

Content

I.	GENERAL PART: INTRODUCTION TO THE DOCUMENTARY CREDIT	14
1.	PAYMENT METHOD – PAYMENT THROUGH A DOCUMENTARY CREDIT	15
1.1	Payment methods in foreign trade	15
1.1.1	Payment in advance	15
1.1.2	Payment after delivery of the goods (trading on open account basis)	16
1.1.3	Documentary Payments	17
2.	DOCUMENTARY CREDIT – MAIN FEATURES	24
2.1	What is the Documentary Credit?	24
2.2	Main Categories of Documentary Credits	26
2.3	Confirmed or Unconfirmed Documentary Credit	26
2.3.1	Unconfirmed Documentary Credit	26
2.3.2	Confirmed Documentary Credit	27
2.4	Parties of a Documentary Credit Transaction	28
2.5	Documentary Credit Cycle	29
2.6	Special Types of Documentary Credits	30
2.6.1	Revolving Documentary Credit	30
2.6.2	Transferable Documentary Credit	31
2.6.3	Back to Back Documentary Credit	36
2.6.4	Standby Letter of Credit	36
3.	RELATIONSHIPS AMONG PARTIES INVOLVED IN DOCUMENTARY CREDIT TRANSACTIONS	38
3.1	Relationship between Exporter and Importer – Contract of Sale	38
3.2	Relationship between Importer and Issuing Bank	39
3.3	Relationship between Issuing Bank and Advising Bank	39
3.4	Relationship between Issuing Bank and Exporter	41
3.5	Relationship between Confirming Bank and Exporter	42
3.6	Other Relationships Related to Credits	43
3.6.1	Relationship between Advising Bank or Confirming Bank and Importer	43
3.6.2	Relationship between Advising Bank and Exporter	44
3.6.3	Relationship between Issuing Bank and Reimbursing Bank	45
3.6.4	Relationship between Nominated (Confirming) Bank and Reimbursing bank	46
4.	MAIN PRINCIPLES (PILLARS) OF THE DOCUMENTARY CREDIT	47
4.1	Principle of Irrevocability (Irrevocable Documentary Credit)	47
4.2	Principle of Independence from Contracts and other Relationships	47
4.3	Documentary Nature of the Documentary Credit	48
4.4	Principle of Exclusion of Liability or Responsibility of Banks for Certain Risks	48
5.	TERMS AND CONDITIONS OF THE DOCUMENTARY CREDIT – MAIN ASPECTS	51
5.1	Documentary Credit issued in the Form of SWIFT Message	51
5.2	Documentary Credit issued by Telex	80
5.3	Documentary Credit issued in the Form of the Letter	81

6.	AVAILABILITY OF DOCUMENTARY CREDITS.	82
6.1	The Methods of Availability of Credits and Options of Banks Involved in the Credit Transaction	83
6.1.1	Credit available by payment at sight	83
6.1.2	Credit available by deferred payment	84
6.1.3	Credit available by acceptance	85
6.1.4	Credit available by negotiation	86
II.	PRACTICAL PART – GUIDE TO DOCUMENTARY CREDIT PROCEDURES	90
7.	PREPARATIONS BEFORE THE CONTRACT.	91
7.1	What is the Importer to do before he Signs/Concludes the Relevant Contract?	91
7.2	What is the Exporter to do before he Signs/Concludes the Relevant Contract?	91
7.3	Contract (of Sale or other Type) between the Exporter and the Importer	92
7.4	Documentary Credit as a Method of Payment for the Goods	93
8.	CONTRACT OF SALE	94
8.1	Contents of Contract of Sale	94
8.2	Documentary Credit – Payment Condition in the Contract of Sale	95
8.3	Incoterms	96
9.	IMPORT DOCUMENTARY CREDIT – OPERATIONS	111
9.1	Issuance of the Documentary Credit.	111
9.1.1	The Issuing bank's obligations	112
9.2	Procedure of the Documentary Credit Issuance.	113
9.2.1	The Application to Issue a Documentary Credit – Preliminary considerations.	114
9.2.2	The Application to Issue a Documentary Credit – Completion of the Form	114
	Annex A – Application to Issue a Documentary Credit	115
10.	EXPORT DOCUMENTARY CREDIT – OPERATIONS	155
10.1	Advising of Documentary Credit to the Beneficiary	155
10.2	Responsibilities of the Advising Bank	156
10.2.1	Responsibilities of the Advising Bank in case when it is instructed to confirm the Credit (or the amendment thereto)	156
10.2.2	Pre-Advice of a Documentary Credit (or Amendment)	157
10.2.3	Operative v. Non-Operative Credit (Amendment)	158
	Annex B – Guidance for SWIFT Message MT 700 – Issuance of the Credit (excerpt).	160
	Annex C – Advice of Export Documentary Credit to the Beneficiary – Example of a Bank Form	161
	Annex D – Guidance for the Beneficiary for Check Up of the Advice of the Credit	162
11.	AMENDMENT OF THE DOCUMENTARY CREDIT.	163
11.1	SWIFT Form of the Amendment	163
11.2	Amendment to the Credit – Practical Procedure	169
11.2.1	Responsibility of the Advising Bank when Advising Amendments	170
11.2.2	Amendment of the Confirmed Credit.	171
12.	ISSUANCE OF DOCUMENTS REQUESTED BY CREDITS	172
13.	PRESENTATION OF DOCUMENTS	174
	Annex E – Export Documentary Credit	175
	Annex F – Sample of Covering Letter Accompanying Documents for Presentation.	176

