

INTERNATIONAL BUSINESS

PART 1: TRADE AND EXPORT FINANCE

SECTION 1: LETTERS OF CREDIT

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INTERNATIONAL BUSINESS

PART 1: TRADE AND EXPORT FINANCE

International trade can be a tricky business. How well do you know your customer? What payment method is most appropriate?

The international business bank you choose should provide a comprehensive range of trade finance products designed to reduce the trade and credit risks when you trade abroad.

What you will learn:

SECTION 1: LETTERS OF CREDIT

Letters of Credit, or **DOCUMENTARY CREDIT**, are one of the most secure methods of payment in international trade and can be used for all types of goods and services.

SECTION 2: COLLECTIONS

Collections are a payment service through which an exporter may obtain payment from an importer by utilizing the banking channels.

SECTION 3: GUARANTEES

A guarantee may be given by the Bank in support of a customer's obligation to fulfill a contract.

SECTION 4: EXPORT FINANCE

Being able to offer financing to prospective customers can make the difference in winning a deal.

SECTION 5: FOREIGN BANKS

Read about payments with banks around the world.

SECTION 1: LETTER OF CREDIT

TYPES OF LETTER OF CREDIT

The Letter of Credit is one of the most secure payment methods in international trade, offering the exporter a conditional payment guarantee from the importer's bank.

EXPORT LETTER OF CREDIT

For an exporter, the risk of your buyer's not paying is covered by a Letter of Credit from the buyer's bank. You are therefore no longer dependent on a customer's willingness or ability to pay.

IMPORT LETTER OF CREDIT

Payment is made only when the exporter presents documents that comply with the terms and conditions of the Letter of Credit.

STANDBY LETTER OF CREDIT

A conventional Letter of Credit is issued to provide the seller with an undertaking of payment upon the seller's submission of documents in accordance with the terms and conditions of the credit after shipment has taken place.

A **standby Letter of Credit**, on the other hand, is an undertaking which is activated only if something goes wrong between the buyer and the seller and the expected payment does not take place. It therefore allows the seller to enforce a claim.

INTERNATIONAL RULES

Letters of Credit are subject to a set of international rules entitled Uniform Customs and Practice for Letters of Credit (UCP), ICC Publication No. 600.

The rules are set forth by the International Chamber of Commerce (ICC) in Paris and are used by most banks worldwide.

ISBP

In May 2000, the ICC appointed a task force to streamline international banking practice for Letter of Credit practitioners when checking documents.

The resulting guidelines - **International Standard Banking Practice for the Examination of Documents under Letters of Credit (ISBP)** - were intended to reduce the number of documents being rejected dramatically by encouraging a uniformity of practice worldwide. The ISBP was approved in 2002 and revised in 2007, making the Letter of Credit process easier and even more secure.

ISP98

Standby Letters of Credit are usually subject to the same rules as commercial Letters of Credit, that is, UCP 600. But a growing number of standby Letters of Credit are subject to a newer set of rules, known as ISP98, which deals solely with this type of Letter of Credit.

If your standby Letter of Credit is subject to ISP98, this must be shown in the Letter of Credit.

THE LETTER OF CREDIT PROCESS

The process of a Letter of Credit:

1. The contract is made between the importer and the exporter.
2. The importer asks its bank to issue a Letter of Credit to the exporter.
3. The importer's bank sends the Letter of Credit to the exporter's bank (advising bank).
4. The exporter's bank advises the exporter of the issue of the Letter of Credit.
5. After dispatch of the goods, the exporter delivers the required documents to its bank, which examines them with respect to the conditions of the Letter of Credit. If the requirements have been complied with, payment will usually be made to the exporter.
6. The exporter's bank sends the documents to the importer's bank against payment.
7. The importer's bank delivers the documents to the importer against payment, after which the goods may be handed over.

GENERAL GUIDELINES

When you open a Letter of Credit, you should take certain factors into account.

ENTERING INTO A CONTRACT

The contract between you and the seller determines the conditions under which the Letter of Credit will be issued.

The seller is not always aware of which documents are required when goods are to be imported to your country. It is therefore important that you specify your exact document requirements when entering into the contract.

