blank back transport documents are acceptable

Points to check

- The document should:
 - Indicate the name of the carrier and be signed by the carrier, master or named agent
 - Indicate the goods have been dispatched, taken in charge or shipped on board at the place stated in the credit
 - Indicate the place of dispatch, taken in charge, ports of loading and discharge, and/or the final destination stated in the credit
- Consignor - can be different from the seller
- Consignee - can differ from buyer
- "On deck" clause should state goods may be loaded on deck - it must not state that goods are or will be loaded on deck
- Free from any detrimental clauses (i.e. bearing no clause or notation expressly declaring a defective condition of the goods or packaging) - banks will only accept clean transport documents
- Goods description - either in general or particular terms (The wording chosen must not conflict with the credit or other documents)
- The places of acceptance and delivery and, if a bill of lading, the ports of loading and discharge
- Date of issuance - deemed to be the date of dispatch, taking in charge or shipment, unless otherwise indicated
- Shipment date is on or before the last stipulated shipment date but, in any event, within the validity of the credit
- Present the documents within the time limit specified in the credit (If no such period is stipulated, banks will refuse documents presented later than 21 days from the date of the transport document)
- Transshipment: the prohibition of transshipment is inappropriate. Under UCP 600 Articles 19-24 - the transport articles - transport documents may indicate goods may or will be transhipped provided the entire carriage is covered by one and the same document, even if the credit prohibits transshipment. For maritime shipments, it only applies to containers, trailers or LASH barges

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- Endorsed as may be stipulated in the credit
- Sole or full set of originals

Insurance documents

- The extent of the cover agrees precisely with the credit terms. If "all risks" is stipulated, banks will accept any "all risks" notation or clauses on insurance documents - "all risk" does not mean all risk and may not cover special risks
- Correct number of and type, e.g. certificate or policy, of insurance documents as stipulated in the credit. Cover notes are not acceptable
- Date of insurance document no later than date of shipment - unless cover takes effect from date of shipment
- The amount payable is in accordance with the credit terms plus any specified percentage and is in the same currency as the credit. The amount must be at least 110% of the CIF or CIP value of the goods
- Marks, weights and description of the goods do not conflict with the wording in the credit or other documents
- The policy or certificate required by the credit terms is signed by the insurance company, agents or underwriters and endorsed as necessary
- Endorsed, if necessary, exactly as required by the credit

Invoice

- Description of goods including: import licence or pro-forma details; price; terms of delivery and shipment; and any no-charge goods or samples agree with, are worded and spelt exactly as set out in the credit.
 - You only need enough detail for basic identification, no more
 - If goods are described as being, "...in accordance with pro forma invoice number ... dated..." this can reduce superfluous, error-producing detail
 - Prices should be in the same currency as the credit
- Clauses or statements must be copied word for word and identically spelt
- Use of any foreign language must be specified
- Totals of all invoices must agree with the amount of the drawing. Value not more than the credit permits and the same as any bill of exchange – under certain conditions you may be able to underdraw by up to 5%

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- The invoice heading must contain your company's name and address expressed and spelt exactly as in the credit
- The invoice must be made out in name of Applicant, expressed and spelt exactly as in the credit
- If a combined invoice and certificate of origin is called for, the certificate of origin is duly completed and signed
- If invoices have to be visaed, this has been done by the authority stipulated in the credit. The time lag between forwarding documents to a consulate and their return
- If both an invoice and a packing list are called for, no "combined invoice and packing list" should be offered. An appropriately detailed extra invoice may often satisfy the packing list need, if suitably headed
- Pro forma invoice numbers or reference numbers required by the credit are shown
- Where they are required to be signed, certified or legalised, precise instructions should be given

Certificates of origin

- The certificate is certified by the authorising body
- All details quoted, shipping marks and description of goods agree with the Letter of Credit, transport and other documents
- The certificate does not conflict with other documents with regard to value and country of origin

Weight note/list

- Certificates of weight must bear an authorised signature of the person/firm/company issuing the certificate in the detail required
- If a weight list is called for by the credit, this requires the individual weight of each parcel or package together with the total weight
- If a weight note is called for by the credit it can merely state the weights concerned in general terms - perhaps one total

Courier receipt or Post receipt

- A courier receipt must indicate
 - The name of, and stamped or signed by, the courier service
 - A date of pickup or receipt

- A post receipt must
 - Show evidence of despatch to the party named in the credit
 - Must be stamped or signed and dated
 - The credit does not call for postal despatch on a FOB basis: postal charges have to be Prepaid

1.6. What To Do If Documents Are Rejected

A bank has a maximum of 5 banking days after the day of presentation to determine if the presentation is compliant. The bank can refuse to honour or negotiate the credit. If they do so, contact them immediately.

Should the documents be rejected, do not panic, you have the following options:

1. To correct the documents
2. To instruct the Advising bank to request the Issuing bank for permission to pay despite the discrepancies
3. To offer the bank an indemnity if they will pay despite the discrepancies
4. To send documents to the Issuing bank on a collection basis

Options 1 and 2 are best as they maintain the security of the letter of credit. On Option 3, the exporter may have to repay the money if the importer refuses to pay for discrepant documents. Under Option 4, all security is likely to be lost.

A letter of credit is a quick and secure way of getting paid by your customer provided all the necessary precautions are taken to minimise the risks of discrepancies. It only takes a moment of carelessness to erode the security of using this method of payment and place an exporter in an awkward situation vis-à-vis his customer.

2. Chart for Incoterms 2010

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INCOTERM	SELLER'S OBLIGATIONS FOR DELIVERY:	RISK OF LOSS/DAMAGE PASSES FROM SELLER TO BUYER:	OTHER OBLIGATIONS ON SELLER	RESPONSIBILITY FOR DELIVERY COSTS
EXW – ex works^T	Seller's obligation ends when goods are put at the disposal of the Buyer (i.e. at the Seller's premises)	At seller's premises once available for collection	Buyer may request assistance with obtaining export licence	Buyer
FAS – free alongside ship^W	Alongside the vessel at the named port of shipment (usually used for goods that are not already loaded into containers at a terminal)	Once the goods have been loaded or made available on the Buyer's mode of transport	Clear goods for export	Buyer procures contract of carriage
FCA – free carrier^T	The carrier or to another named person nominated by the Buyer	At the named delivery point within the named place of delivery	Clear goods for export	Buyer procures contract of carriage
FOB – free on board^W	On board the Buyer's nominated vessel at the named port of shipment (usually used for goods that are not already loaded into containers at a terminal)	Once goods have been loaded onto the vessel	Clear goods for export	Buyer procures contract of carriage
CFR – cost and freight^W	On board the Buyer's nominated vessel at the named port of shipment (usually used for goods that are not already loaded into containers at a terminal)	Once goods have been loaded onto the vessel	Clear goods for export, procure contract of carriage to port of destination	Seller – to port of destination. Buyer then covers this point forward
CIF – cost insurance and freight^W	On board the Buyer's nominated vessel at the named port of shipment	Once goods have been loaded onto the vessel	Clear goods for export, procure contract of carriage to port of destination and arrange insurance	Seller – to port of destination. Buyer then covers this point forward
CPT – carriage paid to^T	Carrier or a "named place"	Once goods have been delivered to the first carrier (however an alternative point can be agreed in the contract of sale)	Clear goods for export, procure contract of carriage to port of destination	Seller – to carrier or named place of delivery. Buyer then covers this point forward
CIP – carriage and insurance paid to^T	Carrier or a "named place"	Once goods have been delivered to the first carrier (however an alternative point can be agreed in the contract of sale)	Clear goods for export, procure contract of carriage to named place of destination and arrange insurance	Seller – to carrier or named place of delivery. Buyer then covers this point forward
DAT – delivered at terminal^T	To a named terminal at the named port or place of destination ("terminal" includes any place such as a quay, warehouse, container yard, air cargo terminal etc)	On delivery at the named point within the named place of destination (must agree "named point" with Buyer)	Clear goods for export, procure contract of carriage to the named terminal at the agreed port or place of destination	Seller – to named terminal at the agreed port or place of destination (after goods unloaded)
DAP – delivered at place^T	To a "named place"	Once goods have been delivered to the named point at the "named place" of destination	Clear goods for export and procure contract of carriage to named place of destination	Seller – to named place of destination. Buyer then covers this point forward
DDP – delivered duty paid^T	To a place named by the Buyer (usually his premises) ready for unloading unless otherwise agreed.	Once goods have been delivered to place named by Buyer	Clear goods for export and import within destination country	Seller covers all delivery costs, all customs formalities, duties, taxes and other charges payable upon import of the goods

Least obligations on Seller

Most obligations on Seller

CFR - Cost and Freight (... named port of destination)

[Sea or inland waterway transport only] This term means that the exporter must pay the cost and freight necessary to bring the goods to the named port of destination. In addition to the risk of loss or damage to the goods, the importer is responsible for all costs once the vessel arrives at the port of destination, provided they are not for the exporter's account under the contract of carriage. In circumstances where the expression 'ship's rail' is not appropriate, ie. when the parties do not intend to deliver the goods across the ships' rail, the term 'CPT' should be used.

CIF - Cost, Insurance and Freight (... named port of destination)

[Sea or inland waterway transport only] With this term, the exporter is responsible for the cost, insurance and freight to bring the goods to the named port of destination. The importer is responsible for all costs once the chosen means of transport arrives at the port of destination, provided they are not for the exporter's account under the contract of carriage.

CPT - Carriage Paid To (... named place of destination)

[All modes of transport] The exporter pays for the cost of carriage necessary to bring the goods to the named destination. The importer is responsible for any other costs which are not for the seller's account after the goods have been delivered to the named place of destination.

CIP - Carriage and Insurance Paid To (... named place of destination)

[All modes of transport] With this term, the exporter pays the costs of carriage and insurance of the goods to the named destination. The importer becomes responsible for all costs from the named place of destination, unless they are for the exporter's account under the contract of carriage. The risks are transferred to the importer when the goods have been made delivered to the carrier.

DAF - Delivered At Frontier (... named place)

[Transport by road and rail] The exporter is responsible for making the goods available, cleared for export but not cleared for import, at the named point and place at the frontier, but before the customs border of the adjoining country. The risk and costs transfer between the parties occur when the goods have been delivered at the frontier.

DES - Delivered EX Ship (... named port of destination)

[Sea or inland waterway transport only] This term means that the exporter has fulfilled his obligation once the goods have been made available to the importer on board the ship (but not cleared for import) at the named port of destination. The exporter is therefore responsible for all the risks and costs of delivery to the named port of destination before discharging. The risk and costs transfer between the parties occur when the goods have been placed at the disposal of the importer on board the ship.

