

Documentary Credits – Documentary Collections

Greater Security in International Trading



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For simplicity, masculine forms are used to designate both genders throughout this text.

Abbreviations

AG	Stock corporation
Art.	Article
BGE	Swiss Federal Supreme Court ruling, Official collection of judgments by the Swiss Federal Supreme Court, Lausanne 1875 et seq.
CFR	Cost and freight
CIF	Cost, insurance and freight
CS	Credit Suisse
EFTA	European Free Trade Association
EU	European Union
eUCP	Supplement to UCP 600 for electronic presentation (English only)
Fig.	Figure
FOB	Free on board
ICC	International Chamber of Commerce
ISP98	International Standby Practices 98
L/C	Letter of credit
Ltd.	Limited company
SCO	Swiss Code of Obligations
UCP	Uniform Customs and Practice for Documentary Credits
URC	Uniform Rules for Collections

1. Risk and Security in International Trade

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1. Risk and Security in International Trade

A. Operating Environment

Switzerland has few natural resources and only a relatively small domestic economy. However it benefits from a high degree of industrial specialization and a well-developed services sector. All this means that the Swiss economy is extremely dependent on foreign trade. In 2006, for example, exports of goods and services accounted for no less than 54 % of GDP, while imports were also very high at 46 %. This reliance on international trade brings both risks and opportunities. On the one hand, it makes it easier for Switzerland to access new markets, on the other it leaves Swiss businesses more exposed to tougher international competition and increases dependence on global economic activity.

In the past few decades, ongoing globalization has led to an improvement in general prosperity and a shift in the economic operating environment. Foreign trade has been boosted, thus extending the international division of labor. The result has been greater specialization of value creation in areas of production with a comparative advantage. For producers and consumers, closer integration and worldwide interdependence of markets have opened up the possibility of better exploiting economies of scale. In addition, productivity-enhancing investments and innovations have been encouraged. More intense competition is reducing profit mark-ups, and causing sources of economic inefficiency to dry up. In this “new” world, only high-performance companies can survive.

New developments, particularly in technology and telecommunications, mean that the utopia of a “global village” is increasingly becoming reality and intensifying the “war for talent”. Because there is also greater insecurity in the world, these changes are accompanied by a considerable potential for conflict. As new markets emerge and open up in Eastern Europe, Asia and Latin America, new opportunities for growth are presenting themselves to innovative, flexible companies and to the world economy as a whole. Consequently, the demand for international trade finance and project finance is also rising.

An important complement to the free trade agreement of 1972 are the seven bilateral agreements between Switzerland and the European Union that entered into force in mid-2002. As a result, the free movement of persons was introduced between Switzerland and the EU-17/EFTA on June 1, 2007. This creates a better operating environment for Swiss companies with strong economic ties and interests in Europe. For export companies, estimating and hedging against currency fluctuation between the franc and the euro is a central challenge. There is still a great need for payment and performance guarantees for business in less well-known and higher-risk markets outside the EU.

B. Risks

Many of the trends outlined above involve heightened risks for **exporters**. From their point of view, security of payment has therefore become increasingly important. At the same time, they are encountering a greater awareness of risk among their buyers. They often have to provide far-reaching guarantees of their willingness and ability to meet contractual commitments. Otherwise they will not even be considered for the contract.

This even applies to Swiss **importers**, whose impeccable payment record used to be regarded as sufficient security. Their suppliers want assurances of their willingness and ability to meet their financial obligations. Suppliers' insistence on security of payment can result in complicated formalities that conflict with the importer's desire to receive the goods in perfect condition and without delay.

Trading firms that act as **middlemen** are concerned with both sides of the problem. In addition, they sometimes have to provide short-term financing for consignments in transit, i.e. they have to pay the supplier, or provide an assurance of payment, before receiving payment from the buyer.

The risk of loss in an international transaction relates partly to the possible behavior of the other contracting party and partly to the political and economic situation in the foreign country or countries concerned. The same types of risk have different causes, depending on whether they involve the buyer or the seller. The following tables provide an overview of the various **types of risk** and the **most important** possible **causes** of loss.

Risks Relating to the Contracting Party (Fig. 1)

Type of Risk	Cause of Loss to the Exporter	to the Importer
Credit (del credere) risk	Buyer unable or unwilling to pay	Exporter unable or unwilling to refund advance payments
Manufacturing or performance risk	Importer cancels or unilaterally modifies the order	Exporter unable to execute the contract for technical or financial reasons Exporter unwilling to perform under the contract

Risks Relating to the Economic and/or Political Situation in the Country of the Contracting Party or in Other Countries (Fig. 2)

Type of Risk	Cause of Loss to the Exporter	to the Importer
Political risk	Importer prevented by political events or official actions (war, revolution, import bans, confiscation, etc.) from carrying out his side of the contract	Exporter prevented by political events or official actions (war, revolution, embargoes, etc.) from carrying out his side of the contract
Transfer risk	Governments or other public sector entities refuse or are unable to make payment in the agreed currency (moratorium)	Guarantee payments or refunds of advance payments rendered impossible
Exchange risk	Contract currency depreciates against exporter's currency	Contract currency depreciates against importer's currency

C. Protection against Risks

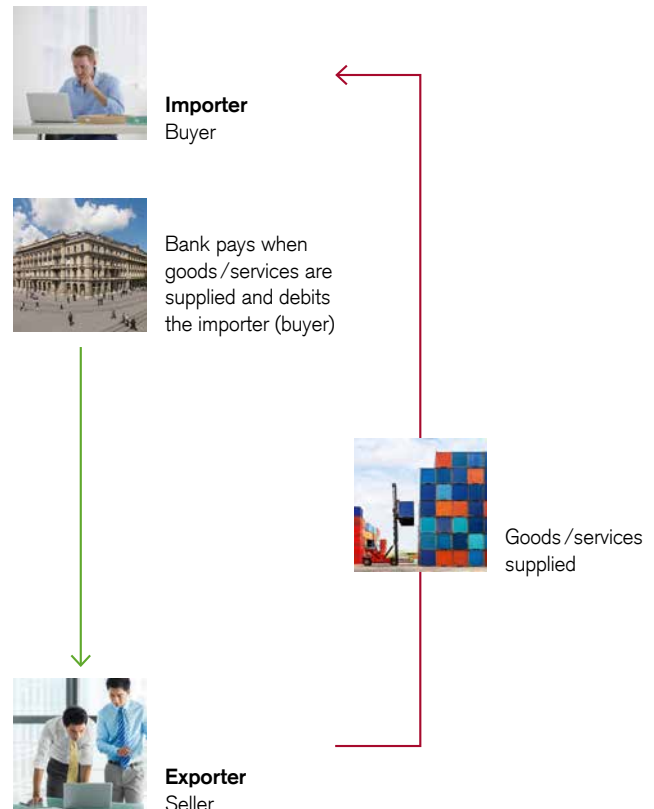
The risks involved in international trade have to be carefully assessed. This is no easy matter, especially in the case of major contracts that run over several years, e.g. large-scale construction projects or contracts for the purchase of industrial machinery with long manufacturing times. Banks have vast practical experience in this field and can therefore make an important contribution to the smooth execution of international transactions, whether these are straightforward or more complex. When planning and negotiating big projects, it is therefore advisable to call in a competent bank at an early stage.

If the buyer and seller are both Swiss, each party can usually be reasonably sure that the other will meet its obligations. It is an easy matter to check up on the other party's creditworthiness and business reputation. Moreover, any legal proceedings or debt collection measures will come within the jurisdiction of the courts and authorities of the country concerned. Domestic transactions are therefore normally settled on "open account", i.e. the seller presents his invoice only after the goods or services have been supplied.

When doing business with less well-known foreign firms, a contract of sale does not always provide the same sound and reliable basis as it does in the domestic market. In fact, the security provided by a simple contractual undertaking on the part of a foreign company can only be considered adequate if the parties have a long-standing business relationship or a strong common interest (e.g. financial ties). Stable political, economic and legal conditions in the foreign country are also a necessary prerequisite. Otherwise, both parties **will want additional security**.

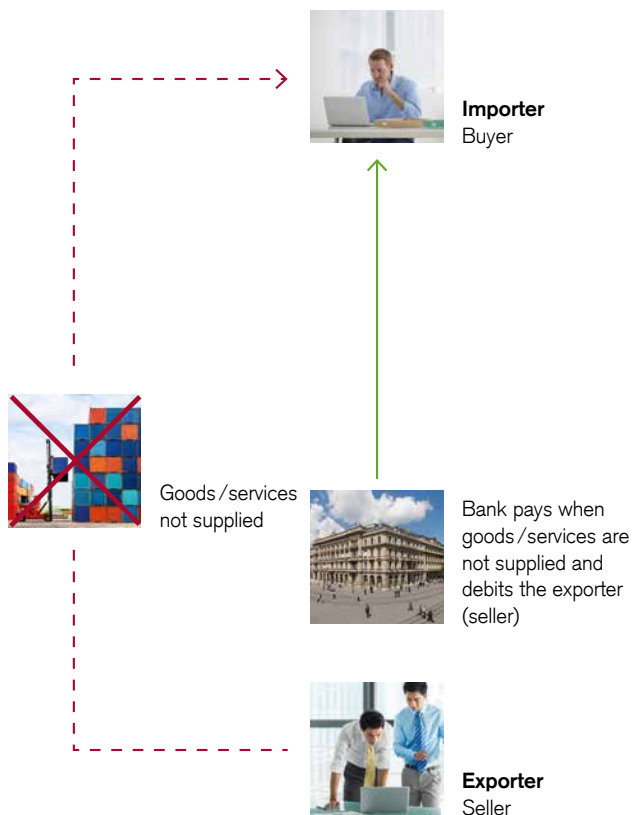
Securing Payment (Fig. 3)

The aim is to ensure prompt payment for goods or services. These instruments therefore serve primarily to protect the interests of the seller / exporter.



Securing Performance (Fig. 4)

The aim is to ensure performance of the contract by the seller. These instruments protect the interests of the buyer/importer.



The buyer's and seller's ability to insist on effective security arrangements will depend largely on the two parties' respective negotiating strength. This depends in turn on their relative market positions.

For example, a confirmed irrevocable documentary credit provides the seller with an assurance that he will be paid promptly against presentation of the correct documents. The advantages for the buyer, however, are less clear. Indeed, from his point of view, a documentary credit has a number of disadvantages:

- He usually bears the cost of the documentary credit.
- He is obliged to make payment as soon as the correct documents are presented to his bank, whereas the seller is at liberty to present the documents or not and is therefore free of any obligation until the moment he avails himself of the credit.
- A documentary credit ensures that payment will be made only against the stipulated documents, but it offers no guarantee that the goods will be delivered or the service rendered in accordance with the terms of the contract.

A buyer is therefore unlikely to apply for a documentary credit on his own initiative. As a rule, he will only agree to this method of payment if the seller demands it and if there is no other equally good supplier who does not. This is what happens in a **seller's market** and it is in practice a rare occurrence.

In this kind of market, **sellers** do not need to worry about finding buyers, which means that they are **in a strong position** (e.g. a monopoly). They can therefore demand maximum **security of payment** (e.g. a documentary credit opened by the buyer).

The **buyer's** need for security depends on the conditions of contract relating to the seller's obligations. If he is the sole buyer and can choose between a number of suppliers, he will be able to obtain the **security** he wishes in almost every case. This is the situation in a pure **buyer's market**.

In this kind of market, the **buyer** is **in a strong position** and can therefore demand the highest possible **security** (e.g. a bank guarantee from the seller).

The banks offer a wide range of instruments designed to meet the differing security needs of buyers and sellers. Each case has to be examined on its merits in order to ascertain which instruments are necessary and appropriate. In practice, some sort of balance is usually struck between the interests of the two parties. Instruments for protecting the interests of buyers and sellers can then be used in combination, as outlined in Chapter 3.

The following two sections summarize the principal services offered by the banks in this connection.