If the Letter of Credit is not issued in accordance with the original agreement between the buyer and the seller, the goods might be delayed or there could be a direct breach of the contract. There must therefore be agreement on all the conditions, including time limits for shipment, presentation of documents and expiration.

OPENING THE LETTER OF CREDIT

Before you ask your international business bank to open a Letter of Credit, you should be aware that the Letter of Credit cannot be cancelled or amended unless all parties agree to do so.

The Letter of Credit is legally independent of the contract, which means that any changes to the contract are not automatically valid for the Letter of Credit.

RELEASE OF GOODS

The goods sometimes arrive before the documents. If they are consigned to your bank, the importer can take possession of the goods if your bank releases them.

By having the goods released, the importer makes a commitment to approve and pay against the documents, whether or not they conform to the conditions of the Letter of Credit.

GUIDELINES FOR REQUESTING LETTERS OF CREDIT

(to be transcribed onto letterhead of Seller/Beneficiary)

The verbiage below are merely suggestions. It is the customer's sole decision to use it or not. Further, it should not be construed as a promise or agreement to handle a transaction. Accordingly, (Bank) is to be held harmless against all liabilities incurred in connection with the use of this language.

(Letterhead of Seller/Beneficiary)

TO: (Name of Buyer, Full Address or eMail) _____
Please instruct your bank to issue in our favor an irrevocable commercial letter of credit that contains the following terms and conditions:

If you are unable to meet any of these terms and conditions, please contact us as soon as possible BEFORE the letter of credit is issued. Any deviation from the terms and conditions, as noted below, without our prior consent may result in an amendment to the letter of credit, and this will increase bank charges and may delay the shipment.

ISSUANCE: Please ensure that the letter of credit is received by us on or before _____ (insert date).

BENEFICIARY: (Beneficiary's Complete Name)
(Address)
(Telephone & Telefax Numbers)

ADVISING BANK: (BANK NAME)
Trade Services Operations
Address
City, State Zip Code
USA

SWIFT: _____

Telex: _____

CABLE: _____

CURRENCY AND AMOUNT: _____

CONFIRMATION: REQUIRED NOT REQUIRED

TRANSFERABLE: YES NO

DRAFT(S)

PAYABLE AT: SIGHT
 DAYS AFTER SIGHT*
 DAYS FROM DATE OF TRANSPORT DOCUMENT*
 DAYS FROM INVOICE DATE*
 OTHER (PLEASE SPECIFY) _____

If other than "Sight"

*Discount charges for account of: Buyer Seller

*Acceptance commissions for account of Buyer Seller

LATEST SHIPMENT

DATE: _____ (at least 30 days prior to the Expiration Date)

SHIPPING TERM: FOB (Free on Board place of loading—vessel/aircraft)
 CIF (Cost, Insurance, and Freight)
 CFR (Cost and Freight)
 Other

SHIPMENT VIA: Other Air Truck Rail Courier

GUIDELINES FOR REQUESTING LETTERS OF CREDIT^(continued) (to be transcribed onto letterhead of Seller/Beneficiary)

The verbiage below are merely suggestions. It is the customer's sole decision to use it or not. Further, it should not be construed as a promise or agreement to handle a transaction. Accordingly, (Bank) is to be held harmless against all liabilities incurred in connection with the use of this language.

SHIPMENT: From: _____
To: _____

PARTIAL SHIPMENTS: Allowed Not Allowed

TRANSSHIPMENTS: Allowed Not Allowed

PRESENTATION PERIOD: Documents are to be presented within _____ days from each shipment date (at least 21 days for ocean shipments and at least 15 days for air shipments) but prior to the expiration date of the credit.