DEQ - Delivered EX Quay (... named port of destination)

[Sea or inland waterway transport only] The exporter bears the costs of delivery and risks involved in bringing the goods to the named port of destination and discharging the goods on the quay. The importer is required to clear the goods for import and pay for all duties, taxes and

other charges upon import. The risk and costs transfer between the parties occur when the goods have been placed at the disposal of the importer on the quay.

DDU - Delivered Duty Unpaid (... named place of destination)

[All modes of transport] All the costs are paid by the exporter up to the point of delivery at the named place of destination. The importer must clear the goods for import and pay the necessary duties. The risk and costs transfer between the parties occur when the goods have been placed at the disposal of the importer.

DDP - Delivered Duty Paid (... named place of destination)

[All modes of transport] The exporter delivers the goods to the importer, cleared for import and not unloaded at a named place of destination. This term represents the maximum obligation for the exporter since the risk and costs are transferred only when the goods have been placed at the disposal of the importer.

EXW - Ex Works (... named place)

[All modes of transport] This term means that the exporter fulfils his obligations by making the goods available at his premises or another named place (ie. works, factory, warehouse etc.) for collection by the importer. In particular, the exporter is not responsible for loading the goods, transporting them or clearing the goods for export, unless otherwise agreed. This term represents the minimum obligation for the exporter as the importer has to bear all costs and risks involved in taking the goods from the exporter's premises.

FCA - Free Carrier (... named place)

[All modes of transport] The exporter is responsible for delivery of the goods, cleared for export to the carrier nominated by the importer at the named place. The importer is responsible for all subsequent risks and costs.

FAS - Free Alongside Ship (... named port of shipment)

[Sea or inland waterway transport only] The exporter is responsible for delivering the goods alongside the vessel at the named port of shipment cleared for export. The exporter is required to clear the goods for export and the importer is responsible for all subsequent costs and charges.

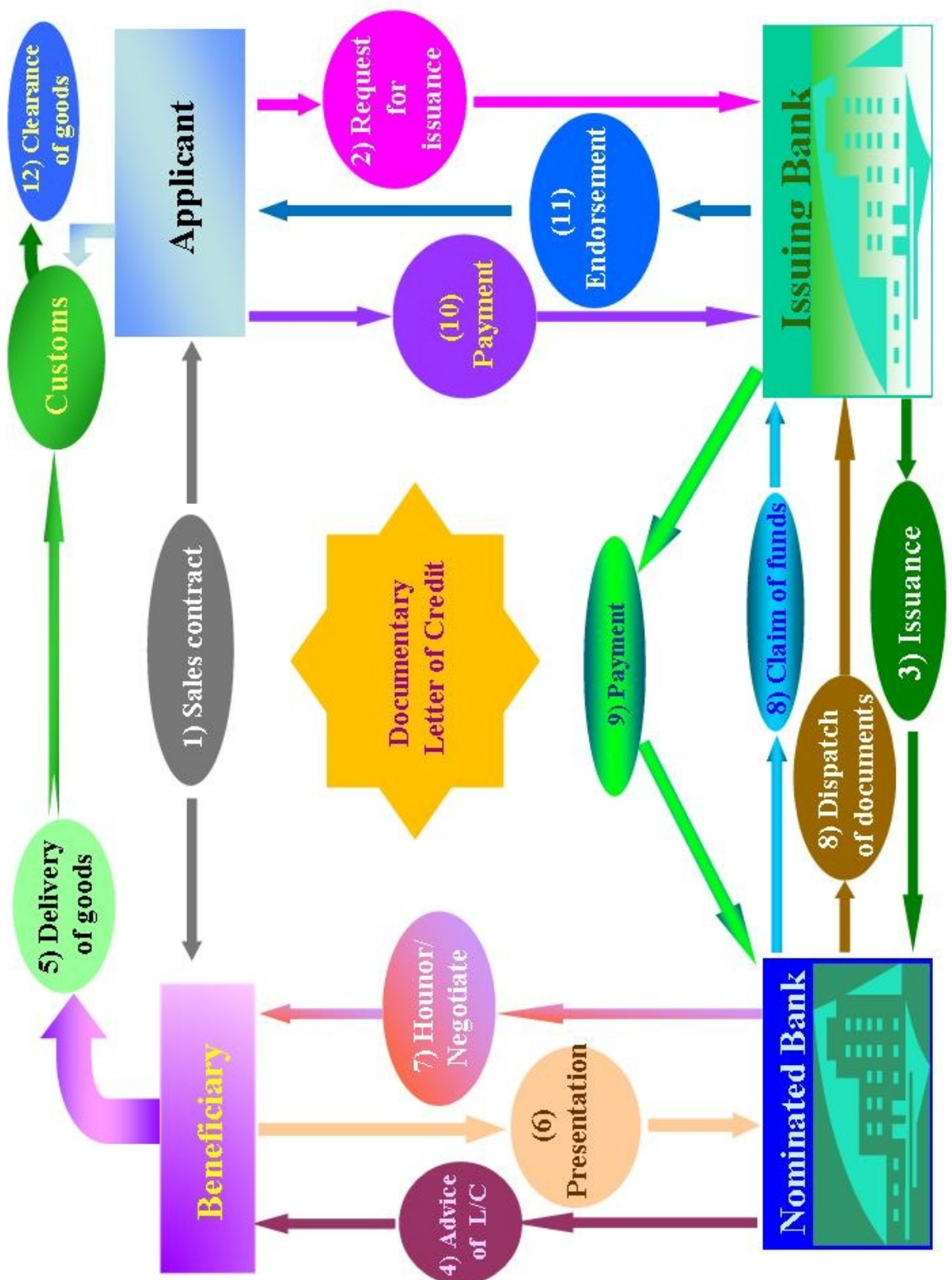
FOB - Free On Board (... named port of shipment)

[Sea or inland waterway transport only] In this case the exporter bears all costs and responsibilities until the goods pass the ship's rail at the named port of shipment - this includes the clearing of the goods for export. The importer bears all costs and risks of loss of or damage to the goods from that point. In circumstances where the expression 'ship's rail' is not appropriate, ie. when the parties do not intend to deliver the goods across the ships' rail, the term 'FCA' should be used.

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3. Letter of Credit Flow Chart

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4. Terminology

Acceptance

The act of giving a written undertaking usually on the face of a usance bill of exchange by the drawee to pay a stated sum on the maturity date indicated, usually in exchange for documents of title to goods shipped on documents against acceptance (D/A) terms.

Accepting bank/paying bank

The bank nominated in a letter of credit to accept or pay drawings under that letter of credit. It can be either the Issuing or the Advising/Confirming Bank.

Acceptance Credit

A letter of credit which requires the beneficiary to draw a usance bill for subsequent acceptance by the Issuing Bank or the Advising Bank or any other bank as the letter of credit stipulates.

Acceptance Draft

payable at a fixed or determinable future date, upon the face of which the drawee has acknowledged in writing his or her obligation to pay at maturity. See also "banker's acceptance" and "trade acceptance".

Accommodation Bill

In the context of fraud, a bill drawn without a genuine underlying commercial transaction.

Account Party

The party instructing the bank to open a letter of credit and on whose behalf the bank agrees to make payment. In most cases, the account party is the importer/buyer, and is also known as the applicant.

Advice of Fate

Notification of the status of a collection that is still outstanding. When a draft bears this phrase, the time begins to run from its date. The date of maturity is therefore fixed and does not depend on the date of acceptance of the draft.

Advising

Act of conveying the terms and conditions of a letter of credit to the beneficiary. The Advising Bank is the issuing bank agent, usually located in the beneficiary country. Advising also involves authentication i.e. the Advising Bank should take reasonable care to check the apparent authenticity of the credit (UCP600 Art 9).

Advising Bank

A bank that accepts a letter of credit from the issuing bank, verifies its authenticity, and forwards it to the beneficiary. The advising bank does not take on any payment obligations.

After Sight

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When a draft bears this phrase, the time begins to run from the date of its acceptance.

Air Waybill (of lading)

A signed receipt and a contract to deliver goods by air. Such bills are non-negotiable and do not convey title to the goods as do "To Order" bills of lading used by ocean and land carriers. The title passes to the party to whom the goods are consigned (the Consignee).

Amendment

Change to terms of a letter of credit. Beneficiary has the right to refuse the amendment under an irrevocable letter of credit.

Applicant

One who applies to his bank to issue a letter of credit; in the majority of credits issued the applicant is an importer of goods.

Assignment of Proceeds

A request by the beneficiary to pay all or part of the funds due to him to a third party. This instrument does not transfer rights in the letter of credit nor the title to the goods.

Avalise

The act by a bank in guaranteeing payment of a bill of exchange or promissory note by endorsing the reverse with the words "good per aval" and signed by the bank, or by the issuance of a separate guarantee.

Back-to-Back Letter of Credit (L/C)

Letter of credit issued for the account of a buyer who is already holding an L/C in his or her favor. The back-to-back L/C is issued in favor of the supplier to cover the same shipment as stipulated in the credit already held by the buyer. Terms of both L/Cs, except for the amount and expiration date, are so similar that the same documents presented under the back-to-back credit are subsequently applied against the credit in favor of the buyer. However, the buyer/beneficiary of the first credit substitutes this draft and invoice for those presented by the supplier. See also "letter of credit".

Banker's Acceptance

Form of credit created when a bank "accepts" a time draft typically drawn on the bank by a seller of goods. By accepting a draft, the bank is obligated to pay the face amount at a specified time in the future, usually six months or less after acceptance. A seller of merchandise can sell the banker's acceptance for an amount less than face value and have immediate use of funds. See also "acceptance".

Bank Draft

A check drawn by a bank on another bank payable to the seller at the request of the buyer. The check may be denominated in U.S. Dollars or most foreign currencies.

Beneficiary

The party who receives payment as stipulated in a letter of credit. This party is usually the seller/exporter.

Bill of Exchange

Formal written order addressed by one person (drawer) to another (drawee), signed by the drawer, and directing the drawee to pay on demand or at a fixed or determinable future time, a certain sum in money to the order of a specified person (payee).

Bill of Lading (B/L)

This is the receipt given by a shipping company upon shipment of goods and is evidence of contract of carriage, the terms and conditions of which are usually stated on the reverse. Bills of Lading are documents of title and as such must be presented by the importer at the port of destination in order to be able to take possession of the goods. Bills of Lading are usually drawn up in sets of two or three originals, known as negotiable copies, any one of which can give title to the goods. A Bill of Lading should be 'clean' which means it contains no clause recording a defective condition in the state of the goods or the packaging. Goods are typically consigned 'to order' (of the shipper i.e. exporter) on the Bill of Lading and 'blank endorsed' (signed) by the exporter. This means the Bill of Lading is transferable by delivery and the goods will be released to the bearer of one of the original Bills of Lading. If the consignee (importer) is named, the goods will normally only be released to him or her, upon production of suitable identification.