D. Instruments for Securing Payment: an Overview

The two principal instruments offered by the banks for executing and securing payments in international trade are **documentary credits** and **documentary collections**. In certain circumstances, a seller's right to receive the agreed price can also be protected by means of a payment guarantee.

Another mechanism available to exporters is forfaiting, a non-recourse financing transaction. Forfaiting performs a useful payment-securing function, but it is first and foremost a financing technique and therefore does not fall within the scope of this brochure. Nor shall we consider state-run schemes for insurance against trade risks (export risk guarantees).

1. Documentary Credits

A documentary credit is an undertaking made by a bank, either at the request of the applicant for the credit or on its own behalf, to pay a specified amount in an agreed currency to a beneficiary, on condition that the beneficiary presents stipulated documents within a prescribed time limit.

In most cases, the bank acts as an intermediary between the buyer and the seller. However, subject to the applicable national legislation, banks may also issue documentary credits on their own account. Settlement of documentary credits is effected through the bank by means of a direct exchange: the beneficiary presents the required documents to the bank and receives in return the amount specified in the credit (in the form of cash, an accepted bill of exchange or an undertaking to pay, depending on the terms of the credit). With a documentary credit, the beneficiary is no longer dependent on the buyer's ability or will-

ingness to pay. Moreover, he can obtain liquid funds shortly after dispatching the goods.

Documentary credits go a long way toward reconciling the conflicting interests of the buyer and the seller:

- The **seller** wants to be sure that the price of the goods will be paid in the correct currency.
- The **buyer** does not want to pay for the goods before they have actually been dispatched.

2. Documentary Collections

In a documentary collection, a bank collects payment for the seller by delivering documents to the buyer.

Here again, the bank acts as an intermediary between the buyer and the seller. In this case, however, the seller does not receive payment until the monies have been paid to the remitting bank. He therefore has to wait longer for his money than if he were being paid under a documentary credit. Moreover, his risk is not

fully covered. When he sends off the goods, he still has no assurance that the buyer or the buyer's bank will pay; he simply has to trust in their ability and willingness to do so. Documentary collections are therefore normally used only when the buyer and seller are already familiar with each other.

Documentary Credits and Documentary Collections both Have Their Specific Advantages (Fig. 5)

Documentary Credit	Documentary Collections
<ul style="list-style-type: none"> ■ Can be used as a means of securing payment in transactions with virtually every country in the world. ■ Rapid access to funds for the seller. ■ Flexible terms of payment with no impairment of security. ■ Suitable as an instrument for short-term financing. ■ Rapid and convenient settlement, often enabling the seller to offer attractive discounts. ■ High degree of legal security throughout the world. 	<ul style="list-style-type: none"> ■ Substantially better security than settlement on open account. ■ Usually faster than settlement on open account (because the documents are presented through a bank). ■ Where documents are to be released against acceptance of the bill of exchange in Switzerland, the seller can request an official confirmation in the event of non-payment (protest). This speeds up recovery of the debt and simplifies the collection of interest on arrears. ■ Few formal requirements, hence great flexibility for both buyers and sellers. ■ Low cost.

3. Payment Guarantees

A payment guarantee serves to protect claims arising from a loan or from some other financial liability. If a buyer unexpectedly fails to make payment when the exporter has met his contractual obligations (i.e. has delivered the goods or performed the service as agreed), a written declaration to this effect is sent to

the guarantor bank, which will then be obliged to pay. This is quite distinct from the more usual function of a bank guarantee, which is to ensure that the seller carries out his side of the contract. **Please also refer to the brochure on bank guarantees.**

E. Bank Guarantees as Protection against Non-Performance

Bank guarantees are easily the most important instruments for protecting buyers against non-performance of international contracts. The usual form of guarantee is complementary to, but legally independent of, the underlying commercial contract. The bank undertakes to pay the buyer a definite sum of money if the seller fails to meet his contractual obligations. Guarantees of

this type have become a very important feature of international tendering. Foreign buyers now demand guarantees against many kinds of risk, especially in the case of major projects. The most commonly sought types of guarantee are tender bonds, performance bonds and advance payment guarantees. **Please also refer to the brochure on bank guarantees.**

F. Disputes Related to ICC Instruments

If the parties disagree about the interpretation of the definitions or of the guidelines set down by the International Chamber of Commerce with respect to documentary credits (UCP), documentary collections (URC) and demand guarantees (URDG), there are a number of different ways of settling the dispute. The simplest and undoubtedly cheapest method consists of constructive negotiation with the counterparty to find an acceptable solution.

If this is not successful, an appeal is made to a judge. This can take place in a court of arbitration or in any other court. Such cases usually take a long time. They require consultation and the use of lawyers, which leads to high costs that often exceed the value of the matter under litigation.

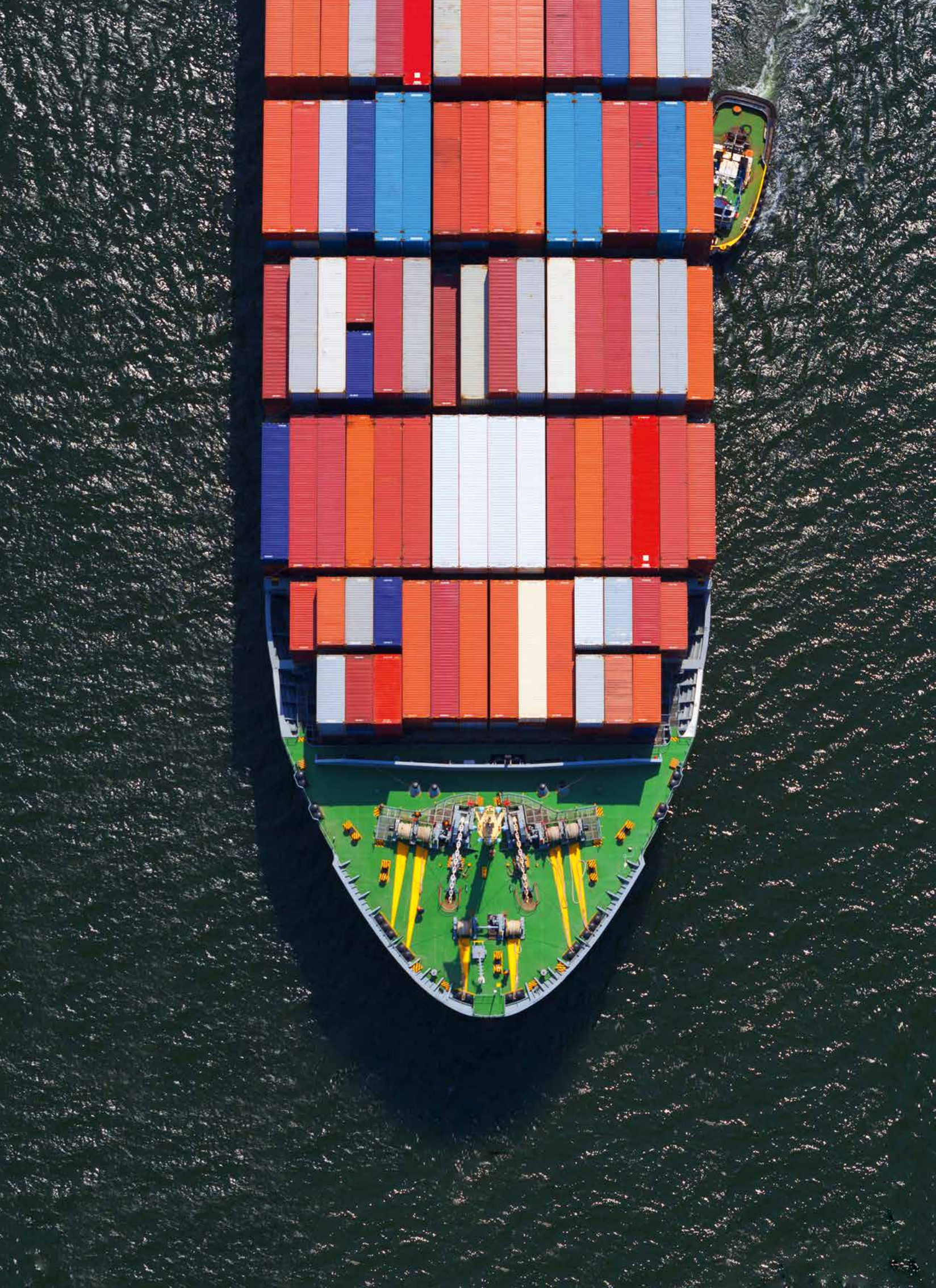
The International Chamber of Commerce has set up an instrument and rules to solve disputes in a relatively amicable manner in a similar way to in a court of arbitration. These rules – the ICC

Rules for Documentary Instruments Dispute Resolution Expertise (ICC DOCDEX RULES) – exist solely in English.

The initiator can apply to the International Chamber of Commerce for a DOCDEX decision. The counterparty receives a copy of the application and can, but does not have to, state its position in reply. Three people are selected from a list of experts in the International Chamber of Commerce's Banking Commission to judge the case. The experts must declare their impartiality. The whole process should normally not take more than 90 days from the arrival of the application at the International Chamber of Commerce to the issue of a DOCDEX decision reached collectively by the experts. The costs amount to USD 5,000–10,000. If the case is unusually demanding, additional costs may be incurred. Over 270 cases have already been settled in this way since 1997.

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2. Instruments for Securing Payment

A. Documentary Credits

1. Procedures and Participants

Documentary credits are probably still the most versatile and effective means of **securing payment** in international trade. When doing business with countries where foreign trade is under state control, it is often impossible to carry out import and export transactions without the use of documentary credits.

As well as providing security of payment, documentary credits can also serve as a means of **raising finance**. A seller who has a payment undertaking from the buyer's bank is in a better position to request a loan from his own bank, e.g. to cover the cost of producing the goods. The importer's bank, too, may be pre-

pared to grant a loan on the strength of a documentary credit if the handling of the credit will put it in possession of documents of title to the goods. As a bill of lading or warehouse keeper's warrant incorporates an entitlement to specific goods, possession of the document gives the bank ownership of the goods themselves.

Although documentary credits are now increasingly being used in connection with service transactions (including turnkey projects), here we are concerned primarily with their traditional function as a means of **securing payment for goods**.

Stages in a Documentary Credit Transaction (Fig. 6)

Stage 1

Offer

The exporter makes an offer to a prospective buyer.

Documentary Credit Agreement

In contract negotiations, the exporter and the buyer agree on the terms and conditions of the documentary credit.

Stage 2

Order

The importer places an order with the exporter or signs a contract of sale.

Issuing the Documentary Credit

The importer instructs his bank to issue the documentary credit.

Stage 3

Delivery

The exporter delivers the goods.

Utilizing the Documentary Credit

The exporter obtains payment from the bank by presenting the documents stipulated in the agreement.