EXPIRATION DATE: _____

EXPIRATION LOCATION: USA
 Other (Please specify) _____

MERCHANDISE DESCRIPTION: Covering (a complete description is mandatory) _____
As per Purchase Order or Contract Number _____ dated _____

INSURANCE COVERED BY: Buyer Seller (in which case an insurance certificate/policy is required)

DOCUMENTS REQUIRED: One original and two copies of each unless otherwise noted*:

- Signed Commercial Invoice
- Packing List
- Certificate of Origin
- Inspection Certificate
- Insurance Policy/Certificate
- Transport Document marked
 - Freight Collect
 - Freight Prepaid as follows:
 - Ocean Bills of Lading: Clean Onboard Ocean Bills of Lading in sets of:
 - Full (3/3)*
 - 2/3*
 - 1/3*
 - Consigned to:
 - Order of shipper, bank endorsed
 - Buyer
 - Issuing bank
 - Air Waybill
 - Truck Bill of Lading
 - Rail Bill of Lading
 - Courier Receipt
 - Other (Please specify) _____
- Other Documents (Please list) _____

GUIDELINES FOR REQUESTING LETTERS OF CREDIT (continued) (to be transcribed onto letterhead of Seller/Beneficiary)

The verbiage below are merely suggestions. It is the customer's sole decision to use it or not. Further, it should not be construed as a promise or agreement to handle a transaction. Accordingly, (Bank) is to be held harmless against all liabilities incurred in connection with the use of this language.

REIMBURSEMENT: Reimbursement is to be at the offices of a major bank located in the U.S.A. (preferable Standard Chartered Bank, Citibank, Bank of New York or Wells Fargo/Wachovia Bank) and reimbursement authority must allow (your bank) to claim reimbursement by SWIFT)

SPECIAL

INSTRUCTIONS: All charges in the U.S.A. are for account of
 Buyer Seller

All charges outside the U.S.A. are for the account of:
 Buyer Seller

Third Party documents are:
 Acceptable Not Acceptable

OTHER

INSTRUCTIONS: Please specify:

FAQ: LETTERS OF CREDIT

How do I fill out a draft (bill of exchange)?

When completing your draft, you should pay particular attention to the following:

- You will usually draw the draft on either the issuing bank or the reimbursing bank. You need not present drafts drawn on your bank.
- The amount of the draft will usually be the same as the invoice amount, but the Letter of Credit could specify other conditions.
- The "payable" field must state the time of payment:
 1. If payment is to be made immediately: "at sight"
 2. "XX days after sight "
 3. The actual maturity date
 4. If the draft is payable XX days after the date of dispatch: the maturity date followed by "XX days after B/L date" or "90 days from date" (assuming the date of the draft is the same as the date of the transport document or on-board notation)
 5. You must also remember to include the name of your company and sign the draft(s).

How detailed should the description of goods be?

The description of goods in your invoice must agree with that in the Letter of Credit. In the other documents, a general description of goods is sufficient, as long as it does not contradict the Letter of Credit.

How must a transport document for ocean transport be filled out?

In the case of direct transport from loading port to unloading port, the port shown in the Letter of Credit under "shipment from" or something similar must be stated in the field "Port of Loading" in the bill of lading.

EXAMPLE: If the Letter of Credit requires shipment from Northern Ireland and it is necessary to transship in, say, Hamburg, you state the Irish port in the field "Place of Receipt" and Hamburg in the field "Port of Loading". In such a situation, where there are two ships, the bill of lading must always be endorsed with an on-board notation - and if, as in the example, shipment from Northern Ireland is required, the on-board notation must show loading in the Irish port, stating the port name, ship name and the loading date.

How many original documents must I present?

Unless the Letter of Credit says otherwise, you must present at least one original of each of the required documents. However, if a document states that it is to be issued in more than one original, all the originals must be presented (typically bills of lading and insurance documents).

Who may issue a document?

If the Letter of Credit does not stipulate who must issue a document and does not specify the content of the document, the bank will approve a document as presented. However, the bank will require, for example, that a weight list shows weights and that a certificate of origin shows the origin of the goods.

This does not apply to your invoice, transport document or insurance document.

What does "to endorse" mean?

This means that you must endorse a document: stamp and sign the reverse side of the document.

Do I have to quote an exact amount on the Letter of Credit?

If the Letter of Credit says "about" in connection with quantity of goods and/or price of goods, it means that you may deviate up to 10% from the price and/or quantity stated in the Letter of Credit.