Types of Bills of Lading include:

- A 'shipped' or 'shipped on board' Bill of Lading, which indicates that the goods have been received on board ship.
- A 'received for shipment' Bill of Lading which means that the shipping company has taken delivery of the goods but has not placed them on board the vessel. It may be marked 'shipped on board' (or similar expression) once the goods have been received on the vessel. This is known as the 'on board' notation and must be dated by the shipping company.

Containers play an important role in international business and Bills of Lading may be issued to cover goods from port to port or from inland point of departure to inland point of destination.

“BLANK ENDORSED”

A negotiable bill of lading in which the title to the merchandise is passed on to another party by means of an endorsement. The holder of the “blank endorsed” bill of lading is entitled to take possession of the merchandise.

“CLEAN BILL OF LADING”

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One in which the goods are described as having been received by the carrier in “apparent good order and condition” and without qualification.

“LATE PRESENTATION” (STALE)

A bill of lading is presented to a bank for payment or negotiation after the stipulated date in the letter of credit, or later than 21 days after the date of its issuance.

“NEGOTIABLE OR ‘TO ORDER’”

A bill of lading in which the merchandise is consigned directly “to order” or “to the order of” a designated party, usually the shipper or a bank. The phrase “to order” or “to the order of (a designated party)” signifies negotiability permitting the title of the merchandise to be transferred many times by means of appropriate endorsements.

“NOTIFY”

This phrase requires the carrier to notify a designated party upon arrival of the merchandise, but does not transfer title of the merchandise to that party.

“STRAIGHT OR NON-NEGOTIABLE”

A bill of lading in which the merchandise is consigned directly to a designated party, generally the buyer, but not to his “order”. Delivery of the merchandise is made only to the designated party, usually without surrendering the bill of lading.

“THROUGH”

A bill of lading issued by a shipping company or their agent covering more than one mode of transportation.

Case of Need

Agent nominated by a principal, to whom the collecting bank may refer in specified circumstances concerning Collections.

Carrier

Person or company undertaking for hire the conveyance of goods, eg. shipping company

Cash Against Documents (CAD)

Payment for goods in which an intermediary (usually a bank) releases title documents to the buyer upon payment in cash.

Cash in Advance (CIA)

A term of trade in which the exporter does not ship goods until payment is received; offers the least risk to sellers and the most risk to buyers.

Certificate of Origin

A signed declaration stating the country of origin of the goods. It is required by the customs authority of certain countries for the purpose of assessing import duty. In some cases this

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certificate may be incorporated into the commercial invoice. Usually, it has to be authenticated by a local Chamber of Commerce.

Chaser

Reminder sent by the collecting (or letter of credit issuing) bank to the importer, repeating a request for payment.

Clean Draft

A sight or time draft (bill of exchange) which is not accompanied by additional documents. Also referred to as "Clean Collection".

Collecting Bank

Bank that acts as an agent for a remitting bank that wishes to have its collections handled. The collecting bank demands payment from the buyer and handles the funds received as instructed; generally the funds are sent back to the remitting bank.

Collection Order

Form submitted, with documents, to the remitting/negotiating bank by an exporter with his instructions.

Complying presentation

In relation to a letter of credit, this means a presentation (see "Presentation" below) that is in accordance with the terms and conditions of the letter of credit, the applicable rules of UCP600 and international standard banking practice.

Commercial Invoice

A written and signed list of merchandise and/or services with associated quantities, prices and expenses. It contains the terms of the sale and is prepared by the seller to show the total amount owed by the buyer.

Confirming/Confirmation

Act of a bank other than the Issuing bank assuming the liability for honouring a letter of credit following receipt of a complying presentation. Confirmation is normally added at the request of the Issuing Bank.

Confirming Bank

The bank which adds its 'confirmation' (or irrevocable undertaking to pay) to that of the Issuing Bank. If no confirmation is added the letter of credit is unconfirmed.

Consignment

Shipment of goods.

Consignee

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The named party to whom the goods are sent, for example, on a Bill of Lading or other transport document. In practice most Bills of Lading are consigned 'to order' which means the importer can authorise someone else to collect the goods.

Consignor

Also called shipper, is the person/company who sends goods by ship, by land or air.

Contingent Liability

A liability that arises only under specified conditions, eg. when a bank opens a letter of credit it incurs an obligation to make a future payment on condition that the terms are fully met.

Confirmed Credit

A letter of credit in which the issuing bank's obligation to pay is backed (confirmed) by a second bank.

Deferred Letter of Credit (L/C)

Letter of credit that calls for payment at a future date, but does not require a draft. See also "letter of credit" and "usance letter of credit".

Deferred Payment

A letter of credit which allows the nominated bank, or the Issuing Bank to effect payment against stipulated documents at a maturity date as specified or determinable from the wording of the credit.

Demurrage

A charge made by a shipping company or a port authority for failure to load or remove goods within the time allowed.

Direct Collection

Method of payment for goods in which the seller sends a draft drawn on the buyer, the shipping documents, invoices, insurance certificates, other appropriate documents directly to the buyer's bank for collection. Only an information copy of the advice is sent to the exporter's bank to establish and monitor the collection transaction for the seller.

Discrepancy

Any deviation from the terms and conditions of a letter of credit or from the documents presented under the letter of credit.

Discounting

Act of purchasing an accepted usance bill of exchange at an amount less than the face value.

Dishonour

Non-payment or non-acceptance.

Documentary Credit

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A letter of credit issued to support the movement of merchandise supported by shipping documents presented by the beneficiary to the Issuing Bank for payment or acceptance.

Documentary Credit Bills

Bills drawn under documentary letters of credit.

Documents Against Acceptance (D/A)

Instructions given by a shipper to his or her acceptance bank that the documents attached to a time draft for collection are deliverable to the drawee/payer against his or her acceptance of the draft.

Documents Against Payment (D/P)

Instructions given by a shipper to his or her bank that the documents are deliverable to the drawee/payer only against his or her payment of the draft.

Documents of Title

Documents that give their owner the right to the goods, ie. Bill of Lading.

Drawee

The party on whom the Bill of Exchange is drawn and who is required to accept and/or pay it.

Drawer

The exporter, who draws the Bill of Exchange/draft which in itself is a claim for payment.

Drawing

Presentation of documents and, where applicable, drafts for payment/acceptance under a letter of credit.

Due Date

Maturity date for payment

Draft

A draft is a formal demand for payment. It is an unconditional order in writing, addressed by one party (drawer) to another party (drawee), requiring the drawee to pay, at a designated or determinable future date, a specified sum in lawful currency (either in dollars or other currency) to the order of a named party (the Payee). In international trade, drafts are also known as "Bills of Exchange."

Eurodollars

A term used for U.S. dollars held on deposit or traded anywhere else in the world except in the USA.

Eximbank (Export-Import Bank of the United States)

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A U.S. government agency that offers insurance/guarantees of commercial or political risks associated with U.S. export transactions. These programs encourage U.S. exports by reducing the exporter's risk.

Endorsement

The legal transfer of title of a document by signature, usually, but not necessarily, on the reverse.

Export Letter of Credit

Barclays' term for an inward letter of credit in favour of the customer who may require it to be confirmed by us. A Credit Risk Limit on the Issuing Bank will be required to be sanctioned/allocated.

Expiry or Expiration Date

The date on which the draft and documents drawn under a letter of credit must be presented to the negotiating, accepting, paying, or issuing bank in order to effect payment. The issuing bank's obligation ceases on that date if the letter of credit is a "straight credit." If the letter of credit is a "negotiable credit," the issuing bank must honor the credit, provided the complying documents were submitted prior to the expiry (or expiration) date.

Foreign Exchange

The process of trading the currency of one country for that of another.

Forward Exchange Contract

Contract between the bank and its customer to buy/sell a fixed amount of currency at a future date at a specified rate. This could be for a customer to make payment under a letter of credit or to sell the proceeds received from an export negotiation.

Foreign Exchange Exposure

A situation in which a U.S. company, selling/purchasing in a currency other than U.S. Dollars, runs the risk of receiving a reduced dollar amount or paying an increased dollar amount due to a fluctuating exchange rate.

Forward Transactions

Foreign exchange transactions settling between three business days and one year (and sometimes longer).

Freight

Goods or the cost of transporting goods.

Freight Forwarder

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An independent business that arranges for the shipment of export cargo and completes the necessary export documentation on behalf of the exporter.

Irrevocable Letter of Credit (L/C)

Letter of credit that cannot be changed or cancelled without the consent of all parties involved. Almost all L/Cs are irrevocable unless otherwise stated on L/C. See also “letter of credit”.

Issuing Bank

Bank that draws up and issues the letter of credit and that makes payment according to the conditions

Gross Weight

The weight of the merchandise in its shipping form, ie. including all its packaging.

Honour

Honour means the discharge by a bank of its obligations under a letter of credit following its receipt of documents that comply with the terms of the letter of credit, UCP600 and standard international banking practice. This is done by paying at sight if the credit is available by sight payment, incurring a deferred payment undertaking and paying at maturity if the credit is available by deferred payment or accepting a bill of exchange drawn by the beneficiary and paying at maturity if the credit is available by acceptance.

ICC 600

International Chamber of Commerce publication number 600 Uniform Customs and Practice for Documentary Credits (2007 revision) replaced the previous ICC 500 as from 1 July 2007. Also known as UCP 600.

ICC 522

International Chamber of Commerce publication number 522 Uniform Rules for Collections (1995 revision) replaced the previous ICC 322 as from 1 January 1996.

Import Letter of Credit

Barclays' term for a letter of credit issued by the Bank on behalf of a customer. A Credit Risk Limit will be required to be sanctioned.

Import License

A permit issued by the importing country's authorities in respect of goods subject to import licensing restrictions.

Incoterms 2000

Shipping terms (see Appendix for full listing).

Indemnity

Also known as Letter of Guarantee (L/G), it is an undertaking given in respect of discrepancies in documents presented under a letter of credit. The beneficiary who issues the indemnity is

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primarily liable to repay funds received from the negotiating bank in settlement under the letter of credit, if the negotiating bank cannot obtain reimbursement from the Issuing Bank as a result of documents being rejected by the applicant.

Insurance Policy or Certificate

Each contract between the exporter and the importer should specify the level of insurance cover required and which party is responsible for arranging cover. Insurance policies can be issued by an insurance company, an underwriter or their agents or their proxies and are generally in standard form, listing the common transport clauses. Regular exporters may arrange an open policy of insurance to cover all exports over a given period. Certificates on the other hand, are issued for each individual shipment and while they carry the same information as a policy the list of provisions will be abbreviated.