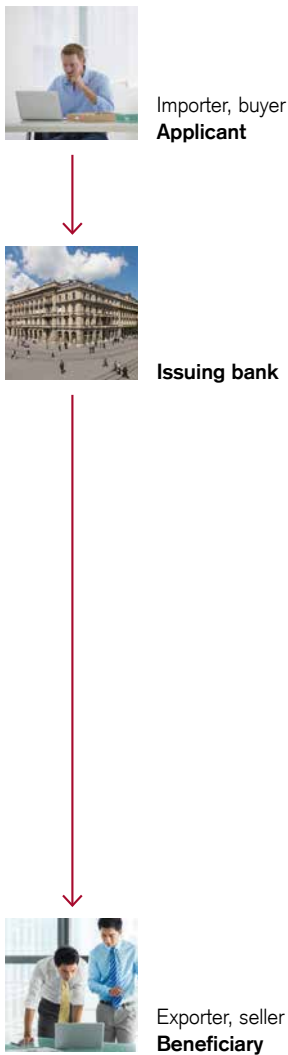
Parties to the Documentary Credit (Fig. 7)

A straightforward documentary credit transaction involves three parties:

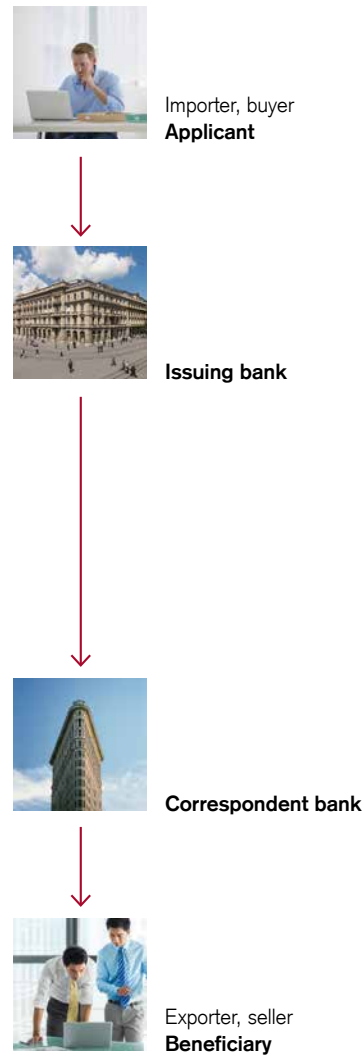
- the applicant (buyer, importer)
- the issuing bank (issuing bank, buyer's / importer's bank)
- the beneficiary (seller, exporter)

The issuing bank is usually located in the importer's country, which could well be thousands of miles away from the country of the exporter. This makes it very difficult for the exporter to gauge the creditworthiness of the issuing bank. The transfer of information and documents takes time and involves risks, which is why a **correspondent bank** located in the same country or even in the same town as the beneficiary is usually brought in as a fourth party to the transaction. This bank can reliably assess the status of the issuing bank and also has rapid and dependable means of communication with it.

a)



b)



If the importer already has a banking relationship in the exporter's country, he can apply directly to that bank for the issue of a documentary credit. This procedure is available, for example, to Swiss companies located abroad and provides them with a more direct and economical way of paying for goods delivered from Switzerland.

c)



Importer, buyer
Applicant



Issuing bank



Exporter, seller
Beneficiary

2. Basis in Law

Documentary credits are not expressly mentioned in either the Swiss Code of Obligations or other Swiss legislation. Legal judgments in relation to documentary credits were formerly based exclusively on the relevant articles of the Swiss Code of Obligations, i.e. Articles 394 et seq. (“Mandate”) and Articles 466 et seq. (“Order”).

In a judgment made in 1952 (BGE 78 II 42 et seq. [1952]), the Swiss Federal Supreme Court ruled for the first time that the legal relationships between the parties to a documentary credit are also governed by the **Uniform Customs and Practice for Documentary Credits (UCP)**. The UCP are a set of internationally recognized definitions and rules for documentary credit operations. They are issued by the **International Chamber of Commerce** in Paris and are updated from time to time. The latest revision (UCP 600), in force since 2007, is reproduced in the Appendix.

In 2002, a “**supplement for electronic presentation**”, known as the eUCP was added to the UCP 500. This supplement was also revised in 2007 in line with the new UCP 600. As the title

of the supplement suggests, it sets down definitions and rules of conduct related to the presentation of electronic documents. These rules are also included in the Appendix.

Today, all legally binding documents used by internationally active banks in connection with documentary credit transactions state that the credit is subject to the UCP. The UCP thus form an integral part of the contractual agreements between the parties to the credit.

All Credit Suisse application forms for documentary credits or corresponding electronic instructions carry the following text:

“This documentary credit is to be subject to the “Uniform Customs and Practice for Documentary Credits” published by the International Chamber of Commerce in force at the time of the issuance”.

However, the parties to a documentary credit are also entitled to make agreements that deviate from the UCP in specific points (UCP, Art 1).

3. The Documentary Credit Agreement

An export company has been asked by a prospective foreign buyer to submit an offer for the supply of goods or services.

When submitting the offer or signing the contract of sale, the seller must already have a clear idea of the risks and requirements involved, i.e. in relation to

- the credit standing and trustworthiness of the buyer
- the political, economic and legal situation in the buyer’s country
- his own liquidity

If a documentary collection is out of the question, the seller will select one of **two basic forms of documentary credit**, depending on the **level of security** needed:

- unconfirmed irrevocable credit
- confirmed irrevocable credit

In order to avoid hitches in the documentary credit transaction, the seller should also have precise ideas regarding the following points:

- type of credit or special arrangement (see summary on page 38, Fig. 16)
- period of validity
- mode of transport and route
- insurance cover
- delivery terms (FOB, CFR, CIF, etc.), etc.

These points will also affect the exporter’s price calculation, as will the cost of any banker’s guarantees issued in favor of the buyer.

As mentioned above, the terms and conditions of the documentary credit should be set out in the agreement as the seller can still influence the contents of the documentary credit at this stage. The documentary credit clause in the contract of sale not only obliges the buyer to issue a documentary credit in favor of the seller but also obliges the seller to accept payment through the documentary credit provided.

3.1 Basic Forms of Documentary Credit

Credit Documentary credits come in various basic forms. These differ according to the **degree of security** provided and the **point in time at which the bank assumes the risk**.

In the case of an irrevocable, unconfirmed letter of credit, the consent of the beneficiary is required for any changes to, or cancellation of the credit. In the case of an irrevocable, confirmed letter of credit, the consent of the confirming bank is also required.

a) Unconfirmed Irrevocable Credit

In the case of an unconfirmed irrevocable credit, the **correspondent bank** merely **advises** the beneficiary that a documentary credit has been issued. It does **not itself give any undertaking to pay** and is under no obligation to honour documents presented by the beneficiary.

The beneficiary therefore has to rely solely on the foreign bank which issued the credit. This means that an unconfirmed irrevocable credit is appropriate only if the political and transfer risks are low. However, provided the correspondent bank has good relations with the issuing bank and the political and economic situation in the foreign country is stable, the correspondent bank will generally honour the documents in order to enable the client to conclude the transaction promptly.

b) Confirmed Irrevocable Credit

By adding its confirmation to the credit, the correspondent bank undertakes to honour documents which conform to the terms of the credit and are presented within the prescribed time limit (UCP, Art. 2 definition of "Confirmation" and Art. 8). In this case, the beneficiary receives not only an undertaking by the issuing bank but also an **independent promise of payment on the part of the correspondent bank**.

This significantly improves the beneficiary's security. Confirmation by the correspondent bank eliminates the political and transfer risks provided the beneficiary is domiciled in the same country as the confirming bank.

Moreover, in case of dispute, the competent courts of the confirming bank's country have exclusive jurisdiction, and the laws of that country apply. Disputes relating to unconfirmed credits are dealt with by the courts of the issuing bank's country.

From the exporter's point of view, obtaining the jurisdiction of a court in his own country can be very important. An example will illustrate this. A court in a developing country, disregarding the Uniform Customs and Practice for Documentary Credits, ruled that the applicant for the credit had the right to reject irregular documents several months after receiving them, if at the time of their receipt no adequately qualified staff were available to examine them.

A correspondent bank can have good reasons for refusing a request to confirm a documentary credit. Before signing the contract, export companies are well advised to find out from their bank whether and on what conditions it will be prepared to confirm a credit from the country and bank in question. In this way it is possible to avoid situations that could be unpleasant for all concerned.

The **most secure arrangement** for an exporter is **an irrevocable credit confirmed by his own bank**. Any uncovered exchange risk can then be hedged by means of forward exchange contracts, provided the date (or period) of payment is known in advance. Even where the time of payment cannot be predicted with certainty, banks operating in the foreign exchange markets can usually offer useful arrangements.

3.2 Types of Credit and Special Arrangements

a) Overview

As already mentioned, the basic **forms of documentary credit** differ in respect of the degree of **security** they provide for the beneficiary. **Credits** are further classified **into various types** according to the method of settlement employed (see Fig. 16, page 38, table "Types of Credit and Special Arrangements").

Depending on how the credit is payable (method of settlement), one of the following types of credit or special arrangement will be applicable.

b) Types of Documentary Credit

aa) Sight Credit

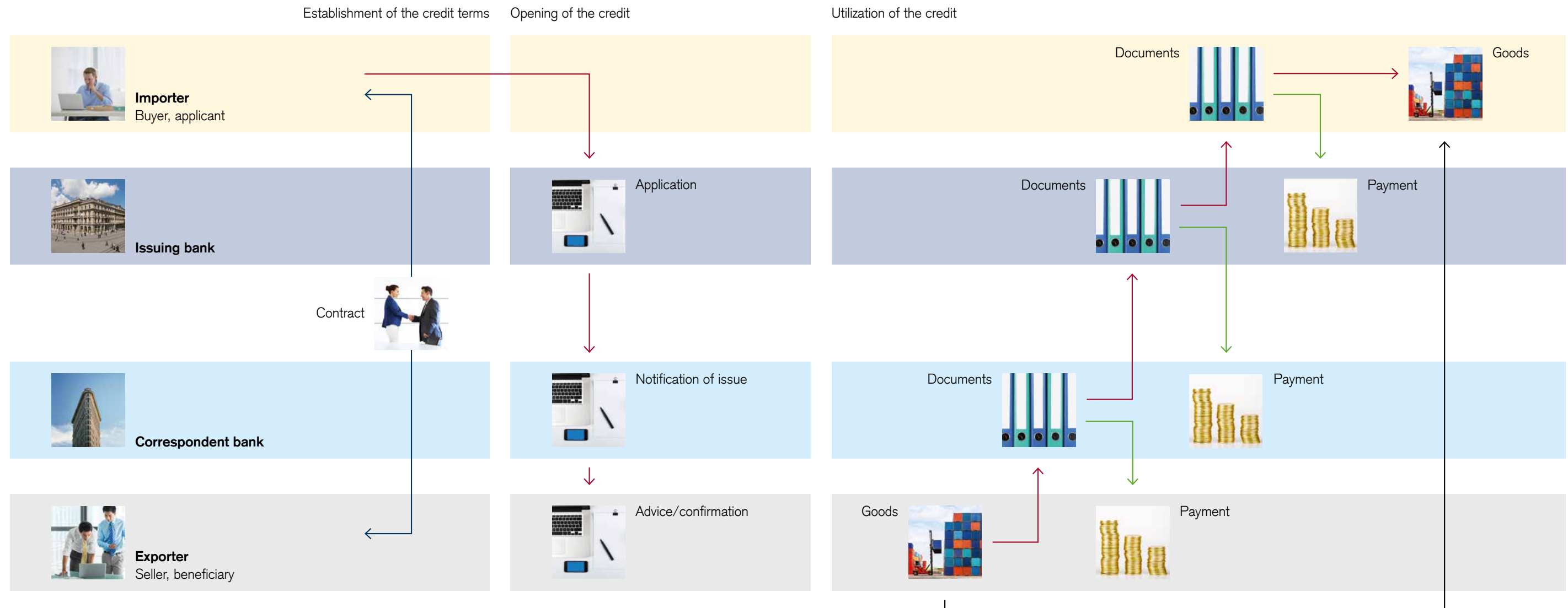
The most commonly used credits are sight credits. These provide for **payment** to be made to the beneficiary **immediately after presentation of the stipulated documents**, on condi-

tion that the terms and conditions of the credit have been complied with. The banks are allowed reasonable time to examine the documents up to a maximum of five banking days following the day of receipt of the documents (UCP, Art. 14b).

The value date for crediting the amount to the exporter's account (i.e. the date on which the calculation of credit interest begins or debit interest ends) will depend on the currency in which the credit was issued. The proceeds of a Swiss-franc credit can normally be paid at once. If the credit is expressed in the currency of the importing country or that of some other country, payment generally takes somewhat longer. If the invoice amount is not in the currency of either the exporter's or the importer's country, the issuing bank could authorize the bank in the currency area concerned to credit or transfer the amount on demand to the correspondent bank (reimbursement).