"About" applies to the subsequent number. If "about" is next to the amount, this does not automatically give permission for a similar increase or decrease in the quantity, and visa versa. The amount and the quantity do not need to go together unless it is required in the Letter of Credit.

If "about" is placed beside both amount and quantity, you can ship less than stated in the Letter of Credit and at the same time invoice a higher amount than the Letter of Credit amount, unless the Letter of Credit gives a unit price.

Unless the Letter of Credit directly forbids the supply of more or less than the stated quantity of goods, you may deviate 5% from the stated quantity of goods, but you may not exceed the Letter of Credit amount. This rule is not valid, however, if the quantity is detailed as pieces or units.

If the Letter of Credit prohibits partial delivery and you cannot use the conditions stated above, you may ask for up to 5% less than the Letter of Credit amount if you ship the entire quantity and do not reduce the unit price.

If the Letter of Credit shows "maximum" in connection with the amount or a given quantity, it means that you may send any quantity and invoice for any amount up to the given maximum.

When is the latest I can deliver my documents to the Bank?

Unless the Letter of Credit states otherwise, you must present your documents to the Bank at the latest 21 days after sending the goods - although you may never exceed the Letter of Credit's expiration date.

If the Letter of Credit expires with a bank abroad, you must remember that the documents must be presented to us in good time before the latest presentation date or expiration date.

Are the documents in order when the buyer says so?

No. It is the issuing bank that decides whether or not the documents can be approved. The Letter of Credit is a guarantee for payment only when all its terms and conditions have been fulfilled.

EXPORT LETTER OF CREDIT

Using Letters of Credit when you export goods or services means the importer's bank commits itself to paying you when the conditions of the credit have been met. This offers a number of advantages:

- Payment guaranteed by the importer's bank prior to shipment.
- Enhanced security of payment at the agreed time.
- Enhanced security that the order received will not be cancelled or changed without your agreement.
- Improved liquidity as payment often can be made shortly after shipment.
- The possibility of financing.

It is important to note that the importer's bank will make payment only after you have complied with all its requirements and conditions. You should therefore examine the Letter of Credit document carefully when you receive it.

SAMPLE: EXPORT LETTER OF CREDIT—COVER LETTER

(Letterhead of Seller/Beneficiary)

Bank Name
Trade and Export Finance
Address
City, State Zip

Date _____

Our Ref. _____

Dear Sirs;

Letter of Credit No. _____ Bank Name Ref. No. _____

We enclose documents for (amount) _____ for payment in accordance with the terms and conditions of the Credit. We also enclose your advice letter together with the original Credit instrument and amendment(s) to the Credit, if any.

Upon payment, please arrange for the transfer of proceeds to:

Our account no. _____

With (bank) _____

For Deferred payment Credits and Acceptance Credits:

[] Please purchase our claim against the Credit without recourse.

Additional instructions:

Contact Person

(Company Name)

Telephone

(Signature)

SAMPLE: Credit Draft

FIRST BILL OF EXCHANGE

Issued at _____ on _____
(Place) (Date)

To _____
(Drawee's name and address)

Pay against this FIRST Bill of Exchange (SECOND UNPAID) in the amount of

(Currency and amount in figures)

_____ Value received which place to account
(Currency and amount in words)

Payable _____ to the order of _____
(State AT SIGHT or the date of maturity) (Name of Bank)

Drawn under _____
(Company name and authorized signature[s])

SECOND BILL OF EXCHANGE

Issued at _____ on _____
(Place) (Date)

To _____
(Drawee's name and address)

Pay against this FIRST Bill of Exchange (SECOND UNPAID) in the amount of

(Currency and amount in figures)

_____ Value received which place to account
(Currency and amount in words)

Payable _____ to the order of _____
(State AT SIGHT or the date of maturity) (Name of Bank)

Drawn under _____
(Company name and authorized signature[s])

TRANSFERABLE LETTER OF CREDIT

If you have to arrange security for your subcontractors or other parties, Letters of Credit offer the following options:

IRREVOCABLE PAYMENT ORDER

An irrevocable payment order assures third parties that money will not be paid to you before they received the amount due to them.