Irrevocable Credit

An Irrevocable Letter of Credit is the most widely used type of credit. Under it, the Issuing Bank gives its irrevocable undertaking to pay if all the terms of the letter of credit are met. The Issuing Bank can only amend or cancel its undertaking if all parties to the letter of credit consent to the change. All letters of credit issued by Barclays are irrevocable. The UCP600 definitions and interpretation require that letters of credit are irrevocable and that they are interpreted as irrevocable even if their terms do not expressly state that fact.

Issuing Bank

The bank that opens a letter of credit at the request of its customer, the applicant.

Letter of Credit

An instrument issued by a bank, at the request of the applicant, promising to pay the beneficiary upon his presentation of stipulated documents in accordance with the terms and conditions of the credit.

“CONFIRMED”

A letter of credit issued by one bank to which another bank added its irrevocable confirmation to pay, thereby obligating itself in the same manner as the opening bank.

“STAND-BY”

A letter of credit that generally guarantees payment due for an unfulfilled obligation on the part of the applicant or another party. It is payable upon presentation of a draft, as well as a signed statement or certification by the beneficiary that the applicant has failed in his obligation.

Letter of Hypothecation

A promise to hold goods as security taken from customers who are granted advances (loans) against goods imported on a collection basis.

Maturity Date

The date on which negotiable instruments become due for payment.

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Negotiate

Take action to verify that the documents presented under an L/C conform to the requirements in order to release funds to the seller.

Negotiable/Non-Negotiable

Usually used with regard to Bills of Lading: a negotiable B/L is a valid document of title, while a non-negotiable B/L is not - the beneficiary of a letter of credit (the exporter) may send the importer a non-negotiable B/L for information.

Negotiating Bank

The bank that reviews the documents required in the letter of credit for compliance with its terms and remits payment to the beneficiary. The bank may be specifically named in the letter of credit, or may be a bank chosen by the seller.

Net Weight

The weight of the merchandise before any packaging.

Nominated Bank

The bank with which the credit is available or any bank in the case of a credit available with any bank.

Non-Documentary Credit Bills

Bills not drawn under letters of credit, ie. sent on a collection basis (Documents against Payment or Documents against Acceptance). In common usage we distinguish between Non-Documentary Credit bills which are financed collections and Documentary Credits which are non-financed.

Non-Financed Bills

Bills sent on collection in which the remitting branch has no financial interest.

Note (Noting)

Noting, which is only available in England and a few Commonwealth countries, e.g. Australia, is a preliminary step to Protesting (see below) and involves a Notary Public presenting:

- A Sight Bill of Exchange which has been unpaid on presentation; or
- A Term Bill which has been unaccepted on presentation; or
- A previously accepted Term Bill which has been unpaid at maturity;

at the place of payment as specified in the bill, for example the drawee's address or at a bank, demanding acceptance or payment.

In the event of dishonour, the bill is noted. This involves the Notary recording the reason(s) given by the drawee (if any) for the dishonour on a note, attaching the note to the bill and returning the bill to the Presenting Bank. Noting costs less than protesting and allows the drawer the option of Protesting the bill at a later time if necessary.

Open Account

Open Account trading describes the arrangement where the buyer pays for the goods after receiving them without the buyer being required to procure the issue of a letter of credit or accept drafts drawn on him/her in support of payment obligations. For the buyer this is the most beneficial payment term since it can inspect the goods and ensure they are satisfied with them before authorising payment. If buyer is also given a credit period of say '60 days after Bill of Lading date' it can use the proceeds from re-sale of the goods to pay the supplier, maximising cashflow efficiency. Trading on Open Account is generally used when suppliers have confidence in the business integrity and creditworthiness of their trading partners. Typically the buyers involved will have a good track record of payment and the risks associated with the buyers country will be low or negligible, e.g. UK. Credit insurance that can mitigate the risk of buyer default is a common feature of open account trading.

Opening Bank

See "Issuing Bank".

Order (To)

The phrase 'To Order' is sometimes shown on Bills of Lading against consignee: this means that the Bill of Lading must be endorsed in blank by the shipper (ie. not to any particular named party which makes it bearer document and it becomes transferable by delivery.)

Packing list

This provides a detailed inventory of the goods packed, including the number of each item, individual weights or measurements and overall weights. Packing Lists generally accompany the invoice on occasions where there are several packages in one consignment of goods.

Payment In Advance

Payment in Advance is where the buyer pays for goods in advance of receiving them from its supplier. Business conducted on this basis means that the supplier retains title to the goods. In terms of managing cashflow this is the least favourable payment term for the buyer. Therefore the buyer needs to have confidence in the supplier delivering the goods, as contracted, on time and to the right quality standard.

Paying Bank

Bank that effects payment of documents negotiated under a letter of credit, customarily the buyer's bank. It is usually also the negotiating bank, unless the L/C allows another bank to negotiate or the paying bank is unable to negotiate. See also "negotiating bank".

Past Due

Bill or loan that has not been paid on the maturity date/due date.

Presenting Bank

The bank which receives the Collection from the Remitting Bank and presents it to the importer (usually the importer's bank). If, apart from the Remitting Bank, no other bank is involved in the Collection, the Presenting Bank is also known as the Collecting Bank.

Presentation

Presentation for acceptance or payment on a collection or letter of credit.

Proforma Invoice

An invoice sent in advance of shipment, to enable the buyer to obtain an import permit or exchange permit or both. The proforma invoice gives a close approximation of the weights and values of the intended shipment.

Pre-shipment Finance

A loan given to the beneficiary by a bank to enable it to purchase raw materials. The beneficiary is usually requested to deposit the letter of credit with the bank as security.

Principal

The exporter in collection transactions, being the initiator of the transaction, whose instructions are followed at all stages (may be used to refer to any customer who initiates a transaction, eg. the opener of a letter of credit).

Protest

Legal process of demanding payment of a negotiable item from the maker who has refused to pay.

Power of Attorney

Authority given to one party to act for another.

Promissory Note

A Promissory Note is an unconditional promise in writing that engages the signer to pay a certain sum to the payee on demand or at a fixed or agreed future date. Although it has similar characteristics to a Bill of Exchange, it is generally not used in the case of letters of credit.

Protest (Protesting)

This covers the same situations as those detailed under 'Note (Noting)' (see above), and also involves the Notary recording the reason(s) given by the drawee (if any) for the dishonour. However, unlike Noting, this information is included in a formal document, a Deed of Protest, which can be presented in court as proof of presentation to and dishonour by the drawee should the drawer choose to take legal action to recover the money owed to him by the drawee.

Rail and Road consignment notes

These are issued by the rail authorities and road haulage companies respectively and are receipts for the goods accepted for consignment. They are not documents of title and the goods are released to the consignee on application, upon providing proof of identity. They should

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show the name of the consignee, the date of despatch, bear the stamp of the issuing authorities and be marked 'freight paid' where appropriate.

Recourse

The right to claim a refund from another party which has handled a bill at an earlier stage.

Red Clause

Clause in a letter of credit that authorizes the advising/negotiating bank to make an advance payment to the beneficiary before presentation of shipping documents, usually against a simple receipt.

Reimbursing Bank

The bank names in a letter of credit as the bank authorized by the issuing bank to honor claims presented by the paying, accepting, or negotiating bank.

Remitting Bank

The bank to which the exporter has entrusted the handling of the Collection (often the exporter's bank).

Revocable Letter of Credit (L/C)

A letter of credit that can be modified or canceled by the issuing bank without the beneficiary's consent unless the negotiation of complying documents has already taken place. The issuing bank must honor the draft(s) negotiated before the notice of revocation has been made.

Revolving Credit

A credit automatically reinstated after each drawing or upon receipt of authorisation from the letter of credit issuing bank, with limits as to the duration of the facility and as to the (cumulative or non-cumulative) amount involved for each drawing.

Schedule

The remitting/negotiating bank's letter covering a bill sent to the collecting/issuing bank, which lists the documents attached and gives collection and/or payment instructions.

Shipment Date

The date inserted on the Bills of Lading evidencing goods received on board is regarded for documentary credit purposes as being the date of shipment.

Shipper

See Consignor.

Shipping Terms

See Incoterms 2000.

Sight

A bill payable at sight is payable on presentation to the drawee, i.e. on demand.

Spot Transaction

Foreign exchange transaction in which foreign currency is bought at the current rate of exchange and delivered within two business days after the transaction date.

Spread

The difference between the buying (bid) rate and the selling (offer) rate of any foreign currency for any particular period.

Standby Letter of Credit (L/C)

Letter of credit issued to back an obligation of the applicant, but typically not intended to be the primary method of payment. Usually payable against drafts and statements, but not against commercial documents. See also "letter of credit".

Status Report

International status enquiries available on overseas customers and obtained through the bank's Trade Information Service in the UK Trade Services Centre in Birmingham (2501 8986/0121 265 8986). These reports provide details of the creditworthiness and business background of traders and manufacturers.

Substitution

The act whereby the prime beneficiary substitutes his own documents, i.e. invoices and drafts, in back-to-back and transferable letter of credit operations prior to negotiation of the master credits.

Tenor

Term or period of credit granted by the drawer. See Usance Bill.

Third Party Inspection Certificate

These are usually issued by an independent third party to state that the exported goods conform to a certain standard (as stated in the contract) or have achieved a 'clean report of findings'. The third party is normally resident in the exporter's country and so the goods are checked prior to shipment/air freight despatch. This can be a useful document for an importer, particularly when receiving the first order of goods from a new trading contract or where there may be some other reason to check on the quality of goods being received before payment.

Transferable Credit

Permits the beneficiary of a letter of credit to transfer all or some of the rights and obligations under the letter of credit to a second beneficiary or beneficiaries.

Transferee

A party (second beneficiary) to whom a transferable credit is transferred in whole or in part.

Transferor

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A party (first beneficiary) at whose request a transferable credit is transferred to a second beneficiary in whole or in part.

Trade Acceptance

Draft drawn by the seller of goods on the buyer and accepted by the buyer for payment at a specified future date. See also “acceptance”.

Transferable Letter of Credit (L/C)

Letter of credit that permits the beneficiary to transfer all or some of the rights and obligations under the credit to a second beneficiary. See also “letter of credit”.

UCP

Uniform Customs and Practices for Documentary Credits. Publication issued by the International Chamber of Commerce (2007 revision, ICC Publication No. 600, or “UCP 600”) that outlines the rules and guidelines involved in a letter of credit transaction.

Usance Bill

A Bill of Exchange which allows the drawee a term or period of credit (this period is also called usance). The term is usually stated in days (eg. 30 days) or months and starts either from the date of the bill (eg. 30 days date) or from the date of bill of lading, or from sight by the drawee (eg. 30 days sight) which in practice means from the date of acceptance.

Usance (Time) Credit

Letter of credit that calls for payment against drafts calling for payment at some specified date in the future. Gives buyers time to sell the goods to get the funds to reimburse the issuer.