(See Fig. 8 on the facing page, "Procedure for a Sight Credit")

Procedure for a Sight Credit (Fig. 8)



bb) Deferred Payment Credit

Under a deferred payment credit, the beneficiary does not receive **payment** when he presents the documents but at a **later date** specified in the credit. On presenting the required documents, he receives the authorized bank's written undertaking to make payment at maturity. In this way the importer gains possession of the documents (and thereby of the goods or services) before being debited for the amount involved.

In terms of its economic effect, a deferred payment credit is equivalent to an acceptance credit, except that there is no bill of exchange, only the creation of a receivable, and therefore no possibility of obtaining money immediately through a discount transaction. Prior to UCP 600, courts in a variety of countries judged that a claim under a deferred payment credit could only be settled on the day of maturity. If a bank pays its debt (by way of an advance) it then carries all the risks in the event of objections due to possible fraud, etc., which repeatedly resulted in the bank acting in good faith but ultimately bearing the loss. Because in practice most claims under deferred payment credits were settled in advance and some countries' legislation permitted this, UCP 600 contains a new provision stating that a designated, obligated bank is authorized to pay obligations it has assumed in advance (Art. 12b UCP). At the same time, the issuing or confirming bank must reimburse the designated bank on the day of maturity regardless of whether the designated bank paid the amount prior to maturity or not (Art. 7c, 8c UCP).

cc) Acceptance Credit

With an acceptance credit, payment is made in the form of a term bill of exchange drawn on the issuing bank or a nominated bank. Once he has fulfilled the credit requirements, the beneficiary can demand that the bill of exchange be accepted and returned to him. **Thus the accepted bill takes the place of a cash payment.**

The beneficiary can present the accepted bill to his own bank for payment at maturity or for discounting, depending on whether or not he wants cash immediately. For simplicity's sake, the beneficiary usually gives an instruction that the accepted bill should be left in the safekeeping of one of the banks involved until it

matures. Bills of exchange drawn under an acceptance credit usually have a term of 60–180 days.

In a similar manner to a deferred payment credit, the UCP also states that under the terms of an acceptance credit the issuing or confirming bank must reimburse on expiry the designated bank that has accepted a bill of exchange regardless of whether it has purchased (discounted) the acceptance or not (Art. 12b, 7c, 8c UCP).

The purpose of an acceptance credit is to give the importer **time to make payment**. If he sells the goods before payment falls due, he can use the proceeds to meet the bill of exchange. In this way, he does not have to borrow money to finance the transaction.

dd) Negotiation Credit

Negotiation means the advance provision of value (generally with deduction of interest) by the bank authorized to negotiate against the beneficiary's draft (bill of exchange) and/or documents. Depending on the type of credit, an obligation to give advance value at any point in time up to maturity may replace immediate payment.

The negotiating bank immediately gives the **value of the documents minus interest** to the beneficiary on condition that the documents provided by the beneficiary are in order. The most common form of negotiation credit permits negotiation by any bank. In rare cases the choice is limited to specified banks.

Payment may be subject to receipt (of funds from the issuing or confirming bank) or without reservation. In the case of unconfirmed credits, the negotiating bank can decide whether or not to negotiate.

Mere examination of the documents without giving value does not constitute negotiation (Art. 12c UCP).

The payment commission for a negotiation credit is generally payable by the beneficiary. This is in contrast to the usual practice for other types of documentary credit.

ee) Red Clause Credit

In the case of a red clause credit, the seller can obtain an **advance** for an agreed **amount** from the correspondent bank. This advance is used to finance the manufacture or purchase of the goods to be delivered under the documentary credit. On receiving the advance, the beneficiary must provide a receipt and a written undertaking to present the required documents before the credit expires.

The advance is paid by the correspondent bank, but it is the issuing bank that assumes liability. If the seller does not present the required documents in time and fails to refund the advance, the correspondent bank debits the issuing bank with the amount of the advance plus interest. The issuing bank, in turn, has recourse to the applicant, who therefore bears the risk for the advance and the interest accrued.

The clause permitting the correspondent bank to make an advance used to be written in red ink: hence the name "red clause credit".

ff) Revolving Credit

Revolving credits can be used when goods are to be delivered to the seller in specified installments at specified intervals. The amount available at any one time is equivalent to the value of one partial delivery, e.g.:

"Credit amount CHF 100,000, revolving eleven times up to a total amount of CHF 1,200,000".

After utilization of the first CHF 100,000 the next portion becomes available automatically, and so on up to the total of CHF 1.2 million. The revolving clause often also specifies the intervals at which the credit may be utilized.

A revolving credit can be cumulative or non-cumulative. Cumulative means that amounts from unused or incompletely used portions can be carried forward to a subsequent period. If a credit is non-cumulative, portions not used in the prescribed period cease to be available.

gg) Standby Credit

Standby credits are encountered principally in the USA. Under the laws of most US states, banks are prohibited from issuing regular **guarantees**, so standby credits are used **instead**. In Europe, too, the use of this type of credit is increasing. By virtue of their documentary character, standby credits are often governed by the UCP (Art. 1 UCP).

The types of payment and performance that can be guaranteed by standby credits include the following:

- payment of term bills of exchange
- repayment of bank advances
- payment of goods delivered
- delivery of goods in accordance with contract
- execution of construction contracts, supply-and-install contracts, etc.

In order to enforce payment by the bank, the beneficiary merely presents a declaration stating that the applicant for the credit has failed to meet his contractual obligations. This declaration may have to be supported by other documents (e.g. copies of shipping documents).

Banks often issue standby credits on their own behalf as a guarantee of their own performance in securities lending and borrowing transactions or as a guarantee to a supplier that he will receive payment for goods delivered. In the latter case, the buyer would probably not be aware that the supplier has obtained such cover from the bank.

Some articles of the UCP have caused interpretation problems with respect to standby credits. None of the articles relating to transport documents and the designated presentation periods from their date of issue make any sense. Questions have also been raised about articles 17 and 44 of the UCP 500 (expiry versus interruption of business due to strikes, etc.) relative to this business. Attempts have therefore been made, particularly in the U.S., to improve the situation. Lawyers in the U.S. have developed new guidelines, originally intended for U.S. jurisdiction. As a result of various interventions the proposed guidelines were finally submitted to the ICC and they were approved as ISP98 in 1998 (**see our brochure "Bank Guarantees"**).

hh) Transferable Credit

Transferable credits are particularly well adapted to the requirements of international trade. A trader (middleman) who receives payment from a buyer in the form of a transferable documentary credit **can use that credit to pay his own supplier**. This enables him to carry out the transaction with only a limited outlay of his own funds.

The buyer applies for an irrevocable credit issued in the trader's favor. The issuing bank must **expressly designate the credit as transferable** (Art 38b UCP) and, in the case of a freely negotiable credit, nominate the bank authorized to act as transferring bank (Art. 38b UCP).

As soon as the trader receives the confirmation (or advice) of the credit, he can request the bank to transfer the credit to his supplier (second beneficiary). The bank is under no obligation to execute the transfer except to the extent and in the manner it has expressly consented to do so (Art. 38a UCP). The costs of the transfer are usually charged to the trader, and the transferring bank is entitled to debit them in advance (Art. 38c UCP).

Once the supplier has dispatched the goods, he presents the documents to his advising or confirming bank and receives the agreed payment. The documents are then sent to the transferring bank, which debits the trader. The latter delivers his own commercial invoice (made out to the buyer) to the transferring bank and receives the commercial invoice of his supplier in exchange. The trader is then credited with the amount of his own commercial invoice. The difference between this and the amount shown on the supplier's commercial invoice represents his profit.

Finally, the trader's commercial invoice, together with the other documents, is forwarded to the issuing bank.

The basic rule for transferable credits is that payment of the original credit must be obtainable on the strength of the documents presented under the transferable credit. Thus the terms and conditions of the transferable credit have to be identical with those of the original credit. Possible exceptions to this rule are as follows (Art. 38g UCP):

- The amount of the credit and the unit prices may be reduced.
- The expiry date may be brought forward.
- The last date of presentation may be brought forward.
- The period for shipment may be shortened, provided that the original credit does not specify a particular shipping date.
- The required percentage of insurance cover may be increased in order to provide the amount of cover stipulated in the original credit or in Art. 28f ii UCP.
- The trader may require additional documents; these remain in his keeping.

Furthermore, the trader has the right to substitute his own invoice for that of the supplier. The difference between the two invoice amounts represents his profit (Art. 38h UCP). In this way the final purchaser is prevented from discovering the trader's profit margin. However, the bank must be able to rely on the trader's punctuality with regard to the substitution of invoices. If he fails to present the new commercial invoice on first demand, the bank has the right to deliver the supplier's invoice to the issuing bank. In some circumstances, the bank may in fact be obliged to do so in order to comply with the terms of the original credit. Such situations can be extremely unpleasant, so the bank will often require the trader to present the commercial invoice (possibly a blank invoice) at the same time as he gives the instruction for transfer.

The expiry date of the original credit usually applies to the transferred credit as well. This means that the supplier to whom the credit has been transferred can present the documents to the bank which advised the transfer – with or without confirmation – at any time up to the expiry date of the original credit. However, the supplier must present the documents to the transferring bank and not directly to the issuing bank of the original credit (Art. 38k UCP).

As already mentioned, it must be possible to obtain payment of the original credit and of the transferred credit on the strength of the same documents. If the trader wishes to prevent the buyer and supplier from becoming known to each other, he must insist that the supplier provide neutral documents that give no indication of the supplier's identity. He must also be careful to ensure that the original credit does not stipulate any documents showing the name of the ultimate buyer.

A transferable credit may be transferred only once. The second beneficiary may not transfer it again unless there is an express provision to this effect in the original credit, e.g. "transferable twice". A "retransfer" by the second beneficiary to the first beneficiary does not constitute a second transfer, but rather the cancellation of the transferred credit. Moreover, the first beneficiary can transfer fractions of the original credit to several suppliers, provided part-shipments are permitted. The aggregate of these partial transfers constitutes one transfer (Art. 38d UCP). These limits on transferability are intended to prevent abuse.

In the request for the transfer (and prior to its implementation), the first beneficiary must instruct the transferring bank whether and under what conditions the second beneficiary may be advised of any amendments to the credit (Art. 38e UCP). This decision has important implications for the second beneficiary. The transferring bank must therefore advise the second beneficiary of the first beneficiary's instructions in this matter.

When a credit is transferred in fractions, each second beneficiary has the right to accept or to refuse an amendment without prejudice to the rights of the other beneficiary(ies).