Be aware that payment orders are not subject to statutory regulations on debt. This means that, should you go bankrupt or suspend payments, an amount will be payable only after a court decision or arbitration.

ASSIGNMENT

An assignment also ensures that third parties will be paid ahead of you.

Unlike an irrevocable payment order, however, an assignment is subject to statutory regulations on debt. This means that, in case of your bankruptcy or suspension of payments, an estate must respect the assignment.

TRANSFERABLE LETTER OF CREDIT

If the Letter of Credit is issued as a transferable Letter of Credit, you can have it transferred, completely or in part, to a third party.

When you transfer a Letter of Credit, the following conditions can be changed:

- the amount and any unit price can be reduced
- validity, shipment and presentation limits can be shortened
- any insurance percentage rate can be raised

When documents are presented under a transferred Letter of Credit, it is possible for the beneficiary to replace the invoices and any drafts with its own. If the terms of the Letter of Credit are met, the beneficiary will receive the difference between the two invoices (less the bank's commission, if applicable) and the balance is then paid to the third party.

One of the main advantages of a transferable Letter of Credit is that the credit exposure lies with the third party. However, one of the main risks with transferring a Letter of Credit is that the beneficiary is forced to use the other documents presented by the third party. Consequently any mistakes in these documents might be repeated under the original Letter of Credit.

SAMPLE: Application for TRANSFER OF LETTER OF CREDIT

(Letterhead of Seller/Beneficiary)

Bank Name Trade and Export Finance Address City, State Zip

Date _____

Bank Reference: _____ Our Reference: _____

The Letter of Credit is to be transferred to (state second beneficiary's full name and address):

Through his bankers (full name, location and SWIFT-address):

Subject to Article 38 of the Uniform Customs and Practice for Letters of Credit (UCP 600) please change the following terms and conditions to:

Amount _____ Unit price(s): _____

Expiration date: _____ Latest date of shipment: _____

Presentation period: _____ Percentage of insurance coverage: _____

Description of goods: (Applicable if partial shipments are allowed):

We reserve the right to determine whether amendments to the Letter of Credit are to be advised to the second beneficiary:

Yes

(Amendments which from (Bank's) point of view can influence the second beneficiary's possibilities to use the Letter of Credit will be advised to him under all circumstances).

No

(Amendments always require the acceptance of the second beneficiary to be in force—unless the contents of such amendments from (Bank's) point of view in no way influence his possibilities to use the Letter of Credit).

Charges and commissions related to this transfer are to be paid

by us by the second beneficiary

Please find enclosed (the Bank's) letter of advice, the original Letter of Credit and amendments already accepted, if any.

Company name

Authorized signature(s)

IMPORT LETTER OF CREDIT

When you import goods or services, using Letter of Credit as your method of payment offers several advantages:

- No obligation to pay unless all the conditions of the Letter of Credit are fulfilled.
- Using Letters of Credit with extended credit terms may be an alternative to traditional forms of bank finance such as overdrafts.
- A possible discount from the exporter because of secure and fast payment.
- Multiple payments can be made under a Letter of Credit.
- Your credit reputation is enhanced by providing suppliers with Letters of Credit.
- Prompt shipment of goods.