Usance Letter of Credit (L/C)

Letter of credit that calls for payment at a future date -- generally within six months -- and requires a draft drawn on the issuing/paying bank for the amount of the invoice. See also “letter of credit”.

Value (Settlement) Date

Contracted date on which the foreign exchange is to be delivered or received.

Waive

To relinquish a right: used in collections with charges and/or interest to be collected from the drawee: these can be waived in certain circumstances as set out in ICC 522.

5. Articles of UCP 600

Article 1 - Application of UCP

The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication no. 600 ("UCP") are rules that apply to any documentary credit ("credit") (including, to the extent to which they may be applicable, any standby letter of credit) when the text of the credit expressly indicates that it is subject to these rules. They are binding on all parties thereto unless expressly modified or excluded by the credit.

Article 2 - Definitions

Advising bank means the bank that advises the credit at the request of the issuing bank. **Applicant** means the party on whose request the credit is issued. **Banking day** means a day on which a bank is regularly open at the place at which an act subject to these rules is to be performed.

Beneficiary means the party in whose favour a credit is issued.

Complying presentation means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice.

Confirmation means a definite undertaking of the confirming bank, in addition to that of the issuing bank, to honour or negotiate a complying presentation.

Confirming bank means the bank that adds its confirmation to a credit upon the issuing bank's authorization or request.

Credit means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation.

Honour means:

- to pay at sight if the credit is available by sight payment.
- to incur a deferred payment undertaking and pay at maturity if the credit is available by deferred payment.
- to accept a bill of exchange ("draft") drawn by the beneficiary and pay at maturity if the credit is available by acceptance.

Issuing bank means the bank that issues a credit at the request of an applicant or on its own behalf.

Negotiation means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and/or documents under a complying presentation, by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank.

Nominated Bank means the bank with which the credit is available or any bank in the case of a credit available with any bank.

Presentation means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

Presenter means a beneficiary, bank or other party that makes a presentation.

Article 3 - Interpretations

Where applicable, words in the singular include the plural and in the plural include the singular.

A credit is irrevocable even if there is no indication to that effect.

A document may be signed by handwriting, facsimile signature, perforated signature, stamp, symbol or any other mechanical or electronic method of authentication.

A requirement for a document to be legalized, visaed, certified or similar will be satisfied by any signature, mark, stamp or label on the document which appears to satisfy that requirement.

Branches of a bank in different countries are considered to be separate banks.

Terms such as "first class", "well known", "qualified", "independent", "official", "competent" or "local" used to describe the issuer of a document allow any issuer except the beneficiary to issue that document.

Unless required to be used in a document, words such as "prompt", "immediately" or "as soon as possible" will be disregarded.

The expression "on or about" or similar will be interpreted as a stipulation that an event is to occur during a period of five calendar days before until five calendar days after the specified date, both start and end dates included.

The words "to", "until", "till", "from" and "between" when used to determine a period of shipment include the date or dates mentioned, and the words "before" and "after" exclude the date mentioned.

The words "from" and "after" when used to determine a maturity date exclude the date mentioned.

The terms "first half" and "second half" of a month shall be construed respectively as the 1st to the 15th and the 16th to the last day of the month, all dates inclusive.

The terms "beginning", "middle" and "end" of a month shall be construed respectively as the 1st to the 10th, the 11th to the 20th and the 21st to the last day of the month, all dates inclusive.

Article 4 - Credits v. Contracts

4.1. A credit by its nature is a separate transaction from the sale or other contract on which it may be based. Banks are in no way concerned with or bound by such contract, even if any reference whatsoever to it is included in the credit. Consequently, the undertaking of a bank to honour, to negotiate or to fulfil any other obligation under the credit is not subject to claims or defences by the applicant resulting from its relationships with the issuing bank or the beneficiary. A beneficiary can in no case avail itself of the contractual relationships existing between banks or between the applicant and the issuing bank.

4.2. An issuing bank should discourage any attempt by the applicant to include, as an integral part of the credit, copies of the underlying contract, proforma invoice and the like.

Article 5 - Documents v. Goods, Services or Performance

Banks deal with documents and not with goods, services or performance to which the documents may relate.

Article 6 - Availability, Expiry Date and Place for Presentation

6.1. A credit must state the bank with which it is available or whether it is available with any bank. A credit available with a nominated bank is also available with the issuing bank.

6.2. A credit must state whether it is available by sight payment, deferred payment, acceptance or negotiation.

6.3. A credit must not be issued available by a draft drawn on the applicant.

6.4.1. A credit must state an expiry date for presentation. An expiry date stated for honour or negotiation will be deemed to be an expiry date for presentation.

6.4.2. The place of the bank with which the credit is available is the place for presentation. The place for presentation under a credit available with any bank is that of any bank. A place for presentation other than that of the issuing bank is in addition to the place of the issuing bank.

6.5. Except as provided in sub-article 29 (1), a presentation by or on behalf of the beneficiary must be made on or before the expiry date.

Article 7 - Issuing Bank Undertaking

7.1. Provided that the stipulated documents are presented to the nominated bank or to the issuing bank and that they constitute a complying presentation, the issuing bank must honour if the credit is available by:

- i. sight payment, deferred payment or acceptance with the issuing bank;

- ii. sight payment with a nominated bank and that nominated bank does not pay;
- iii. deferred payment with a nominated bank and that nominated bank does not incur its deferred payment undertaking or, having incurred its deferred payment undertaking, does not pay at maturity;
- iv. acceptance with a nominated bank and that nominated bank does not accept a draft drawn on it or, having accepted a draft drawn on it, does not pay at maturity;
- v. negotiation with a nominated bank and that nominated bank does not negotiate.

7.2. An issuing bank is irrevocably bound to honour as of the time it issues the credit.

7.3. An issuing bank undertakes to reimburse a nominated bank that has honoured or negotiated a complying presentation and forwarded the documents to the issuing bank. Reimbursement for the amount of a complying presentation under a credit available by acceptance or deferred payment is due at maturity, whether or not the nominated bank prepaid or purchased before maturity. An issuing bank's undertaking to reimburse a nominated bank is independent of the issuing bank's undertaking to the beneficiary.

Article 8 - Confirming Bank Undertaking

8.1. Provided that the stipulated documents are presented to the confirming bank or to any other nominated bank and that they constitute a complying presentation, the confirming bank must:

- i. honour, if the credit is available by
 - sight payment, deferred payment or acceptance with the confirming bank;
 - sight payment with another nominated bank and that nominated bank does not pay;
 - deferred payment with another nominated bank and that nominated bank does not incur its deferred payment undertaking or, having incurred its deferred payment undertaking, does not pay at maturity;
 - acceptance with another nominated bank and that nominated bank does not accept a draft drawn on it or, having accepted a draft drawn on it, does not pay at maturity;
 - negotiation with another nominated bank and that nominated bank does not negotiate.
- ii. negotiate, without recourse, if the credit is available by negotiation with the confirming bank.

7.2. A confirming bank is irrevocably bound to honour or negotiate as of the time it adds its confirmation to the credit.

7.3. A confirming bank undertakes to reimburse another nominated bank that has honoured or negotiated a complying presentation and forwarded the documents to the confirming bank. Reimbursement for the amount of a complying presentation under a credit available by acceptance or deferred payment is due at maturity, whether or not another nominated bank

prepaid or purchased before maturity. A confirming bank's undertaking to reimburse another nominated bank is independent of the confirming bank's undertaking to the beneficiary.

7.4. If a bank is authorized or requested by the issuing bank to confirm a credit but is not prepared to do so, it must inform the issuing bank without delay and may advise the credit without confirmation.

Article 9 - Advising of Credits and Amendments

9.1. A credit and any amendment may be advised to a beneficiary through an advising bank. An advising bank that is not a confirming bank advises the credit and any amendment without any undertaking to honour or negotiate.

9.2. By advising the credit or amendment, the advising bank signifies that it has satisfied itself as to the apparent authenticity of the credit or amendment and that the advice accurately reflects the terms and conditions of the credit or amendment received.

9.3. An advising bank may utilize the services of another bank ("second advising bank") to advise the credit and any amendment to the beneficiary. By advising the credit or amendment, the second advising bank signifies that it has satisfied itself as to the apparent authenticity of the advice it has received and that the advice accurately reflects the terms and conditions of the credit or amendment received.

9.4. A bank utilizing the services of an advising bank or second advising bank to advise a credit must use the same bank to advise any amendment thereto.

9.5. If a bank is requested to advise a credit or amendment but elects not to do so, it must so inform, without delay, the bank from which the credit, amendment or advice has been received.

9.6. If a bank is requested to advise a credit or amendment but cannot satisfy itself as to the apparent authenticity of the credit, the amendment or the advice, it must so inform, without delay, the bank from which the instructions appear to have been received. If the advising bank or second advising bank elects nonetheless to advise the credit or amendment, it must inform the beneficiary or second advising bank that it has not been able to satisfy itself as to the apparent authenticity of the credit, the amendment or the advice.

Article 10 - Amendments

10.1. Except as otherwise provided by article 38, a credit can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank, if any, and the beneficiary.

10.2. An issuing bank is irrevocably bound by an amendment as of the time it issues the amendment. A confirming bank may extend its confirmation to an amendment and will be irrevocably bound as of the time it advises the amendment. A confirming bank may, however, choose to advise an amendment without extending its confirmation and, if so, it must inform the issuing bank without delay and inform the beneficiary in its advice.

10.3. The terms and conditions of the original credit (or a credit incorporating previously accepted amendments) will remain in force for the beneficiary until the beneficiary communicates its acceptance of the amendment to the bank that advised such amendment. The beneficiary should give notification of acceptance or rejection of an amendment. If the beneficiary fails to give such notification, a presentation that complies with the credit and to any not yet accepted amendment will be deemed to be notification of acceptance by the beneficiary of such amendment. As of that moment the credit will be amended.

10.4. A bank that advises an amendment should inform the bank from which it received the amendment of any notification of acceptance or rejection.

10.5. Partial acceptance of an amendment is not allowed and will be deemed to be notification of rejection of the amendment.

10.6. A provision in an amendment to the effect that the amendment shall enter into force unless rejected by the beneficiary within a certain time shall be disregarded.

Article 11 - Teletransmitted and Pre-Advised Credits and Amendments

11.1. An authenticated teletransmission of a credit or amendment will be deemed to be the operative credit or amendment, and any subsequent mail confirmation shall be disregarded.

If a teletransmission states "full details to follow" (or words of similar effect), or states that the mail confirmation is to be the operative credit or amendment, then the teletransmission will not be deemed to be the operative credit or amendment. The issuing bank must then issue the operative credit or amendment without delay in terms not inconsistent with the teletransmission.