(See Fig. 9, "Procedure for a Transferable Credit" on page 28)

(See Fig. 10, "Issuance of the Original Credit" on page 31)

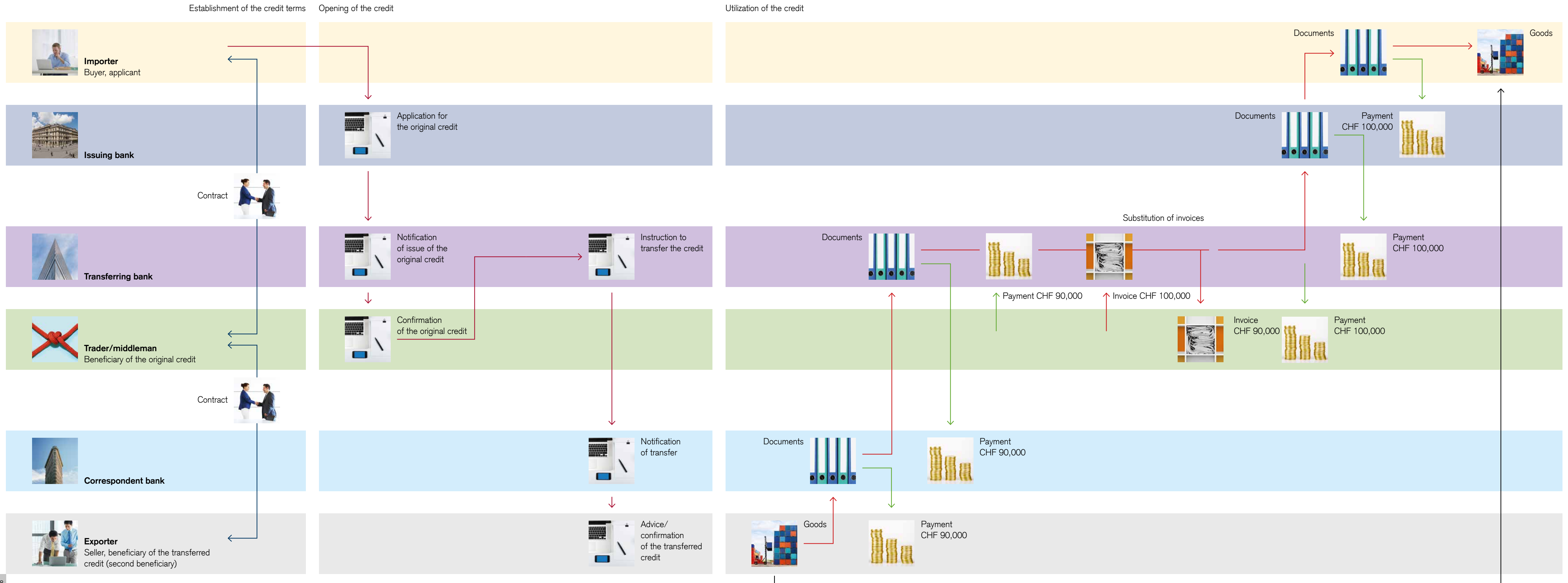
(See Fig. 11, "Advice of the Basic Documentary Credit" on page 32)

(See Fig. 12, "Transfer Request from Intermediary" on page 33)

(See Fig. 13, "Notification of the Transferred Credit to the Bank of the Second Beneficiary" on page 34)



Procedure for a Transferable Credit (Fig. 9)



Issuance of the Original Credit (Fig. 10)

< MT700 - ISSUE OF A DOCUMENTARY CREDIT >
 CREDITBANK MÜNCHEN
 700
 CREDIT SUISSE, ZÜRICH

:27:	Sequence of Total	1/1
:40A:	Form of Documentary Credit	IRREVOCABLE TRANSFERABLE
:20:	Documentary Credit Number	Z-26-400
:31C:	Date of Issue	01-MAR-08
:40E:	Applicable Rules	UCP LATEST VERSION
:31D:	Date and Place of Expiry	17-APR-08 SWITZERLAND
:50:	Applicant	KARL MÜLLER KG; LINDENWEG 2; DE-81545 MÜNCHEN
:59:	Beneficiary	TRANSIT-HANDEL AG FRACHTSTRASSE 15; CH-8000 ZÜRICH
:32B:	Currency Code, Amount	USD 100,000.--
:41A:	Available with ... By ...	CREDIT SUISSE ZÜRICH; BY PAYMENT
:43P:	Partial Shipments	ALLOWED
:43T:	Transshipment	ALLOWED
:44E:	Port of Loading/ Airport of Departure	ANY PORT IN USA
:44F:	Port of Discharge/ Airport of Destination	HAMBURG, GERMANY
:44C:	Latest Date of Shipment	27-MAR-08
:45A:	Description of Goods and/ or Services	100 MEASURING INSTRUMENTS ABX AT A UNIT PRICE OF USD 1,000.-- CIF
:46A:	Documents Required	1. SIGNED COMMERCIAL INVOICE, 4-FOLD 2. FULL SET (3/3) CLEAN ON BOARD OCEAN BILL OF LADING, MADE OUT TO ORDER OF KARL MÜLLER KG, LINDENWEG 2, DE-81545 MÜNCHEN, NOTIFY (SAME), MARKED 'FREIGHT PREPAID'. 3. INSURANCE POLICY OR CERTIFICATE, COVERING 'ALL RISKS', MADE OUT FOR 110 PCT OF TOTAL CIF INVOICE VALUE
:71B:	Charges	ALL BANK CHARGES OUTSIDE ISSUING BANK ARE FOR BENEFICIARY'S ACCOUNT.
:48:	Period for Presentation	DOCUMENTS MUST BE PRESENTED WITHIN 21 DAYS AFTER SHIPMENT DATE AND WITHIN VALIDITY TERMS OF THIS DOCUMENTARY CREDIT
:49:	Confirmation Instructions	WITHOUT
:78:	Instructions to Paying Bank	VALUE 3 (THREE) BANK WORKING DAYS AFTER OUR RECEIPT OF YOUR SWIFT CONFIRMING THAT YOU HAVE TAKEN UP AND DESPATCHED TO US CREDIT CONFORM DOCUMENTS WE WILL COVER YOU AS PER YOUR INSTRUCTIONS.

Advice of the Basic Documentary Credit (Fig. 11)



CREDIT SUISSE
Trade Finance Service Center

P.O. Box 100
CH-8070 Zurich

Tel. +41 (0)44 333 11 11
Telefax +41 (0)44 332 29 40
Telex 812412 CS CH
SWIFT CRESCHZZ80A

Trade Finance Service Center
Hans Weber

Registered letter

Transit-Handel AG
Frachtstrasse 15
8000 Zürich

+ 41 44 334 62 35

March 3, 2008

Our reference: SGAT 112-123456

Dear Sir/Madam

The bank named below has mandated us to advise you of the issuance of a transferable documentary credit, of which you are the beneficiary. The text as well as the terms and conditions are enclosed with this letter. Please note the terms and conditions that apply to this documentary credit. If you do not accept one of the terms and conditions, please contact the applicant to request that it be amended.

Issuing bank: Creditbank
P.O. Box 4004
DE-81545 Munich

Reference number: Z-26-400

Instructing party: Karl Müller KG
Lindenweg 2
DE-81545 Munich

Amount: USD 100,000

Expiration date: April 17, 2008 (in Switzerland)

Commissions and fees:
Our commissions and fees will be charged to you.

We are sending you this letter and the enclosed advice without any obligation on our part.

This documentary credit is subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce in Paris, France, which were in force on the date it was issued. The bank-to-bank reimbursement is subject to the Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits of the International Chamber of Commerce in Paris, France, which were in force on the date it was issued.

Yours sincerely

CREDIT SUISSE

Transfer Request from Intermediary (Fig. 12)

Transit-Handel AG
Frachtstrasse 15
8000 Zürich

.....

Transit-Handel AG

March 5, 2008

Credit Suisse
Trade Finance SGAT 112
P.O. Box 100
CH-8070 Zurich

Documentary credit no. SGAT 112-123456 for USD 100,000 – issued on behalf of Karl Müller KG, Munich

Dear Sir/Madam

We refer to your letter of March 3, 2008, advising us of the above documentary credit. We kindly request that you transfer the documentary credit as follows:

Amount:	USD 90,000
Expiration date:	April 17, 2008
Unit price:	USD 900
Beneficiary:	Technical Equipment Corp., P.O. Box 222, Atlanta, GA 30305, USA
Bank details:	Bank of Atlanta, P.O. Box 111, Atlanta, GA 30300, USA


You can find details of the necessary documentation in the documentary credit. When requesting the insurance policy, it is necessary to ensure that the value stipulated in the basic documentary credit is insured. All other terms and conditions are unchanged.

We do NOT reserve the right to prohibit you from advising amendments to the second beneficiary.

Your commissions and fees will be charged to us.

We look forward to receiving your advice of execution.

Yours sincerely
TRANSIT-HANDEL AG



Notification of the Transferred Credit to the Bank of the Second Beneficiary (Fig. 13)

< MT720 - TRANSFER OF A DOCUMENTARY CREDIT >
 CREDIT SUISSE, ZURICH
 720 07 March 2008
 BANK OF ATLANTA, ATLANTA

:27:	Sequence of Total	1/1
:40B:	Form of Documentary Credit	IRREVOCABLE WITHOUT OUR CONFIRMATION
:20:	Transferring Bank's Reference	SGAT 112-123457
:21:	Documentary Credit Number	Z-26-400
:31C:	Date of Issue	01-MAR-08
:40E:	Applicable Rules	UCP LATEST VERSION
:31D:	Date and Place of Expiry	17-APR-08 SWITZERLAND
:52A:	Issuing Bank of the Original Credit Documentary	CREDITBANK, MÜNCHEN, GERMANY
:50:	First Beneficiary	TRANSIT-HANDEL AG; FRACHTSTRASSE 15 8000 ZURICH, SWITZERLAND
:59:	Second Beneficiary	TECHNICAL EQUIPMENT CORP., PO BOX 222 ATLANTA, GA 30300, USA
:32B:	Currency Code, Amount	USD 90,000.-
:41A:	Available With... By...	CREDIT SUISSE ZURICH, BY PAYMENT
:43P:	Partial Shipment	ALLOWED
:43T:	Transshipment	ALLOWED
:44E:	Port of Loading/ Airport of Departure	ANY PORT IN USA
:44F:	Port of Discharge/ Airport of Destination	HAMBURG, GERMANY
:44C:	Latest date of Shipment	27-MAR-08
:45A:	Description of Goods and/ or Services	100 ABX MEASURING INSTRUMENTS AT A UNIT PRICE OF USD 900.--, CIF
:46A:	Documents Required	SIGNED COMMERCIAL INVOICE, 4-FOLD FULL SET (3/3) CLEAN ON BOARD OCEAN BILL OF LADING, MADE OUT TO KARL MÜLLER KG, LINDENWEG 2, DE-81545 MÜNCHEN, GERMANY, NOTIFY (SAME), MARKED 'FREIGHT PREPAID'. INSURANCE POLICY OR CERTIFICATE COVERING ALL RISKS FOR USD 1,100.- PER PIECE.
:47A:	Additional Conditions	FIRST BENEFICIARY DOES NOT RETAIN THE RIGHT TO REFUSE PASSING EVENTUAL AMENDMENTS UNDER THE BASIC L/C TO THE SECOND BENEFICIARY (UCP 600, ART. 38).
:71B:	Details of Charges	ALL BANKING CHARGES AND COMMISSIONS OUTSIDE SWITZERLAND ARE FOR THE ACCOUNT OF SECOND BENEFICIARY
:48:	Period for Presentation	WITHIN 19 DAYS AFTER DATE OF ISSUANCE OF THE TRANSPORT DOCUMENT(S) BUT WITHIN THE VALIDITY OF THE CREDIT
:49:	Confirmation Instruction	WITHOUT
:78:	Instructions to the Paying/ Accepting/Negotiating Bank	ON RECEIPT OF DOCUMENTS IN CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS TRANSFER, WE WILL COVER YOU AS PER YOUR INSTRUCTIONS, AFTER OUR RECEIPT OF FREELY AVAILABLE COVER UNDER THE BASIC L/C.

c) Special Arrangements

A trader might wish to pay a supplier by transferring a sum owed to him under a documentary credit even though the credit itself is not transferable or a transfer would contravene Article 38 of the UCP.

This can be done under one of two special arrangements: These arrangements will not necessarily provide the supplier with the same degree of security as a transferred credit, and the banks will only agree to them on certain conditions:

- a back-to-back credit
- assignment of the proceeds of a credit

aa) Back-to-Back Credit

The trader's bank issues a **second credit** ("back-to-back credit") in favor of the supplier on the sole security of a previous credit issued in the trader's favor. The bank will only be prepared to do this if the resultant additional risks can be covered. It will therefore insist on being designated as paying agent for the back-to-back credit. Otherwise it would run the risk of losing the amount of the credit if the documents were to be lost or delayed en route between the correspondent bank and itself.

The bank will also need to be sure that there will be a smooth exchange of invoices, because the original credit in favor of the trader cannot be settled on the strength of the supplier's invoice from the back-to-back credit.