14.	DISCREPANCIES IN DOCUMENTS – OPTIONS FOR SOLUTIONS	177
14.1	Discrepancies which can be corrected	177
14.2	Discrepancies which cannot be (practically) corrected	177
14.2.1	Possible Solutions – Advising Bank Acting as Confirming Bank or Nominated Bank	178
14.2.2	Possible Solutions – Advising Bank Acting as “Only Advising Bank”	179
14.2.3	Possible Solutions – Issuing Bank	180
15.	DRAWINGS UNDER CREDITS	182
15.1	Drawings under a Credit Available by Payment at Sight	182
15.1.1	Only Advising Bank	183
15.1.2	Nominated Bank	183
15.1.3	Confirming Bank	184
15.1.4	Issuing Bank	184
15.2	Drawings under a Credit Available by Deferred Payment	184
15.2.1	Only Advising Bank	185
15.2.2	Nominated Bank	185
15.2.3	Confirming Bank	185
15.2.4	Issuing Bank	186
15.3	Drawings under a Credit available by Acceptance of a Draft	186
15.3.1	Only Advising Bank	187
15.3.2	Nominated Bank	187
15.3.3	Confirming Bank	188
15.3.4	Issuing Bank	188
15.4	Drawings under a Credit available by Negotiation	189
15.4.1	Only Advising Bank	189
15.4.2	Nominated Bank	190
15.4.3	Confirming Bank	191
15.4.4	Issuing Bank	191
	Annex G – Processing of Documentary Credit Transaction (schematic overview)	193
III.	FINANCING UNDER DOCUMENTARY CREDITS	196
16.	FINANCING UNDER IMPORT AND EXPORT DOCUMENTARY CREDITS	196
16.1	Import Financing using Documentary Credit	196
16.1.1	Import Financing using Import Documentary Credit available by Deferred Payment	196
16.1.2	Import Financing using Loans provided by the Issuing Bank (Importer’s Bank)	197
16.1.3	Import Financing: Post-financing, Usance Credit payable at Sight	198
16.2	Pre-Export and Export Financing using Documentary Credit	200
16.2.1	Pre-Export Financing (Pre-Shipment Finance)	200
16.2.2	Export Financing (Post-Shipment Finance)	204
IV.	EXAMINATION OF DOCUMENTS	212
17.	EXAMINATION OF DOCUMENTS UNDER DOCUMENTARY CREDITS – COMPLIANCE	212
17.1	General Rules for Examination of Documents – Responsibilities of Banks	212
17.1.1	Main principles	212
17.1.2	Banks responsible for examination of presented documents	213
17.1.3	Time period for examination of documents	213
17.2	Examination of Documents in Practice	213
17.2.1	General requirements examined by banks	213
17.2.2	Amount payable, quantity of goods	214