SAMPLE: Application for ISSUANCE OF LETTER OF CREDIT

We request (Name of Bank) to issue an irrevocable Letter of Credit for our account by <input type="checkbox"/> SWIFT <input type="checkbox"/> mail		
Applicant's Name (Buyer)		
Type of Letter of Credit <input type="checkbox"/> Standard <input type="checkbox"/> Transferable <input type="checkbox"/> Standby		
Beneficiary (Seller) Full name & address		
Beneficiary's Bank	(If the beneficiary requests issuance through a specific bank.)	
Expiration Date (DD/MM/YY)	____/____/20____ Documents to be presented in (Country of beneficiary)	
	Time limit for presentation of documents ____ days after dispatch of goods. [1*]	
Amount	<input type="checkbox"/> Up to <input type="checkbox"/> About [+/- ____ %]	
	Currency & Amount	
Terms of Payment	<input type="checkbox"/> at sight <input type="checkbox"/> ____ days after shipment date <input type="checkbox"/> ____ days sight <input type="checkbox"/> other _____	
Confirmation	The Credit is required to be confirmed by (Bank)'s correspondent <input type="checkbox"/> Yes <input type="checkbox"/> No	
Shipment Details	Latest date of shipment ____/____/20____	
Shipment From	Taking in Charge/Place of Receipt	Port of loading/Airport of Departure
Shipment To	Port of Discharge/Airport of Destination	Final Destination/Place of delivery
Part shipment <input type="checkbox"/> permitted <input type="checkbox"/> prohibited Transshipment <input type="checkbox"/> permitted <input type="checkbox"/> prohibited		
Description of goods		
Terms of Delivery [2*]		

Documents Required

<input type="checkbox"/> Full set on board marine/ocean Bills of Lading [3*] issued to order _____
<input type="checkbox"/> Notify _____
<input type="checkbox"/> Air transport document evidencing actual date of dispatch <input type="checkbox"/> CMR (overland transport document) shipper's copy <input type="checkbox"/> Document for combined transport (Multimodal) <input type="checkbox"/> Other
<input type="checkbox"/> Insurance document for invoice value plus ____% covering the following risks [4*] <input type="checkbox"/> G.S.P. Certificate of Origin Form A <input type="checkbox"/> Certificate of Origin <input type="checkbox"/> Invoice in ____ copies <input type="checkbox"/> Packing List

Page 2— Application for Issuance of a Letter of Credit

Special Instructions
(Your bank's) charges are for: <input type="checkbox"/> our account <input type="checkbox"/> beneficiary's account Other bank's charges are for : <input type="checkbox"/> our account <input type="checkbox"/> beneficiary's account
Debit charges to account number: _____ (if applicable) Debit drawings to account number: _____ Please quote forward contract number if you wish to utilize for currency payments:

Explanation 1*, 2*, 3*, 4*

- 1* If the number of days is not stated, the 21-day term of the Uniform Customs and Practice for Letters of Credit applies.
- 2* Terms of delivery could be e.g. CIP Lurgan, Ireland, CFR Belfast, Ireland, FCA Rome, Italy; see also INCOTERMS 2000.
- 3* If the application does not state otherwise, the Credit will stipulate that the bill of Lading must be issued to order and endorsed in blank.
- 4* An insurance document should only be called for if the beneficiary is to take out insurance for the goods. If no percentage is written, the 10% stated in the Uniform Customs and Practice for Letters of Credit applies.

General Terms & Conditions

<ol style="list-style-type: none"> 1. The Letters of Credit will be subject to the current "Uniform Customs and Practice for Letters of Credit" published by the International Chamber of Commerce and applicable at the time when the credit is issued. 2. If the Bank determines that the documents in relation to the Credit appear on their face not to be in compliance with the terms and conditions of the Credit, the Bank may but is not required to approach the Customer for a waiver in respect of such discrepancy(ies). If the Bank does approach the Customer for such waiver, the Customer must examine the documents and notify the Bank immediately if they show discrepancies or omissions which the Customer is willing to accept, failing which the Bank shall be entitled to refuse the documents. If the Customer requires the documents to be released to his custody in order to examine them, the Customer agrees not to dispose of the documents or the relevant goods without the Bank's consent. If the Customer does dispose of the documents or the relevant goods without the Bank's consent, he will forfeit all rights to refuse the documents. If the Customer loses the documents he will be treated for these purposes as having disposed of them. 3. The Bank may at any time require the Customer to place an amount specified by the Bank in respect to the Bank's liability under the Credit with the Bank or its correspondent bank in the name of the Bank or as otherwise required by the Bank. In respect of such amount: <ol style="list-style-type: none"> (a) any amount placed with the Correspondent will be in any currency as required by the Bank and/or the Correspondent and will be at the Customer's risk. (b) the Bank shall not be liable for the transfer or any amount to the Correspondent or for any shortfall in the amount received by the Correspondent arising as a result of rates or exchange and/or charges in connection with the transfer of such amount. (c) If the relevant Credit is unutilized (either wholly or partly) or is cancelled, the Bank may arrange for the transfer to the Customer of such amount (or the balance remaining) but shall not be obliged to do so. The Bank shall not be liable for any shortfall in the amount received by the Customer arising as a result of rates of exchange and/or charges in connection with the transfer of such amount. <p>Please issue for my/our account an irrevocable Letter of Credit in accordance with the above instructions. I/we agree that this request is subject to the terms of the Counter Indemnity already provided to the Bank and to the above General Terms and Conditions. I/we agree that our obligation to the Bank will continue until the Bank has been released from its obligation towards its correspondents.</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 60%; border-top: 1px solid black; text-align: center;">Name of the company and signature(s)</div> <div style="width: 35%; border-top: 1px solid black; text-align: center;">Date</div> </div>