The UCP contain no specific rules on back-to-back credits. Legally, the two credits are completely separate, even though they relate to the same transaction.

bb) Assignment of the Proceeds of a Documentary Credit

The beneficiary of a credit can **assign the proceeds** entirely or in part to a supplier. According to Article 39 of the UCP, the fact that a credit is not stated to be transferable does not affect the beneficiary's right of assignment. The bank, acting on the beneficiary's instructions, sends the assignee a declaration in which it undertakes to pay him under certain conditions a specified sum out of funds that have become available under the documentary credit.

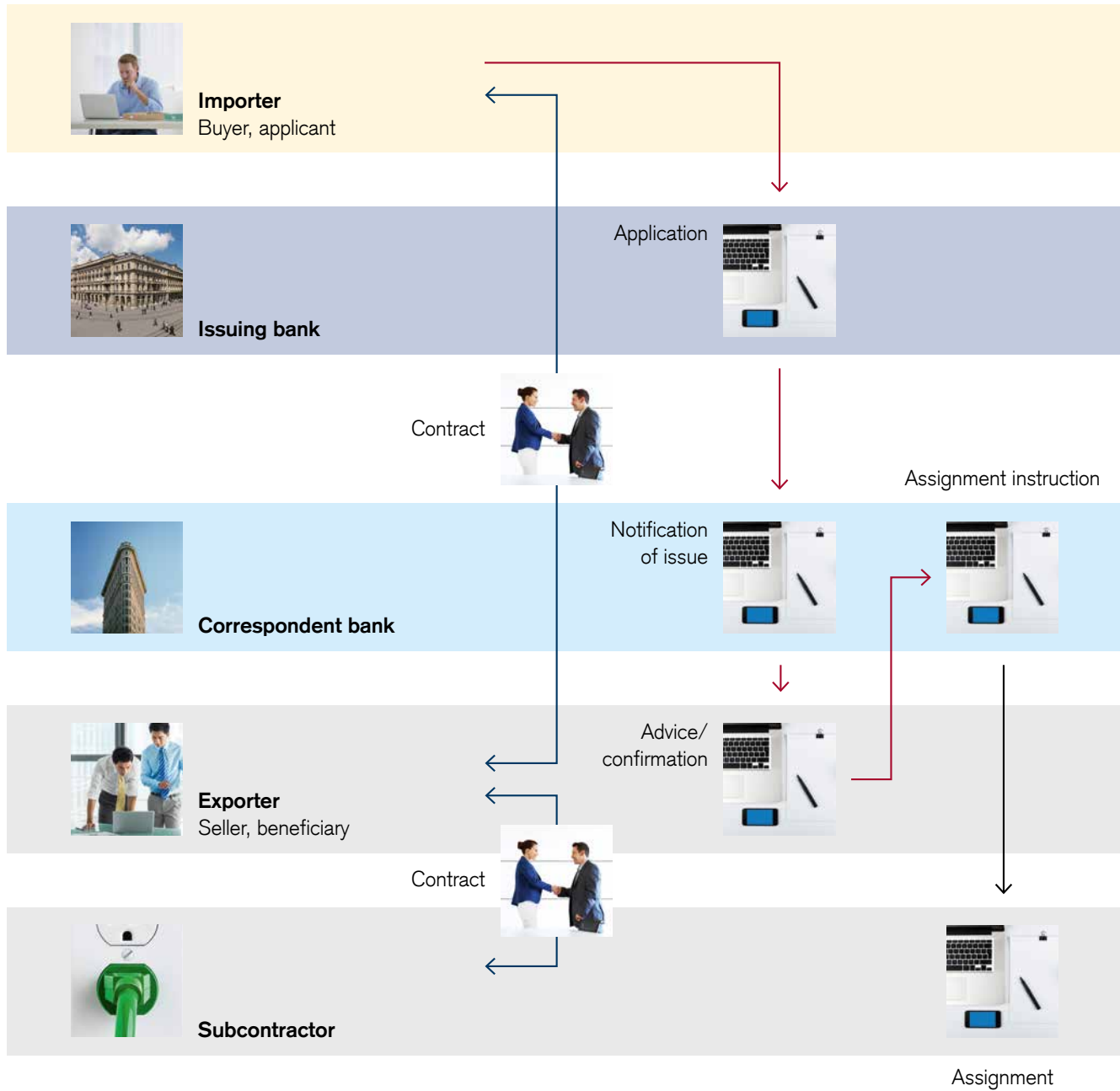
This facility is frequently used by manufacturing companies, which assign a part of the proceeds of the credit to subcontractors as payment for materials, components, etc.

In contrast to a transferable credit, presentation of the documents is the responsibility of the beneficiary alone, i.e. he cannot assign the right to draw under the credit. Therefore, assignment offers only limited security. The assignee (supplier) does not receive payment until after the credit has been honored and he has no assurance that the beneficiary will present the required documents on time. Assignment of the proceeds of a documentary credit therefore requires a relationship of trust between the assignee and the beneficiary of the credit.

(See Fig. 14, "Procedure for an Assignment of the Proceeds of a Documentary Credit" on page 36)

(See Fig. 15, "Request to Issue a Declaration of Assignment" on page 37)

Procedure for an Assignment of the Proceeds of a Documentary Credit (Fig. 14)



Request to Issue a Declaration of Assignment (Fig. 15)

Transit-Handel AG
Frachtstrasse 15
8000 Zürich

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Transit-Handel AG

March 5, 2008

Credit Suisse
Trade Finance SGAT 112
P.O. Box 100
CH-8070 Zurich

Documentary credit no. SGAT 112-123456 for USD 100,000 – issued on behalf of Karl Müller KG, Munich

Dear Sir/Madam
We refer to your letter of March 3, 2008, advising us of the above documentary credit. We kindly request that you issue the following notification of assignment to Hauser GmbH, Waldstrasse 5, 4000 Basel:

Quote
Receipt of a notification of assignment

Documentary credit no. Z-26-400
Issued by: Creditbank Munich
Expiration date: April 17, 2008
Payable: At sight, not confirmed by us under our reference SGAT 112-123456

Transit-Handel AG has informed us that it has assigned a maximum of USD 90,000 of the proceeds of the above-mentioned documentary credit to you.

We presume that this assignment was executed in accordance with applicable law and that you are now the holder of the above-mentioned claim in the amount specified.

Each payment executed by us in connection with the assigned claim is subject to our General Terms and Conditions in respect of our payment obligation under the documentary credit, including the requirements that:

The documents under the documentary credit have been submitted by the beneficiary promptly and in compliance with the terms and conditions of the credit, as well as in accordance with the Uniform Customs and Practice for Documentary Credits (UCP) of the International Chamber of Commerce (ICC) and the related International Standard Banking Practice; the funds assigned under the documentary credit on the date that payment is to be executed are made available without restriction to the beneficiary; no other right of lien or third-party claims apply, and no confiscations, legal dispositions or instructions, or other reasons exist that could prevent the relevant payment from being executed.

In the event of partial deliveries or partial usage, we will pay the proportion of the documentary credit amount that corresponds to the amount used.


Please note that no formulation in this letter is to be interpreted as confirmation of a payment instruction.

We will not charge you any costs upon payment.
Unquote

Your commissions and fees will be charged to us.
We look forward to receiving your advice of execution.

TRANSIT-HANDEL AG

TRANSIT-HANDEL AG



Types of Credit and Special Arrangements (Fig. 16)

Type of Credit	Method of Settlement
Sight credit	Immediate payment on presentation of the documents. The contract specifies payment in cash.
Deferred payment credit	Payment at maturity. The contract specifies payment at a future date (without a bill of exchange). After presentation of the documents, the amount due under the credit may be obtained in the form of an advance (less current account interest / under certain conditions).
Acceptance credit	Payment at maturity. The contract specifies payment at a future date (with a bill of exchange). After presentation of the documents, the bill can be discounted in order to obtain its countervalue (less a discount) immediately.
Negotiation credit	The beneficiary can obtain the value of the documents minus interest from the bank(s) nominated as having authority to negotiate. In a freely negotiable credit, any bank is regarded as a nominated bank.
Red clause credit	An advance is made available to the beneficiary.
Revolving credit	The beneficiary receives payment in fixed installments for goods dispatched in part-shipments.
Standby credit	The credit functions as a guarantee.
Transferable credit	The credit is used to pay the beneficiary's suppliers.
Arrangement	Method of Settlement
Back-to-back credit	A trader arranges for his supplier to be paid by means of a credit issued by the trader's bank. This credit is secured by a non-transferable credit issued in the trader's favor. The possibilities have to be ascertained in each case.
Assignment of the proceeds of a credit	The beneficiary assigns all or part of the proceeds of the credit to a supplier.

With most types of credit, the flow of goods and payments is basically the same as in a sight credit (Fig. 8, page 21). The position is rather different, however, in the case of a transferable credit (Fig. 9, page 28).

4. Issue of the Credit

The importer decides to accept the exporter's offer. He agrees that after placing the order or signing the contract of sale he will apply for the issue of a documentary credit in favor of the seller.

By applying for the issue of a documentary credit, the importer requests his bank to make a promise of payment to the supplier. Obviously, the bank will only agree to this request if it can rely on reimbursement by the applicant. As a rule, the goods in the underlying transaction cannot be accepted as the sole security for the credit, particularly if they are not the sort of commodity that can be traded on an organized market. Such an arrangement would involve the bank in excessive risks outside its specialist field. The applicant must therefore have adequate funds in his bank account or a credit line sufficient to cover the required amount.

It is in the importer's own interest **to be very careful when formulating the terms and conditions of the credit**. If he is inexperienced in this field, or if the credit has to include special features, he should seek specialist advice from his bank. It is not just a question of ensuring that the credit complies with the terms of payment stipulated by the supplier; it is equally important that the buyer's own requirements be taken into account. Complete and precise terms and conditions in the credit are the best assurance that the goods will be dispatched promptly, in good condition and at the agreed price, or – in the case of a service transaction – that the service will be rendered as agreed.

The principle that credits are legally independent of the transactions to which they relate makes it all the more important to exercise great care when drawing up the credit terms. "Credits, by their nature, are separate transactions from

the sales or other contracts on which they may be based". (Art. 4a UCP). This means that the bank must examine the documents without reference to the commercial transaction for which the credit has been arranged.

Banks deal in documents and not in goods (Art. 5 UCP).

Once the bank has issued a documentary credit, it is under obligation to pay, provided the required documents are surrendered by the stipulated deadline. The applicant cannot prevent a bank from honouring the documents on the grounds that the beneficiary has not delivered goods or tendered services as contracted.

Examples from Swiss Federal Supreme Court rulings:

"Neither the buyer nor the issuing bank should be obliged to make the purchasing price available except against the presentation of documents that evidence the presence of the goods and their compliance with the contract and which also give the buyer control over the goods. Furthermore, the banks have nothing whatsoever to do with the underlying transaction; all parties deal only in documents and not in goods; payment and reimbursement must be made unconditionally once the correctly presented documents have been taken up; the banks assume no responsibility for the quality or nature of the goods". (BGE 100 II 150 [1974])

"... Thus the plaintiff seeks to substitute examination of the goods for examination of the documents; this goes against the very nature of a documentary credit". (BGE 104 II 277 [1978])

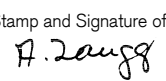
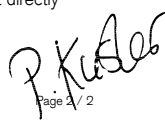
Application for a Documentary Credit (Fig.17a)

TO CREDIT SUISSE Trade Finance Service Center: Zurich Geneva Basel Lugano

We request you to issue on our behalf and for our account the following Irrevocable Documentary Credit as per the instructions given below. This credit is to be subject to the "Uniform Customs and Practice for Documentary Credits" published by the International Chamber of Commerce in force at the time of the issuance.