11.2. A preliminary advice of the issuance of a credit or amendment ("pre-advice") shall only be sent if the issuing bank is prepared to issue the operative credit or amendment. An issuing bank that sends a pre-advice is irrevocably committed to issue the operative credit or amendment, without delay, in terms not inconsistent with the pre-advice.

Article 12 - Nomination

12.1. Unless a nominated bank is the confirming bank, an authorization to honour or negotiate does not impose any obligation on that nominated bank to honour or negotiate, except when expressly agreed to by that nominated bank and so communicated to the beneficiary.

12.2. By nominating a bank to accept a draft or incur a deferred payment undertaking, an issuing bank authorizes that nominated bank to prepay or purchase a draft accepted or a deferred payment undertaking incurred by that nominated bank.

12.3. Receipt or examination and forwarding of documents by a nominated bank that is not a confirming bank does not make that nominated bank liable to honour or negotiate, nor does it constitute honour or negotiation.

Article 13 - Bank-to-Bank Reimbursement Arrangements

13.1. If a credit states that reimbursement is to be obtained by a nominated bank ("claiming bank") claiming on another party ("reimbursing bank"), the credit must state if the reimbursement is subject to the ICC rules for bank-to-bank reimbursements in effect on the date of issuance of the credit.

13.2. If a credit does not state that reimbursement is subject to the ICC rules for bank-to-bank reimbursements, the following apply:

- An issuing bank must provide a reimbursing bank with a reimbursement authorization that conforms with the availability stated in the credit. The reimbursement authorization should not be subject to an expiry date.
- A claiming bank shall not be required to supply a reimbursing bank with a certificate of compliance with the terms and conditions of the credit.
- An issuing bank will be responsible for any loss of interest, together with any expenses incurred, if reimbursement is not provided on first demand by a reimbursing bank in accordance with the terms and conditions of the credit.
- A Reimbursing bank's charges are for the account of the issuing bank. However, if the charges are for the account of the beneficiary, it is the responsibility of an issuing bank to so indicate in the credit and in the reimbursement authorization. If a reimbursing bank's charges are for the account of the beneficiary, they shall be deducted from the amount due to a claiming bank when reimbursement is made. If no reimbursement is made, the reimbursing bank's charges remain the obligation of the issuing bank.

13.3. An issuing bank is not relieved of any of its obligations to provide reimbursement if reimbursement is not made by a reimbursing bank on first demand.

Article 14 - Standard for Examination of Documents

14.1. A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank must examine a presentation to determine, on the basis of the documents alone, whether or not the documents appear on their face to constitute a complying presentation.

14.2. A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank shall each have a maximum of five banking days following the day of presentation to determine if a presentation is complying. This period is not curtailed or otherwise affected by the occurrence on or after the date of presentation of any expiry date or last day for presentation.

14.3. A presentation including one or more original transport documents subject to articles 19, 20, 21, 22, 23, 24 or 25 must be made by or on behalf of the beneficiary not later than 21 calendar days after the date of shipment as described in these rules, but in any event not later than the expiry date of the credit.

14.4. Data in a document, when read in context with the credit, the document itself and international standard banking practice, need not be identical to, but must not conflict with, data in that document, any other stipulated document or the credit.

14.5. In documents other than the commercial invoice, the description of the goods, services or performance, if stated, may be in general terms not conflicting with their description in the credit.

14.6. If a credit requires presentation of a document other than a transport document, insurance document or commercial invoice, without stipulating by whom the document is to be issued or its data content, banks will accept the document as presented if its content appears to fulfil the function of the required document and otherwise complies with sub-article 14.4.

14.7. A document presented but not required by the credit will be disregarded and may be returned to the presenter.

14.8. If a credit contains a condition without stipulating the document to indicate compliance with the condition, banks will deem such condition as not stated and will disregard it.

14.9. A document may be dated prior to the issuance date of the credit, but must not be dated later than its date of presentation.

14.10. When the addresses of the beneficiary and the applicant appear in any stipulated document, they need not be the same as those stated in the credit or in any other stipulated document, but must be within the same country as the respective addresses mentioned in the credit. Contact details (telefax, telephone, email and the like) stated as part of the beneficiary's and the applicant's address will be disregarded. However, when the address and contact details of the applicant appear as part of the consignee or notify party details on a transport document subject to articles 19, 20, 21, 22, 23, 24 or 25, they must be as stated in the credit.

14.11. The shipper or consignor of the goods indicated on any document need not be the beneficiary of the credit.

14.12. A transport document may be issued by any party other than a carrier, owner, master or charterer provided that the transport document meets the requirements of articles 19, 20, 21, 22, 23 or 24 of these rules.

Article 15 - Complying Presentation

15.1. When an issuing bank determines that a presentation is complying, it must honour.

15.2. When a confirming bank determines that a presentation is complying, it must honour or negotiate and forward the documents to the issuing bank.

15.3. When a nominated bank determines that a presentation is complying and honours or negotiates, it must forward the documents to the confirming bank or issuing bank.

Article 16 - Discrepant Documents, Waiver and Notice

16.1. When a nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank determines that a presentation does not comply, it may refuse to honour or negotiate.

16.2. When an issuing bank determines that a presentation does not comply, it may in its sole judgement approach the applicant for a waiver of the discrepancies. This does not, however, extend the period mentioned in sub-article 14 (2).

16.3. When a nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank decides to refuse to honour or negotiate, it must give a single notice to that effect to the presenter.

The notice must state:

- i. that the bank is refusing to honour or negotiate; and
- ii. each discrepancy in respect of which the bank refuses to honour or negotiate;
- iii. and
 - a) that the bank is holding the documents pending further instructions from the presenter; or
 - b) that the issuing bank is holding the documents until it receives a waiver from the applicant and agrees to accept it, or receives further instructions from the presenter prior to agreeing to accept a waiver; or
 - c) that the bank is returning the documents; or
 - d) that the bank is acting in accordance with instructions previously received from the presenter.

16.4. The notice required in sub-article 16 (3) must be given by telecommunication or, if that is not possible, by other expeditious means no later than the close of the fifth banking day following the day of presentation.

16.5. A nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank may, after providing notice required by sub-article 16 (3) (iii) (a) or (b), return the documents to the presenter at any time.

16.6. If an issuing bank or a confirming bank fails to act in accordance with the provisions of this article, it shall be precluded from claiming that the documents do not constitute a complying presentation.

16.7. When an issuing bank refuses to honour or a confirming bank refuses to honour or negotiate and has given notice to that effect in accordance with this article, it shall then be entitled to claim a refund, with interest, of any reimbursement made.

Article 17 - Original Documents and Copies

17.1. At least one original of each document stipulated in the credit must be presented.

17.2. A bank shall treat as an original any document bearing an apparently original signature, mark, stamp, or label of the issuer of the document, unless the document itself indicates that it is not an original.

17.3. Unless a document indicates otherwise, a bank will also accept a document as original if it:

- appears to be written, typed, perforated or stamped by the document issuer's hand; or
- appears to be on the document issuer's original stationery; or
- states that it is original, unless the statement appears not to apply to the document presented.

17.4. If a credit requires presentation of copies of documents, presentation of either originals or copies is permitted.

17.5. If a credit requires presentation of multiple documents by using terms such as "in duplicate", "in two fold" or "in two copies", this will be satisfied by the presentation of at least one original and the remaining number in copies, except when the document itself indicates otherwise.

Article 18 - Commercial Invoice

18.1. A commercial invoice:

- must appear to have been issued by the beneficiary (except as provided in article 38);
- must be made out in the name of the applicant (except as provided in sub-article 38.7);
- must be made out in the same currency as the credit; and
- need not be signed.

18.2. A nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank may accept a commercial invoice issued for an amount in excess of the amount permitted by the credit, and its decision will be binding upon all parties, provided the bank in question has not honoured or negotiated for an amount in excess of that permitted by the credit.

18.3. The description of the goods, services or performance in a commercial invoice must correspond with that appearing in the credit.

Article 19 - Transport Document Covering at Least Two Different Modes of Transport

19.1. transport document covering at least two different modes of transport (multimodal or combined transport document), however named, must appear to:

- 19.1.1. indicate the name of the carrier and be signed by:
 - the carrier or a named agent for or on behalf of the carrier, or
 - the master or a named agent for or on behalf of the master.

Any signature by the carrier, master or agent must be identified as that of the carrier, master or agent. Any signature by an agent must indicate whether the agent has signed for or on behalf of the carrier or for or on behalf of the master.

19.1.2. indicate that the goods have been dispatched, taken in charge or shipped on board at the place stated in the credit, by:

- pre-printed wording, or
- a stamp or notation indicating the date on which the goods have been dispatched, taken in charge or shipped on board.

The date of issuance of the transport document will be deemed to be the date of dispatch, taking in charge or shipped on board, and the date of shipment. However, if the transport document indicates, by stamp or notation, a date of dispatch, taking in charge or shipped on board, this date will be deemed to be the date of shipment.

19.1.3. indicate the place of dispatch, taking in charge or shipment and the place of final destination stated in the credit, even if:

- the transport document states, in addition, a different place of dispatch, taking in charge or shipment or place of final destination, or
- the transport document contains the indication "intended" or similar qualification in relation to the vessel, port of loading or port of discharge.

19.1.4. be the sole original transport document or, if issued in more than one original, be the full set as indicated on the transport document.

19.1.5. contain terms and conditions of carriage or make reference to another source containing the terms and conditions of carriage (short form or blank back transport document). Contents of terms and conditions of carriage will not be examined.

19.1.6. contain no indication that it is subject to a charter party.

19.2. For the purpose of this article, transshipment means unloading from one means of conveyance and reloading to another means of conveyance (whether or not in different modes of transport) during the carriage from the place of dispatch, taking in charge or shipment to the place of final destination stated in the credit.

19.3.1. A transport document may indicate that the goods will or may be transhipped provided that the entire carriage is covered by one and the same transport document.

19.3.2. A transport document indicating that transshipment will or may take place is acceptable, even if the credit prohibits transshipment.

Article 20 - Bill of Lading

20.1. A bill of lading, however named, must appear to:

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20.1.1. indicate the name of the carrier and be signed by:

- the carrier or a named agent for or on behalf of the carrier, or
- the master or a named agent for or on behalf of the master.

Any signature by the carrier, master or agent must be identified as that of the carrier, master or agent.

Any signature by an agent must indicate whether the agent has signed for or on behalf of the carrier or for or on behalf of the master.

20.1.2. indicate that the goods have been shipped on board a named vessel at the port of loading stated in the credit by:

- pre-printed wording, or
- an on board notation indicating the date on which the goods have been shipped on board.

The date of issuance of the bill of lading will be deemed to be the date of shipment unless the bill of lading contains an on board notation indicating the date of shipment, in which case the date stated in the on board notation will be deemed to be the date of shipment.

