



# Documentary Credit Practices

EXPERIENCE FROM MIDDLE EAST

# Clauses Dictated by Applicant in the LC

- **100 PCT OF INVOICE VALUE PAYABLE 60 DAYS FROM APPLICANT'S AUTHORIZED REPRESENTATIVE'S SIGNATURE ON REQUIRED DOCUMENTS.**
- **DOCUMENT ISSUED BY COMPETENT AUTHORITY**
- **BENEFICIARY SHOULD NOTIFY APPLICANT OF DETAILS OF SHIPMENT ON FAX NO. XXXXXX. FAX RECEIPT OR ACKNOWLEDGEMENT TO BE PRESENTED ALONG WITH SHIPPING DOCUMENTS**
- **INVOICES ISSUED IN ANY OTHER CURRENCY THAN THAT OF THIS STANDBY LETTER OF CREDIT IS (ARE) COVERED BY THE THIS STANDBY LETTER OF CREDIT PROVIDED THAT THE AGGREGATE OF THE COUNTER VALUE OF SUCH INVOICES DOES NOT EXCEED THE AMOUNT AVAILABLE UNDER THIS STANDBY LETTER OF CREDIT. FOR THE PURPOSE OF CONVERSION, THE EXCHANGE RATE APPLIED WILL EITHER BE THE REUTERS RATE ON THE DAY OF CLAIM OR THE REUTERS RATE AT THE INVOICE DATE AS PER BENEFICIARY'S CHOICE.**

# Clauses Dictated by Applicant in the LC

- THE FOB XXXXXX PORT PRICE IN US DOLLARS PER METRIC TON BASED ON B/L QUANTITY SHALL BE THE FIVE DAYS AVERAGE OF THE MEAN OF PLATTS QUOTATION FOR "NAPHTHA" UNDER THE HEADING 'FOB ARAB GULF' AS PUBLISHED IN PLATTS ASIA PACIFIC / ARAB GULF MARKET SCAN AS PER FOLLOWING FORMULA:
- FINAL PRICE EQUAL MOPG PLUS PREMIUM USD 60.0 MR PLUS USD 2.00X (OCTANE -91)
- THE PLATTS QUOTATION ARE BASED ON QUOTATION ON THE BILL OF LADING DATE, TWO DAYS IMMEDIATELY PRIOR AND TWO DAYS IMMEDIATELY AFTER BILL OF LADING DATE. IF NO VALID QUOTATION ON BILL OF LADING DATE THEN THREE QUOTATIONS IMMEDIATELY PRIOR AND TWO QUOTATIONS IMMEDIATELY AFTER TO APPLY. ALWAYS AVERAGE OF FIVE QUOTATION TO APPLY. THE FINAL PRICE SHALL BE CALCULATED ROUNDED TO TWO DECIMAL PLACES, WITH THE SECOND PLACE TO BE INCREASED TO THE NEXT DIGIT WHENEVER THE THIRD DECIMAL PLACE IS FIVE OR GREATER THAN FIVE. ANY PUBLISHED CORRECTION TO ANY OF THE RELEVANT QUOTATIONS SHALL BE TAKEN INTO FINAL PRICE CALCULATION

# Bad Clauses incorporated by Banks

- DOCUMENTS NEGOTIATED / FORWARDED FOR PAYMENT BY A PARTY OTHER THAN OUR NOMINATED CORRESPONDENT, SHALL BE TREATED AS DISCREPANT AND SHALL BE HANDLED AS APPROVAL / COLLECTION DOCUMENTS.
- DOCUMENTS FORWARDED FOR APPROVAL OR PAYMENT WITHOUT INDICATING THE DISCREPANCIES SHALL BE TREATED AS COLLECTION DOCUMENTS
- THE NEGOTIATING BANK MUST CERTIFY ON THE COVERING SCHEDULE THAT ALL CREDIT TERMS HAVE BEEN COMPLIED WITH OR LIST THE DISCREPANCIES OTHERWISE THE DOCUMENTS WILL BE CONSIDERED AS COLLECTION DOCUMENTS WITHOUT ANY NOTIFICATION.
- THIS IS A COMPUTER GENERATED ADVICE AND THEREFORE DOES NOT NEED A SIGNATURE.
- WE SHALL AUTHORIZE YOU TO CLAIM REIMBURSEMENT FROM THE REIMBURSING BANK AFTER THE GOODS ARE EXAMINED AND ACCEPTED BY OUR HEALTH AUTHORITIES.

# Bad Clauses incorporated by Banks

- NOTWITHSTANDING ARTICLE NO 37 OF UCP 600, ALL YOUR CHARGES AND COMMISSION TO BE COLLECTED FROM BENEFICIARY PRIOR TO ADVISING THE LC.
- SIGNATURE APPEARING AS APPLICANT'S AUTHORIZED SIGNATORY WILL BE VERIFIED BY ....(issuing bank).
- DON'T ADVISE THE LETTER OF CREDIT TO BENEFICIARY UNLESS YOU RECEIVE AN IRREVOCABLE REIMBURSEMENT UNDERTAKING FROM CENTRAL BANK OF XXXX,.
- ANY PRESENTATION UNDER THIS DOCUMENTARY CREDIT MUST BE MADE THROUGH YOUR BANKERS.

## Examples of Doubtful Discrepancies

- **CERTIFICATE OF ORIGIN DOES NOT SHOW LETTER OF CREDIT NUMBER. THE SET OF DOCUMENTS PRESENTED WAS FOR AED 10,000,000.00**
- **BILL OF LADING SHOWS CONSIGNOR / SHIPPER OTHER THAN BENEFICIARY (LC WAS SILENT ABOUT THE SHIPPER /CONSIGNOR TO APPEAR ON BILL OF LADING).**
- **GUARANTEE IS NOT ISSUED BY A BANK. (THE LETTER OF CREDIT DID NOT INDICATE BY WHOM THE LETTER OF GUARANTEE TO BE ISSUED. IT JUST STATED LETTER OF GUARANTEE FOR ..... ).**
- **LATE PRESENTATION OF DOCUMENTS – DOCUMENTS NOT PRESENTED WITH 21 DAYS OF SHIPMENT DATE. (LETTER OF CREDIT REQUIRES PRESENTATION OF NON-NEGOTIABLE BILL OF LADING.**

# Example of Doubtful Discrepancies

- INSPECTION CERTIFICATE IS DATED AFTER SHIPMENT DATE. (THE INSPECTION CERTIFICATE SHOWS DATE OF INSPECTION WHICH IS EARLIER THAN THE SHIPMENT DATE)
- BILL OF LADING / INVOICE DO NOT SHOW SHIPPING MARKS – (LC CONDITION – SHIPPING MARKS XYZ TO APPEAR ON EACH CARTON).
- INSURANCE POLICY SHOWS DEDUCTIBLE AMOUNT (LETTER OF CREDIT REQUIRES INSURANCE POLICY COVERING CARGO CLAUSE A. NO INDICATION IN THE LC THAT IT IS NOT SUBJECT TO FRANCHISE OR EXCESS).
- INVOICE IS INCONSISTENT WITH LETTER OF CREDIT. ( NO SPECIFIC DISCREPANCY IS INDICATED).
- TEST CERTIFICATE NOT ISSUED BY BENEFICIARY (LETTER OF CREDIT DOES NOT INDICATE BY WHOM IT SHOULD BE ISSUED).