Name and Address of Applicant to appear in the credit		<input checked="" type="checkbox"/> Ourselves <input type="checkbox"/> Other Party (specify)	Elektro-Import AG Voltastrasse 10 8000 Zurich
Contact Person Our Reference		A. Bemer AB	Phone no 044 987 65 43 E-Mail Address
Correspondent Bank	Mitsuro Bank P.O. Box 1202 Osaka 532, Japan	SWIFT CODE:	
40A: Form of documentary credit	<input checked="" type="checkbox"/> Irrevocable <input type="checkbox"/> Irrevocable and transferable <input type="checkbox"/> Irrevocable Standby		
31D: Date of expiry	30-04-2008		
31D: Place of expiry at	<input type="checkbox"/> Credit Suisse <input checked="" type="checkbox"/> Correspondent Bank <input type="checkbox"/> Any Bank (29 characters max.) <input type="checkbox"/> Any Bank in: (country or city)		
59: Beneficiary	Nipponexport 20 Hakaruchō 2-Chōme Naniwa-Kō Osaka 530, Japan	Full Address	
32B: Currency and Amount	USD	30000.00	
39: Credit Amount specification	<input checked="" type="checkbox"/> Exact <input type="checkbox"/> Maximum credit amount <input type="checkbox"/> About (+/- 10 %) <input type="checkbox"/> Tolerance of + /- % <input type="checkbox"/> specify:		
41A: Available with (Place of presentation of documents)	<input type="checkbox"/> Credit Suisse <input checked="" type="checkbox"/> Correspondent Bank <input type="checkbox"/> Any Bank (29 characters max.) <input type="checkbox"/> Any Bank in: (country or city)		
41A: Available by	<input checked="" type="checkbox"/> Payment at sight <input type="checkbox"/> Deferred payment (specify below) <input type="checkbox"/> Acceptance (specify below) <input type="checkbox"/> Negotiation (specify below) <input type="checkbox"/> Mixed payment (specify below) <input type="checkbox"/> At days after <input type="radio"/> Date of shipment <input type="radio"/> Date of invoice <input type="radio"/> Sight <input type="radio"/> (define):		
42A: Drawee	4 lines max. 35 characters		
42C: Drafts at...	days from		
43P: Partial shipments	<input type="checkbox"/> Allowed <input checked="" type="checkbox"/> Not allowed <input type="checkbox"/> In lots allowed <input type="checkbox"/> other (specify):		
43T: Transshipment	<input type="checkbox"/> Allowed <input type="checkbox"/> Not allowed		
44A: Place of Taking in Charge/ Dispatch from.../ Place of Receipt			
44E: Port of Loading/ Airport of Departure	Kobe		
44F: Port of Discharge/ Airport of Destination	Hamburg		
44B: Place of Final Destination/ For Transport. to.../ Place of Delivery			
44C: Latest Date of Shipment	30-04-2008		

Application for a Documentary Credit (Fig. 17b)

44D: Shipment period	6 lines max. 65 characters																
Trade terms and place	<input type="checkbox"/> EXW (ex works) <input type="checkbox"/> CFR (Cost and Freight) <input type="checkbox"/> CIP (Carriage and Insurance paid to) <input type="checkbox"/> FCA (Free Carrier) <input checked="" type="checkbox"/> CIF (Cost Insurance and Freight) <input type="checkbox"/> FOB (Free on Board) <input type="checkbox"/> CPT (Carriage paid to) <input type="checkbox"/> Other At _____ as per ICC-Incoterms 2000																
45A: Description of Goods and/or Services (only a brief description)	120 Television Sets "Brilliant Colours 2000" at USD 250 each.																
46A: Documents Required	<input type="checkbox"/> Tolerance in quantity of + _____ % / - _____ % is allowed																
Covering Multimodal Transport Covering Seafreight	<input checked="" type="checkbox"/> Commercial Invoice <input checked="" type="checkbox"/> Packing List <input type="checkbox"/> Certificate of Origin issued and/or visaed by <input type="radio"/> Chamber of Commerce <input type="radio"/> Beneficiary Evidencing goods of _____ origin <input type="checkbox"/> Certificate of Origin Form A (GSP) Evidencing goods of _____ origin	<table border="1"> <thead> <tr> <th></th> <th>Original(s)</th> <th>Copies</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/> Commercial Invoice</td> <td></td> <td></td> </tr> <tr> <td><input checked="" type="checkbox"/> Packing List</td> <td></td> <td></td> </tr> <tr> <td><input type="checkbox"/> Certificate of Origin issued and/or visaed by</td> <td></td> <td></td> </tr> <tr> <td><input type="checkbox"/> Certificate of Origin Form A (GSP)</td> <td></td> <td></td> </tr> </tbody> </table>		Original(s)	Copies	<input checked="" type="checkbox"/> Commercial Invoice			<input checked="" type="checkbox"/> Packing List			<input type="checkbox"/> Certificate of Origin issued and/or visaed by			<input type="checkbox"/> Certificate of Origin Form A (GSP)		
		Original(s)	Copies														
<input checked="" type="checkbox"/> Commercial Invoice																	
<input checked="" type="checkbox"/> Packing List																	
<input type="checkbox"/> Certificate of Origin issued and/or visaed by																	
<input type="checkbox"/> Certificate of Origin Form A (GSP)																	
Covering Airfreight Covering Landfreight	<input type="checkbox"/> Full set of <input type="radio"/> Multimodal transport document <input type="radio"/> (Other) <input checked="" type="checkbox"/> Full set of <input checked="" type="radio"/> Marine Bill of Lading <input type="radio"/> (Other) <input type="radio"/> Made out to order and blank endorsed <input checked="" type="radio"/> Made out to order of Elektro-Import AG <input checked="" type="checkbox"/> Notify Expedito AG, Frachtstrasse 100, 8000 Zurich <input checked="" type="checkbox"/> Marked <input type="radio"/> Freight collect <input checked="" type="radio"/> Freight prepaid Issued by _____																
	<input type="checkbox"/> Airwaybill (Original for shipper) <input type="checkbox"/> Forwarder's Certificate of Receipt (FCR) <input type="checkbox"/> International Road Waybill (CMR) <input type="checkbox"/> Duplicate Railwaybill <input type="checkbox"/> Courier Receipt Issued by _____ <input type="checkbox"/> consigned to: _____ <input type="checkbox"/> Notify _____ Marked <input type="radio"/> Freight collect <input type="radio"/> Freight prepaid																
Other documents:	<input type="checkbox"/> Insurance cover taken care by the applicant <input checked="" type="checkbox"/> Insurance policy or certificate covering 110 % of goods value and the following risks all risks incl. war, strike riot, and civil commotion																
	<input type="checkbox"/> <input type="checkbox"/>																
47A: Additional Conditions																	
71B: Charges	<input type="checkbox"/> All commissions and charges for our account <input type="checkbox"/> All commissions and charges for Beneficiary's account <input checked="" type="checkbox"/> Your (Credit Suisse) charges for our account, foreign bank charges for beneficiary's account																
48: Period for Presentation	<input checked="" type="checkbox"/> Documents to be presented within <input checked="" type="radio"/> 21 days <input type="radio"/> Other: After the date of: <input checked="" type="radio"/> Transport document <input type="radio"/> Other:																
49: Confirmation Instructions	Correspondent bank <input type="checkbox"/> To add their confirmation <input type="checkbox"/> Not to add their confirmation																
Other Conditions / Remarks																	
72: Sender to Receiver Information	Documents to be sent to Credit Suisse as follows: <input type="checkbox"/> By courier service in <input type="radio"/> 1 lot <input type="radio"/> 2 lots <input checked="" type="checkbox"/> By registered mail in <input type="radio"/> 1 lot <input checked="" type="radio"/> 2 lots																
You are authorized to debit our account directly																	
Place and date: Zurich, 1. April 2008	Stamp and Signature of the Applicant  																

4.1 Documentary Credit Application

In order to facilitate applications for documentary credits, Credit Suisse provides its clients with a special **application form** (See Fig. 17a and 17b, "Application for a Documentary Credit" on pages 40 and 41).

There are a number of points which require special attention when making out an application for a documentary credit:

① Type of credit?

The UCP state that every documentary credit subject to these guidelines is irrevocable (Art. 2 definition of "Documentary credit"). Naturally, the contracting parties (applicant and beneficiary) may conclude a revocable credit if they so wish. However, the parties involved and the issuing bank must describe precisely under what conditions and at what point in time a revocation would be possible, permissible and effective.

① We request you to issue on our behalf and for our account the following Irrevocable Documentary Credit as per the instructions given below. This credit is to be subject to the "Uniform Customs and Practice for Documentary Credits" published by the International Chamber of Commerce in force at the time of the issuance.

① 40A: Form of documentary credit Irrevocable Irrevocable and transferable Irrevocable Standby

② Method of Transmission

Although today instructions to issue a documentary credit are generally transmitted via SWIFT, it is still possible to apply by telex or surface mail. The bank cannot be held responsible for delays in transmission unless such delays have occurred through the fault of the bank. Similarly, the bank bears no responsibility for consequences arising out of the interruption of its business by force majeure (Art. 36 and 37 UCP).

③ Beneficiary's Bank

Specification of the beneficiary's bank is not compulsory. If the applicant does not designate a correspondent bank, the bank advises the beneficiary directly or through a correspondent of CS's choice but does not assume responsibility for that bank's conduct (Art. 37 UCP).

Correspondent Bank	Mitsuro Bank P.O. Box 1202 Osaka 532, Japan ③	SWIFT CODE: ②
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④ Beneficiary

The name and address of the beneficiary must be stated precisely.

59: Beneficiary	Nipponexport 20 Hakaruchō 2-Chome Naniwa-Ko Osaka 530, Japan	④	Full Address
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⑤ Currency and Amount

A transaction **in a foreign currency** involves an **exchange risk** for the buyer and seller, even if the transaction is secured with a confirmed documentary credit. There are basically two ways of hedging against this risk:

- The **beneficiary** can make a forward sale of the expected foreign currency amount.
- The **applicant** can buy the required foreign currency either immediately or for delivery at the time when he expects the beneficiary to avail himself of the credit.

Banks active in the foreign exchange market can usually offer an advantageous arrangement even if the date of payment is not known in advance.

The applicant may specify an **exact total amount**, a **maximum amount** or an **approximate amount** that permits variation by a given percentage in either direction. Under Art. 30a UCP, words such as “about” or “approximately” mean that the amount drawn may be up to 10 % more or less than the stated figure. Even if a word such as “about” is not used, a specific tolerance expressed as a percentage is allowed under certain circumstances. The UCP defines two situations in which a tolerance of 5 % less is allowed (Art. 30b and 30c UCP). The applicant may, however, stipulate a different margin or tolerance as prescribed in the contract.

32B: Currency and Amount	USD	30000.00	⑤
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⑥ Validity of the Credit; Expiry Date

Every documentary credit, must carry an expiry date. This is the latest date for the presentation of documents, i.e. the latest date on which the beneficiary can avail himself of the credit. If the expiry date falls on a non-bank business day, the documents may be presented on the following bank business day (Art. 29a UCP).

31D: Date of expiry	30-04-2008	⑥
31D: Place of expiry at	<input type="checkbox"/> Credit Suisse <input checked="" type="checkbox"/> Correspondent Bank <input type="checkbox"/> Any Bank (29 characters max.) <input type="checkbox"/> Any Bank in: (country or city)	

⑦ Documents

The applicant should not ask the exporter to produce any documents that will be difficult to obtain. He can safeguard himself to a large extent against the delivery of inferior goods by stipulating a certificate of analysis, certificate of quality or some similar document.

The applicant must precisely stipulate the documents that have to be presented under the credit. The UCP contains basic provisions for the following documents: commercial invoice (Art. 18), transport documents (Art. 19–25) and the insurance document (Art. 28). In the case of documents that are not covered in detail by the UCP, the credit must specify the issuer of the documents and prescribe a precise wording or information content. In the absence of such stipulations, the banks will accept the documents as presented (Art. 14f UCP). The applicant should not include conditions in the credit without stating the document to be presented in evidence of compliance with such conditions. If relevant documents are not precisely stipulated, the banks will regard the conditions as not stated and will ignore them (Art. 14h UCP).