If the bill of lading contains the indication "intended vessel" or similar qualification in relation to the name of the vessel, an on board notation indicating the date of shipment and the name of the actual vessel is required.

20.1.3. indicate shipment from the port of loading to the port of discharge stated in the credit.

If the bill of lading does not indicate the port of loading stated in the credit as the port of loading, or if it contains the indication "intended" or similar qualification in relation to the port of loading, an on board notation indicating the port of loading as stated in the credit, the date of shipment and the name of the vessel is required. This provision applies even when loading on board or shipment on a named vessel is indicated by pre-printed wording on the bill of lading.

20.1.4. be the sole original bill of lading or, if issued in more than one original, be the full set as indicated on the bill of lading.

20.1.5. contain terms and conditions of carriage or make reference to another source containing the terms and conditions of carriage (short form or blank back bill of lading). Contents of terms and conditions of carriage will not be examined.

20.1.6. contain no indication that it is subject to a charter party.

20.2. For the purpose of this article, transshipment means unloading from one vessel and reloading to another vessel during the carriage from the port of loading to the port of discharge stated in the credit.

20.3.1. A bill of lading may indicate that the goods will or may be transhipped provided that the entire carriage is covered by one and the same bill of lading.

20.3.2. A bill of lading indicating that transshipment will or may take place is acceptable, even if the credit prohibits transshipment, if the goods have been shipped in a container, trailer or LASH barge as evidenced by the bill of lading.

20.4. Clauses in a bill of lading stating that the carrier reserves the right to tranship will be disregarded.

Article 21 - Non-Negotiable Sea Waybill

21.1. A non-negotiable sea waybill, however named, must appear to:

21.1.1. indicate the name of the carrier and be signed by:

- the carrier or a named agent for or on behalf of the carrier, or
- the master or a named agent for or on behalf of the master.

Any signature by the carrier, master or agent must be identified as that of the carrier, master or agent.

Any signature by an agent must indicate whether the agent has signed for or on behalf of the carrier or for or on behalf of the master.

21.1.2. indicate that the goods have been shipped on board a named vessel at the port of loading stated in the credit by:

- pre-printed wording, or
- an on board notation indicating the date on which the goods have been shipped on board.

The date of issuance of the non-negotiable sea waybill will be deemed to be the date of shipment unless the non-negotiable sea waybill contains an on board notation indicating the date of shipment, in which case the date stated in the on board notation will be deemed to be the date of shipment.

If the non-negotiable sea waybill contains the indication "intended vessel" or similar qualification in relation to the name of the vessel, an on board notation indicating the date of shipment and the name of the actual vessel is required.

21.1.3. indicate shipment from the port of loading to the port of discharge stated in the credit.

If the non-negotiable sea waybill does not indicate the port of loading stated in the credit as the port of loading, or if it contains the indication "intended" or similar qualification in relation to the port of loading, an on board notation indicating the port of loading as stated in the credit, the date of shipment and the name of the vessel is required. This provision applies even

when loading on board or shipment on a named vessel is indicated by pre-printed wording on the non-negotiable sea waybill.

21.1.4. be the sole original non-negotiable sea waybill or, if issued in more than one original, be the full set as indicated on the non-negotiable sea waybill.

21.1.5. contain terms and conditions of carriage or make reference to another source containing the terms and conditions of carriage (short form or blank back non-negotiable sea waybill). Contents of terms and conditions of carriage will not be examined.

21.1.6. contain no indication that it is subject to a charter party.

21.2. For the purpose of this article, transhipment means unloading from one vessel and reloading to another vessel during the carriage from the port of loading to the port of discharge stated in the credit.

21.3.1. A non-negotiable sea waybill may indicate that the goods will or may be transhipped provided that the entire carriage is covered by one and the same non-negotiable sea waybill.

21.3.2. A non-negotiable sea waybill indicating that transhipment will or may take place is acceptable, even if the credit prohibits transhipment, if the goods have been shipped in a container, trailer or LASH barge as evidenced by the non-negotiable sea waybill.

21.4. Clauses in a non-negotiable sea waybill stating that the carrier reserves the right to tranship will be disregarded.

Article 22 - Charter Party Bill of Lading

22.1. A bill of lading, however named, containing an indication that it is subject to a charter party (charter party bill of lading), must appear to:

22.1.1. be signed by:

- the master or a named agent for or on behalf of the master, or
- the owner or a named agent for or on behalf of the owner, or
- the charterer or a named agent for or on behalf of the charterer.

Any signature by the master, owner, charterer or agent must be identified as that of the master, owner, charterer or agent.

Any signature by an agent must indicate whether the agent has signed for or on behalf of the master, owner or charterer.

An agent signing for or on behalf of the owner or charterer must indicate the name of the owner or charterer.

22.1.2. indicate that the goods have been shipped on board a named vessel at the port of loading stated in the credit by:

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- pre-printed wording, or
- an on board notation indicating the date on which the goods have been shipped on board.

The date of issuance of the charter party bill of lading will be deemed to be the date of shipment unless the charter party bill of lading contains an on board notation indicating the date of shipment, in which case the date stated in the on board notation will be deemed to be the date of shipment.

22.1.3. indicate shipment from the port of loading to the port of discharge stated in the credit. The port of discharge may also be shown as a range of ports or a geographical area, as stated in the credit.

22.1.4. be the sole original charter party bill of lading or, if issued in more than one original, be the full set as indicated on the charter party bill of lading.

22.2. A bank will not examine charter party contracts, even if they are required to be presented by the terms of the credit.

Article 23 - Air Transport Document

23.1. An air transport document, however named, must appear to:

23.1.1. indicate the name of the carrier and be signed by:

- the carrier, or
- a named agent for or on behalf of the carrier.

Any signature by the carrier or agent must be identified as that of the carrier or agent. Any signature by an agent must indicate that the agent has signed for or on behalf of the carrier.

23.1.2. indicate that the goods have been accepted for carriage.

23.1.3. indicate the date of issuance. This date will be deemed to be the date of shipment unless the air transport document contains a specific notation of the actual date of shipment, in which case the date stated in the notation will be deemed to be the date of shipment.

Any other information appearing on the air transport document relative to the flight number and date will not be considered in determining the date of shipment.

23.1.4. Indicate the airport of departure and the airport of destination stated in the credit.

23.1.5. be the original for consignor or shipper, even if the credit stipulates a full set of originals.

23.1.6. contain terms and conditions of carriage or make reference to another source containing the terms and conditions of carriage. Contents of terms and conditions of carriage will not be examined.

23.2. For the purpose of this article, transshipment means unloading from one aircraft and reloading to another aircraft during the carriage from the airport of departure to the airport of destination stated in the credit.

23.3.1. An air transport document may indicate that the goods will or may be transhipped, provided that the entire carriage is covered by one and the same air transport document.

23.3.2. An air transport document indicating that transshipment will or may take place is acceptable, even if the credit prohibits transshipment.

Article 24 - Road, Rail or Inland Waterway Transport Documents

24.1. A road, rail or inland waterway transport document, however named, must appear to:

24.1.1. indicate the name of the carrier and:

- be signed by the carrier or a named agent for or on behalf of the carrier, or
- indicate receipt of the goods by signature, stamp or notation by the carrier or a named agent for or on behalf of the carrier.

Any signature, stamp or notation of receipt of the goods by the carrier or agent must be identified as that of the carrier or agent.

Any signature, stamp or notation of receipt of the goods by the agent must indicate that the agent has signed or acted for or on behalf of the carrier.

If a rail transport document does not identify the carrier, any signature or stamp of the railway company will be accepted as evidence of the document being signed by the carrier.

24.1.2. indicate the date of shipment or the date the goods have been received for shipment, dispatch or carriage at the place stated in the credit. Unless the transport document contains a dated reception stamp, an indication of the date of receipt or a date of shipment, the date of issuance of the transport document will be deemed to be the date of shipment.

24.1.3. indicate the place of shipment and the place of destination stated in the credit.

24.2.1 A road transport document must appear to be the original for consignor or shipper or bear no marking indicating for whom the document has been prepared.

24.2.2. A rail transport document marked "duplicate" will be accepted as an original.

24.2.3. A rail or inland waterway transport document will be accepted as an original whether marked as an original or not.

24.3. In the absence of an indication on the transport document as to the number of originals issued, the number presented will be deemed to constitute a full set.

24.4. For the purpose of this article, transshipment means unloading from one means of conveyance and reloading to another means of conveyance, within the same mode of transport, during the carriage from the place of shipment, dispatch or carriage to the place of destination stated in the credit.

24.5.1. A road, rail or inland waterway transport document may indicate that the goods will or may be transhipped provided that the entire carriage is covered by one and the same transport document.

24.5.2. A road, rail or inland waterway transport document indicating that transshipment will or may take place is acceptable, even if the credit prohibits transshipment.

Article 25 - Courier Receipt, Post Receipt or Certificate of Posting

25.1. A courier receipt, however named, evidencing receipt of goods for transport, must appear to:

- indicate the name of the courier service and be stamped or signed by the named courier service at the place from which the credit states the goods are to be shipped; and
- indicate a date of pick-up or of receipt or wording to this effect. This date will be deemed to be the date of shipment.

25.2. A requirement that courier charges are to be paid or prepaid may be satisfied by a transport document issued by a courier service evidencing that courier charges are for the account of a party other than the consignee.

25.3. A post receipt or certificate of posting, however named, evidencing receipt of goods for transport, must appear to be stamped or signed and dated at the place from which the credit states the goods are to be shipped. This date will be deemed to be the date of shipment.

Article 26 - "On Deck", "Shipper's Load and Count", "Said by Shipper to Contain" and Charges Additional to Freight

26.1. A transport document must not indicate that the goods are or will be loaded on deck. A clause on a transport document stating that the goods may be loaded on deck is acceptable.

26.2. A transport document bearing a clause such as "shipper's load and count" and "said by shipper to contain" is acceptable.

26.3. A transport document may bear a reference, by stamp or otherwise, to charges additional to the freight.

Article 27 - Clean Transport Document

A bank will only accept a clean transport document. A clean transport document is one bearing no clause or notation expressly declaring a defective condition of the goods or their packaging.

The word "clean" need not appear on a transport document, even if a credit has a requirement for that transport document to be "clean on board".

Article 28 - Insurance Document and Coverage

28.1. An insurance document, such as an insurance policy, an insurance certificate or a declaration under an open cover, must appear to be issued and signed by an insurance company, an underwriter or their agents or their proxies.

Any signature by an agent or proxy must indicate whether the agent or proxy has signed for or on behalf of the insurance company or underwriter.

28.2. When the insurance document indicates that it has been issued in more than one original, all originals must be presented.