In order to process this transaction, personal information relating to individuals/companies named on this form may be provided to overseas authorities in order to comply with applicable legal obligations and prevent crime.

SAMPLE: Application for Amendment of Letter of Credit

We hereby request (Name of Bank) to amend:	
Letter of Credit Number: _____	
<input type="checkbox"/> By SWIFT	<input type="checkbox"/> By Letter
In favor of: (name of beneficiary) _____	

Amendment:

<input type="checkbox"/> the expiration date to be extended until ____/____/20____
<input type="checkbox"/> the latest shipment date to be extended until ____/____/20____
<input type="checkbox"/> the amount to be increased / decreased by _____
New L/C Amount: _____
<input type="checkbox"/> Other: _____

Contact Person: _____	Phone No.: _____

Date: _____	

Name of the company and signature(s)	

Please send the application for amendment to:

Bank Name
Trade and Export Finance
Address
City, State Zip

Or
Fax Number: XXX-XXX-XXXX

LETTER OF CREDIT CHECKLIST

Letters of Credit usually require the presentation of certain documents. When you receive a Letter of Credit, you should examine it carefully following the checklist below to help you make sure that every document is filled in correctly.

You may want to involve the company employees responsible for:

- ensuring that the goods are ready for shipment on time
- completing the documents
- arranging transport

LETTER OF CREDIT CHECKLIST

- Is the text clear and unambiguous?
- Are the terms and conditions the same as those you agreed on with your customer?
- Is the Letter of Credit issued by a reputable bank?
- Is the Letter of Credit subject to the international rules for Letters of Credit - UCP 600?
- Can you comply fully with ALL the requirements?
- Are all the expressions in the Letter of Credit clear and unambiguous?
- Does the Letter of Credit contain contradictory requirements?
- Can the time limits for shipment and presentation of documents be met?
- Are the insurance requirements, if any, acceptable?
- Are the requirements for transport and transport documents acceptable?
- Is partial delivery or transshipment allowed, if needed?
- Are your name and address shown exactly as they appear in your documents?
- Are the buyer's name and address shown correctly?
- Is the description of goods the same as in all the other documents?

RISK MANAGEMENT AND FINANCING

Letters of Credit enable your bank to help you reduce the risks of international trade in additional ways - regardless of the issuing bank's ability to pay or political restrictions.

CONFIRMATION

Your bank will endeavor to confirm the Letter of Credit at the request of the issuing bank. This ensures that you will receive payment when you comply with the requirements of the Letter of Credit irrespective of the issuing bank and the country.

SILENT CONFIRMATION

Even if the issuing bank does not request your bank to confirm the Letter of Credit, your bank can usually offer you a silent confirmation. This puts you in exactly the same position as if the Letter of Credit had been confirmed.

FINANCING

If you have granted your buyer extended credit (deferred payment) but you would like payment immediately, Your bank may endeavor to discount the draft under the Letter of Credit at a competitive rate.