17.2.3	Place for presentation	219
17.2.4	Time for presentation	221
17.2.5	Complying presentation	224
17.2.6	Presented documents must not be in conflict	227
18.	GENERAL RULES OF EXAMINATION APPLICABLE TO ALL DOCUMENTS	229
18.1	General Rules Related to the Content and Issuers of Documents	229
18.1.1	Issuer of documents	229
18.1.2	Further rules related to the content and issuers of documents	229
18.1.3	Documents issued or countersigned by the applicant	229
18.2	Expressions Not Defined in UCP 600	230
18.3	Conflict in Data	232
18.4	Description of Goods, Services or Performance	232
18.4.1	Description of goods, services or performance in commercial invoice.	232
18.4.2	Description of goods, services or performance in documents other than the commercial invoice.	233
18.5	Misspellings or Typing Errors	234
18.6	Mathematical Calculations	234
18.7	Shipping Marks	235
18.8	Abbreviations, Use of Virgules, a Comma when Indicating a Range of Data.	235
18.8.1	Abbreviations.	235
18.8.2	Use of virgules	235
18.8.3	Use of a comma when indicating a range of data in a credit	236
18.9	Documents Issued in Multiple Pages and Attachments or Riders	236
18.10	Title of Documents and Combined Documents	236
18.11	Documents for which the UCP 600 Transport Articles Do Not Apply.	237
18.11.1	Non-transport documents	237
18.11.2	Copies of transport documents covered by UCP 600 articles	238
18.11.3	Courier receipt, post receipt and certificate of posting in respect of the sending of documents, notices and the like.	239
18.12	The Need for Completion of a Box, Field or Space in a Document	239
18.13	Language of Documents	239
18.14	Rules Related to Dates of Documents	241
18.14.1	Date of issuance of a document v. date of issuance of the credit, date of presentation, date of signing, date of the event described in the credit	241
18.14.2	The need for a document to be dated	242
18.14.3	Date of issuance after the date of shipment	243
18.14.4	Further rules related to dates and other expressions of timing	244
18.15	Rules Governing Signatures	246
18.15.1	General rules governing signatures, requirement for a document to be stamped	246
18.15.2	Which documents must be always signed?	247
18.16	Rules Governing Legalization, Certification, etc. of Documents	248
18.17	Rules Governing Correction and Alternations	248
18.18	Addresses and Contact Details of the Beneficiary and the Applicant in Documents	250
18.18.1	General rule regarding addresses and contact details of the Beneficiary and the Applicant	250
18.18.2	Rules regarding the address and contact details of the Applicant appearing as part of the consignee or notify party details on transport documents	251
18.19	Originals Versus Copies of Documents	252
18.19.1	General rule regarding presentation of original(s)	252
18.19.2	Which documents are accepted by banks as originals?	252

18.19.3	Are originals or copies requested?	253
18.19.4	An original in lieu of a copy (non-original).	254
18.19.5	Copy of a document	255
18.19.6	Request for presentation of multiple documents	255
19.	EXAMINATION OF INDIVIDUAL DOCUMENTS	257
19.1	Financial Documents	258
19.1.1	Draft	258
19.2	Commercial Documents	261
19.2.1	Commercial Invoice.	261
19.2.2	Consular Invoice	262
19.2.3	Customs Invoice	262
19.2.4	Certificate of Value (and Origin)	262
19.2.5	Certificate of Quality	266
19.2.6	Inspection Certificate	268
19.2.7	Health, Sanitary, Veterinary and Similar Certificates.	274
19.2.8	Phytosanitary, Fumigation and Similar Certificates	278
19.2.9	Packing List	283
19.2.10	Weight List	286
19.2.11	Certificate of Origin	289
19.2.12	Movement Certificate.	296
19.2.13	Beneficiary's Certificate	300
19.2.14	Taking Over Protocol (Handing Over Protocol, Acceptance Protocol)	303
19.3	Transport Documents.	307
19.3.1	Ocean Bill of Lading	307
19.3.2	Non-negotiable Sea Waybill	315
19.3.3	Charter Party Bill of Lading.	321
19.3.4	Multimodal Transport Document	326
19.3.5	Air Waybill	333
19.3.6	Road Transport Document	338
19.3.7	Rail Transport Document.	342
19.3.8	Inland Waterway Transport Document.	346
19.3.9	Courier Receipt.	351
19.3.10	Post Receipt and Certificate of Posting	354
19.4	Other Documents Related to Transport of Goods.	357
19.4.1	Freight Forwarder's Certificates	357
19.4.2	Cargo Receipt.	363
19.4.3	Vessel Certificate (Certificate of Vessel Age, Seaworthiness, etc.)	366
19.5	Insurance Documents	369
ANNEX 1	– SWIFT MT 700 Issuance of a Documentary Credit.	375
ANNEX 2	– SWIFT MT 707 Amendment to a Documentary Credit.	379
ANNEX 3	– The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication no. 600	385
ANNEX 4	– International Standard Banking Practice for the Examination of Documents UCP 600 – ICC Publication No. 745	396
ANNEX 5	– Bibliography	423
ABOUT THE AUTHOR	424