28.3. Cover notes will not be accepted.

28.4. An insurance policy is acceptable in lieu of an insurance certificate or a declaration under an open cover.

28.5. The date of the insurance document must be no later than the date of shipment, unless it appears from the insurance document that the cover is effective from a date not later than the date of shipment.

28.6.1. The insurance document must indicate the amount of insurance coverage and be in the same currency as the credit.

28.6.2. A requirement in the credit for insurance coverage to be for a percentage of the value of the goods, of the invoice value or similar is deemed to be the minimum amount of coverage required.

If there is no indication in the credit of the insurance coverage required, the amount of insurance coverage must be at least 110% of the CIF or CIP value of the goods.

When the CIF or CIP value cannot be determined from the documents, the amount of insurance coverage must be calculated on the basis of the amount for which honour or negotiation is requested or the gross value of the goods as shown on the invoice, whichever is greater.

28.6.3. The insurance document must indicate that risks are covered at least between the place of taking in charge or shipment and the place of discharge or final destination as stated in the credit.

28.7. A credit should state the type of insurance required and, if any, the additional risks to be covered. An insurance document will be accepted without regard to any risks that are not covered if the credit uses imprecise terms such as "usual risks" or "customary risks".

28.8. When a credit requires insurance against "all risks" and an insurance document is presented containing any "all risks" notation or clause, whether or not bearing the heading "all risks", the insurance document will be accepted without regard to any risks stated to be excluded.

28.9. An insurance document may contain reference to any exclusion clause.

28.10. An insurance document may indicate that the cover is subject to a franchise or excess (deductible).

Article 29

29.1. If the expiry date of a credit or the last day for presentation falls on a day when the bank to which presentation is to be made is closed for reasons other than those referred to in article 36, the expiry date or the last day for presentation, as the case may be, will be extended to the first following banking day.

29.2. If presentation is made on the first following banking day, a nominated bank must provide the issuing bank or confirming bank with a statement on its covering schedule that the presentation was made within the time limits extended in accordance with sub-article 29.1.

29.3. The latest date for shipment will not be extended as a result of sub-article 29.1.

Article 30 - Tolerance in Credit Amount, Quantity and Unit Prices

31.1. The words "about" or "approximately" used in connection with the amount of the credit or the quantity or the unit price stated in the credit are to be construed as allowing a tolerance not to exceed 10% more or 10% less than the amount, the quantity or the unit price to which they refer.

31.2. A tolerance not to exceed 5% more or 5% less than the quantity of the goods is allowed, provided the credit does not state the quantity in terms of a stipulated number of packing units or individual items and the total amount of the drawings does not exceed the amount of the credit.

31.3. Even when partial shipments are not allowed, a tolerance not to exceed 5% less than the amount of the credit is allowed, provided that the quantity of the goods, if stated in the credit, is shipped in full and a unit price, if stated in the credit, is not reduced or that sub-article 30.2 is not applicable. This tolerance does not apply when the credit stipulates a specific tolerance or uses the expressions referred to in sub-article 30.1.

Article 31 - Partial Drawings or Shipments

31.1. Partial drawings or shipments are allowed.

31.2. A presentation consisting of more than one set of transport documents evidencing shipment commencing on the same means of conveyance and for the same journey, provided they

indicate the same destination, will not be regarded as covering a partial shipment, even if they indicate different dates of shipment or different ports of loading, places of taking in charge or dispatch. If the presentation consists of more than one set of transport documents, the latest date of shipment as evidenced on any of the sets of transport documents will be regarded as the date of shipment.

A presentation consisting of one or more sets of transport documents evidencing shipment on more than one means of conveyance within the same mode of transport will be regarded as covering a partial shipment, even if the means of conveyance leave on the same day for the same destination.

31.3. A presentation consisting of more than one courier receipt, post receipt or certificate of posting will not be regarded as a partial shipment if the courier receipts, post receipts or certificates of posting appear to have been stamped or signed by the same courier or postal service at the same place and date and for the same destination.

Article 32 - Instalment Drawings or Shipments

If a drawing or shipment by instalments within given periods is stipulated in the credit and any instalment is not drawn or shipped within the period allowed for that instalment, the credit ceases to be available for that and any subsequent instalment.

Article 33 - Hours of Presentation

A bank has no obligation to accept a presentation outside of its banking hours.

Article 34 - Disclaimer on Effectiveness of Documents

A bank assumes no liability or responsibility for the form, sufficiency, accuracy, genuineness, falsification or legal effect of any document, or for the general or particular conditions stipulated in a document or superimposed thereon; nor does it assume any liability or responsibility for the description, quantity, weight, quality, condition, packing, delivery, value or existence of the goods, services or other performance represented by any document, or for the good faith or acts or omissions, solvency, performance or standing of the consignor, the carrier, the forwarder, the consignee or the insurer of the goods or any other person.

Article 35 - Disclaimer on Transmission and Translation

A bank assumes no liability or responsibility for the consequences arising out of delay, loss in transit, mutilation or other errors arising in the transmission of any messages or delivery of letters or documents, when such messages, letters or documents are transmitted or sent according to the requirements stated in the credit, or when the bank may have taken the initiative in the choice of the delivery service in the absence of such instructions in the credit.

If a nominated bank determines that a presentation is complying and forwards the documents to the issuing bank or confirming bank, whether or not the nominated bank has honoured or negotiated, an issuing bank or confirming bank must honour or negotiate, or reimburse that nominated bank, even when the documents have been lost in transit between the nominated bank and the issuing bank or confirming bank, or between the confirming bank and the issuing bank.

A bank assumes no liability or responsibility for errors in translation or interpretation of technical terms and may transmit credit terms without translating them.

Article 36 - Force Majeure

A bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by Acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control.

A bank will not, upon resumption of its business, honour or negotiate under a credit that expired during such interruption of its business.

Article 37 - Disclaimer for Acts of an Instructed Party

37.1. A bank utilizing the services of another bank for the purpose of giving effect to the instructions of the applicant does so for the account and at the risk of the applicant.

37.2. An issuing bank or advising bank assumes no liability or responsibility should the instructions it transmits to another bank not be carried out, even if it has taken the initiative in the choice of that other bank.

37.3. A bank instructing another bank to perform services is liable for any commissions, fees, costs or expenses ("charges") incurred by that bank in connection with its instructions.

If a credit states that charges are for the account of the beneficiary and charges cannot be collected or deducted from proceeds, the issuing bank remains liable for payment of charges.

A credit or amendment should not stipulate that the advising to a beneficiary is conditional upon the receipt by the advising bank or second advising bank of its charges.

37.4. The applicant shall be bound by and liable to indemnify a bank against all obligations and responsibilities imposed by foreign laws and usages.

Article 38 - Transferable Credits

38.1. A bank is under no obligation to transfer a credit except to the extent and in the manner expressly consented to by that bank.

38.2. For the purpose of this article:

Transferable credit means a credit that specifically states it is "transferable". A transferable credit may be made available in whole or in part to another beneficiary ("second beneficiary") at the request of the beneficiary ("first beneficiary").

Transferring bank means a nominated bank that transfers the credit or, in a credit available with any bank, a bank that is specifically authorized by the issuing bank to transfer and that transfers the credit. An issuing bank may be a transferring bank.

Transferred credit means a credit that has been made available by the transferring bank to a second beneficiary.

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38.3. Unless otherwise agreed at the time of transfer, all charges (such as commissions, fees, costs or expenses) incurred in respect of a transfer must be paid by the first beneficiary.

38.4. A credit may be transferred in part to more than one second beneficiary provided partial drawings or shipments are allowed.

A transferred credit cannot be transferred at the request of a second beneficiary to any subsequent beneficiary. The first beneficiary is not considered to be a subsequent beneficiary.

38.5. Any request for transfer must indicate if and under what conditions amendments may be advised to the second beneficiary. The transferred credit must clearly indicate those conditions.

38.6. If a credit is transferred to more than one second beneficiary, rejection of an amendment by one or more second beneficiary does not invalidate the acceptance by any other second beneficiary, with respect to which the transferred credit will be amended accordingly. For any second beneficiary that rejected the amendment, the transferred credit will remain unamended.

38.7. The transferred credit must accurately reflect the terms and conditions of the credit, including confirmation, if any, with the exception of:

- the amount of the credit,
 - any unit price stated therein,
 - the expiry date,
 - the period for presentation, or
 - the latest shipment date or given period for shipment,
- any or all of which may be reduced or curtailed.

The percentage for which insurance cover must be effected may be increased to provide the amount of cover stipulated in the credit or these articles.

The name of the first beneficiary may be substituted for that of the applicant in the credit.

If the name of the applicant is specifically required by the credit to appear in any document other than the invoice, such requirement must be reflected in the transferred credit.

38.8. The first beneficiary has the right to substitute its own invoice and draft, if any, for those of a second beneficiary for an amount not in excess of that stipulated in the credit, and upon such substitution the first beneficiary can draw under the credit for the difference, if any, between its invoice and the invoice of a second beneficiary.

38.9. If the first beneficiary is to present its own invoice and draft, if any, but fails to do so on first demand, or if the invoices presented by the first beneficiary create discrepancies that did not exist in the presentation made by the second beneficiary and the first beneficiary fails to correct

them on first demand, the transferring bank has the right to present the documents as received from the second beneficiary to the issuing bank, without further responsibility to the first beneficiary.

38.10. The first beneficiary may, in its request for transfer, indicate that honour or negotiation is to be effected to a second beneficiary at the place to which the credit has been transferred, up to and including the expiry date of the credit. This is without prejudice to the right of the first beneficiary in accordance with sub-article 38.8.

38.11. Presentation of documents by or on behalf of a second beneficiary must be made to the transferring bank.

Article 39 - Assignment of Proceeds

The fact that a credit is not stated to be transferable shall not affect the right of the beneficiary to assign any proceeds to which it may be or may become entitled under the credit, in accordance with the provisions of applicable law. This article relates only to the assignment of proceeds and not to the assignment of the right to perform under the credit.

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ABOUT BKMS

With over a decade worth of experience and a prominent network of international clients, BKMS has established a reputation that speaks for itself. BKMS is covering a broad spectrum of industries, taking into account the required accounting treatment and tax implications as well as the challenging international regulatory framework. Client Trust and loyalty are the very fundament of every commitment undertaken by BKMS. Adherence to a strict policy of professionalism therefore results in continuously successful developments.

MULTI FAMILY OFFICE SERVICES

Administrative Services

Tax Planning

Wealth Planning

Corporate Consulting

Legal Services

BKMS Limited

201 Strovolos Avenue

Off. 201-202, 2nd Floor

2049 Nicosia, Cyprus

info@bkmsgroup.com

Tel. +357 – 22 265 360

Fax. +357 – 22 265 361

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