GLOSSARY: LETTER OF CREDIT

Term	Explanation
About	Used in connection with amount or quantity, it means +/- 10%
Acceptance	An accepted draft
Advise	To forward a Letter of Credit or an amendment to a Letter of Credit to the beneficiary
Advising bank	The bank (other than the issuing bank) that forwards the Letter of Credit to the beneficiary
Air waybill (AWB)	Air transport document
Applicant	The party on whose behalf a Letter of Credit is issued
Approximately	See About above
At sight	Payment on a sight basis (no credit time)
Available with	The bank where the documents must be presented
Beneficiary	The party in whose favor the Letter of Credit is issued
Bill of lading	Sea transport document
Clean bill of lading	Transport document without markings regarding damage of goods or packaging
CMR waybill	Overland transport document
Confirmation	This means that a bank takes on a payment obligation together with the issuing bank
Consignee	Recipient
Consignor	Sender
Deferred payment	Alternative to payment at sight
Discounting	Buying the outstanding debt with a deferred payment
Documentary credit	An undertaking (also called a Letter of Credit) by the issuing bank to make payment to a named beneficiary, usually the seller of merchandise, against delivery of documents specified in the credit
Expiration date/place	Indicates when and where the Letter of Credit expires for presentation of documents
For account of	The Letter of Credit's order giver; see Applicant above
In favor of	The Letter of Credit's beneficiary; see Beneficiary above

GLOSSARY: LETTER OF CREDIT—Continued

Incoterms	Delivery conditions; see also Incoterms 2000
Irrevocable	Letter of Credit which cannot be cancelled without the acceptance of the beneficiary and any confirming bank
Letter of Credit	The American expression for Documentary credit
Multimodal	Used in the expression "multimodal transport" about transport, in which more than one means of transport are used
N.N.	Non-negotiable
Negotiable	Used in Letters of Credit as an alternative to the word "payable" and meaning payable in a bank other than the issuing bank; also used about original copies of a bill of lading
Negotiate	To pay against drafts and/or documents with recourse
Notify party	In a transport document, the party to be advised of the arrival of goods
Presentation period	Indicates the deadline for the presentation of documents under the Letter of Credit
Reimbursement	Payment between the issuing and paying banks
Revocable	Letter of Credit which the issuing bank can cancel at any time up to the presentation of documents
Revolving	Letter of Credit where the amount is re-established - under special conditions - after the Letter of Credit has been used
Tenor	The period of deferred payment
Transferable	Letter of Credit where the beneficiary is allowed to transfer its rights under the Letter of Credit, wholly or in part, to one or more subcontractors
Transship or Tranship	To transfer for further transportation from one ship or conveyance to another
UCP 600	The international rules for Letters of Credit: Uniform Customs and Practice for Letters of Credit, ICC Publication No. 600
Usance credit	Letter of Credit with deferred payment; see Deferred Payment above

INCOTERMS 2000

In international trade, businesses use the standard trade definitions - INCOTERMS 2000 - published by the International Chamber of Commerce (ICC) to describe the risks, responsibilities and obligations of the various parties.

INCOTERMS 2000 is divided into four groups:

1. E-GROUP (STARTING POINT/SHIPMENT)	
EXW	Ex Works (place)
2. F-GROUP (MAIN FREIGHT NOT PAID)	
FCA	Free Carrier (place)
FAS	Free Alongside Ship (port of shipment)
FOB	Free On Board (port of shipment)
3. C-GROUP (MAIN FREIGHT PAID)	
CFR	Cost and Freight (port of destination)
CIF	Cost, Insurance and Freight (port of destination)
CPT	Carriage Paid to (place of destination)
CIP	Carriage and Insurance Paid to (place of destination)
4. D-GROUP (DESTINATION/ARRIVAL)	
DAF	Delivered At Frontier (place)
DES	Delivered Ex Ship (port of destination)
DEQ	Delivered Ex Quay (port of destination)
DDU	Delivered Duty Unpaid (place of destination)
DDP	Delivered Duty Paid (place of destination)

USE THE RIGHT DELIVERY TERMS:

Land transport:

EXW, FCA, CPT, CIP, DAF, DDU, DDP

Air transport:

EXW, FCA, CPT, CIP

Rail transport:

EXW, FCA, CPT, CIP

Sea/inland waterway transport:

EXW, FCA, FAS, FOB, CFR, CIF, CPT, CIP, DES, DEQ