The following two examples illustrate the implications of this provision.

The applicant requests a “quality certificate” in the application for a documentary credit without providing further details. The beneficiary submits a document bearing this name that states “second-quality goods”. Although this may be quite contrary to what is stated in the contract, the document must be accepted in this form and payment must be made!

An applicant may state “vessel’s age not to exceed 15 years”. If this condition appears in the credit without any indication of the document to be provided as evidence of the vessel’s age, it can

simply be ignored. In order to make the condition effective, the credit should stipulate a bill of lading evidencing the age of the vessel or call for a separate document to that effect issued by the master, the shipping company or their agents.

The regulations state that a documentary credit should not be utilized via a bill of exchange drawn against the applicant as this would call the irrevocable nature of the credit into question. The issuing bank could interpret this as the bill of exchange not being accepted by the applicant. An exhaustive list of utilization types is contained in Art. 6 UCP. A bill of exchange drawn against the applicant (financing instrument for the issuing bank) may, of course, be requested, but must be listed as one of the documents to be submitted.

⑧ Insurance

The amount covered by the insurance document must be at least 110% of the CIF value (Cost, Insurance, Freight) (Art. 28f UCP). This extra 10% generally represents the “notional profit”, i.e. the profit which the applicant hopes to achieve by reselling the goods. The applicant may, of course, specify a different amount in the application (pursuant to the contract of sale).

⑨ Documents of Title to Goods

Bills of lading and warehouse keeper’s warrants are usually made out “to order”. They can then be transferred simply by endorsement. If they are made out to a named consignee, transfer of title has to be by assignment.

⑩ “Notify” Party

The “notify” party is notified when the ship is about to arrive at the port of discharge, and also in the case of accidents at sea or similar incidents.

46A: Documents Required		Original(s)	Copies
⑦	<input checked="" type="checkbox"/> Commercial Invoice		
	<input checked="" type="checkbox"/> Packing List		
	<input type="checkbox"/> Certificate of Origin issued and/or visaed by ○ Chamber of Commerce ○ Beneficiary		
	Evidencing goods of _____ origin		
	<input type="checkbox"/> Certificate of Origin Form A (GSP) Evidencing goods of _____ origin		
	Covering Multimodal Transport		
	<input type="checkbox"/> Full set of ○ Multimodal transport document	○ (Other)	
	<input checked="" type="checkbox"/> Full set of ● Marine Bill of Lading	○ (Other)	
	○ Made out to order and blank endorsed		
	● Made out to order of Elektro-Import AG	⑨	
<input checked="" type="checkbox"/> Notify Expeditio AG, Frachtstrasse 100, 8000 Zurich	⑩		
<input checked="" type="checkbox"/> Marked ○ Freight collect ● Freight prepaid			
Issued by _____			
Covering Airfreight			
Covering Landfreight			
<input type="checkbox"/> Airwaybill (Original for shipper)			
<input type="checkbox"/> Forwarder’s Certificate of Receipt (FCR)	<input type="checkbox"/> International Road Waybill (CMR)		
<input type="checkbox"/> Duplicate Railwaybill	<input type="checkbox"/> Courier Receipt		
Issued by _____			
consigned to: _____			
<input type="checkbox"/> Notify			
Marked ○ Freight collect ○ Freight prepaid			
⑧	<input type="checkbox"/> Insurance cover taken care by the applicant		
	<input checked="" type="checkbox"/> Insurance policy or certificate covering 110 % of goods value and the following risks all risks incl. war, strike riot, and civil commotion		
Other documents:	<input type="checkbox"/>		
	<input type="checkbox"/>		

⑪ Latest Shipping Date

The latest shipping date is a fixed date by which the goods have to be dispatched. The shipping date is determined in accordance with the rules laid down in the UCP for the various types of transport documents. Special attention must be paid to “Interpretations”, Art. 3 UCP, which lists general expressions that are deemed to represent the date of shipment. If a **latest shipping date is stated, it should allow sufficient time for the documents to be presented before the credit expires**. Allowance must also be made for postal delivery times between the place of dispatch, the office of the seller and the office of the correspondent bank, and also for possible delays as a result of official formalities. The interval between the latest shipping date and the expiry date of the credit should not, however, exceed 21 days, unless otherwise authorized in the credit. If no interval is specified in the credit banks will refuse documents presented to them later than 21 days after the shipment date (Art. 14c UCP). It should be noted that the interval applies only if an original transport document pursuant to Articles 19 to 25 UCP must be submitted together with the other prescribed documents. When submitting another document, e.g. forwarder’s receipt or dispatch certificate, warehouse keeper’s warrant, etc. the date for submission should be stated in the form of a specified number of days after the issue date of the document.

44C: Latest Date of Shipment	30-04-2008	⑪
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⑫ Delivery Terms

The credit should show which charges are included in the price:

Value of goods, packing costs, etc.

- + transport to port of loading
- + loading charges

= FOB (free on board)

+ freight charges to port of discharge

= CFR (cost and freight)

+ insurance to port of discharge

= CIF (cost, insurance, freight)

A detailed explanation of these terms can be found in “Incoterms” (International Chamber of Commerce publication no. 560).

⑫ Trade terms and place	<input type="checkbox"/> EXW (ex works)	<input type="checkbox"/> CFR (Cost and Freight)	<input type="checkbox"/> CIP (Carriage and Insurance paid to)
	<input type="checkbox"/> FCA (Free Carrier)	<input checked="" type="checkbox"/> CIF (Cost Insurance and Freight)	<input type="checkbox"/> CPT (Carriage paid to)
	<input type="checkbox"/> FOB (Free on Board)	<input type="checkbox"/> Other	
	At as per ICC-Incoterms 2000		

13 Description of the Goods

Under Art. 4b UCP, banks should discourage the attempts to attach too many details, such as copies of contracts or pro-forma invoices, since this could lead to confusion and misunderstanding. The processing of the credit should not be delayed or complicated by unnecessarily extensive checks and controls. However, a brief description of the goods is essential. This should be complete and precise, but without technical details.

As a rule, the quantity and price are also stated. If the exact quantity of the goods is not known at the time when the credit is issued, the word "about" or "approximately" can be used; this allows a deviation of 10% (Art. 30a UCP). If no such word is included, a deviation of 5% is permissible in certain circumstances (Art. 30b UCP). If a tolerance is allowed for the credit amount, a corresponding tolerance should be specified with regard to the quantity of the goods.

45A: Description of Goods and/or Services (only a brief description)	120 Television Sets "Brilliant Colours 2000" at USD 250 each. 13 <input type="checkbox"/> Tolerance in quantity of + % / - % is allowed
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14 Partial Deliveries / Transshipment

If partial deliveries (Art. 31a, UCP) are to be prohibited, this must be expressly stated in the credit. In the case of transferable credits, the prohibition of partial deliveries also precludes the transfer of fractions of the credit to separate second beneficiaries.

If the goods are to be transported by air, road or rail, the banks accept a transport document that allows for transshipment even if the credit itself does not permit transshipment (Art. 24e ii UCP)*. An applicant for a credit who wishes to prohibit transshipment must explicitly state that the corresponding articles are excluded in the application and in the credit. The simple condition "transshipment prohibited" is not sufficient.

43P: Partial shipments	14	<input type="checkbox"/> Allowed <input type="checkbox"/> other (specify): _____	<input checked="" type="checkbox"/> Not allowed	<input type="checkbox"/> In lots allowed
43T: Transshipment	14	<input type="checkbox"/> Allowed <input type="checkbox"/> Not allowed		

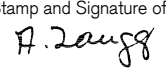
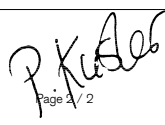
15 Remarks / Bank Account

In order to avoid misunderstandings, the applicant should also specify the bank account(s) to which the credit amount, commissions and charges are to be debited. This is particularly important, for example, if he has hedged the exchange risk by means of a forward foreign exchange contract.

71B: Charges	15	<input type="checkbox"/> All commissions and charges for our account <input type="checkbox"/> All commissions and charges for Beneficiary's account <input checked="" type="checkbox"/> Your (Credit Suisse) charges for our account, foreign bank charges for beneficiary's account
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16 Signature

The applicant's signature makes the application binding in law.

Place and date: Zurich, 1. April 2008	Stamp and Signature of the Applicant  16	 Page 1 / 2
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* Applicable to Multimodal Transport Documents as well (Art. 19c ii UCP).

CHECKLIST**for buyers applying for a documentary credit**

- Does the application state whether the credit needs to be confirmed or merely advised by a correspondent bank?
- Has the type of credit been specified, e.g. “transferable”?
- Can the beneficiary’s bank be specified?
- Is there a need for currency hedging?
- Should the credit amount be expressed as a fixed total amount, a maximum amount or an amount with a margin of tolerance (Art. 30 UCP)?
- Has the expiry date been specified (Art. 6 UCP)?
- Is a place for presentation of the documents specified (Art. 6 UCP)?
- Can the exporter provide all the required documents without difficulty?
- Should a certificate of analysis or quality be stipulated?
- In the case of an acceptance credit, does the application state that the credit is to be available against a term bill of exchange (e.g. “Draft drawn at 60 days after sight an Mitsuro Bank, Osaka”)?
- Does the transport insurance have to cover any special risks, and are these stated in the application (Art. 28g–i UCP)?
- Is it necessary to specify a “notify” party?
- Does the latest shipping date allow sufficient time for the documents to be presented before the credit expires (Art. 14c UCP)?
- Do the delivery terms (i.e. FOB, CFR or CIF) clearly explain the price?
- Is the description of goods concise, but at the same time complete and exact?
- Should a tolerance be specified regarding the quantity of goods (Art. 30 UCP)?
- Should partial deliveries (Art. 31 UCP) and/or transshipment be prohibited?
- Does the application indicate the bank account to which the credit amount, etc. should be debited?
- Has the application been duly signed?

4.2 Notification of the Issue of the Credit

Provided the application contains no ambiguities, the documentary credit can be issued. The issuing bank will, of course, first ensure that the applicant is adequately covered by a line of credit or by the assets in his account. The issuing bank usually notifies a correspondent bank located in the country (and if possible the town) of the beneficiary. Only exceptionally does the notification go direct to the beneficiary.

4.3 Advice or Confirmation to the Beneficiary

If the correspondent bank in the beneficiary’s country is instructed merely to **advise** the credit, it forwards the prescribed text to the beneficiary without any liability on its own part. However, the bank must take reasonable care to check that the credit appears authentic (Art. 9b UCP). The advice serves to acknowledge that the received conditions have been completely and exactly forwarded to the beneficiary.

The issuing bank often has no direct relationship with the beneficiary’s bank. It then forwards the credit to its correspondent bank in the beneficiary’s country (or a third country), and requests that the beneficiary’s bank be advised of the credit. The function and responsibility of this latter bank, the so-called “second advising bank”, are described in UCP 600 (Art. 9c, UCP).

The correspondent bank may, if requested or authorized by the issuing bank, add its own **confirmation** to an irrevocable credit. By doing so, it assumes a definite and independent obligation in addition to that of the issuing bank (Art. 2 definition of “Confirmation” and Art 8 UCP). Before adding its confirmation, the correspondent bank will therefore ensure that the credit is formally in order and that the issuing bank is completely trustworthy.

The correspondent bank is not bound to confirm the credit. If it is not prepared to add its confirmation, it must inform the issuing bank without delay and may advise the credit to the beneficiary without adding its confirmation (Art. 8d UCP).

As soon as the exporter receives the advice or confirmation, he should check that the terms and conditions of the credit are in conformity with the contract and that he is able to comply with them. If not, he must request the buyer to provide the necessary amendments **immediately**.

Special attention should be paid to the following points:

- Are the names and addresses of the applicant and the beneficiary correctly stated?
- Is the credit subject to the UCP (UCP, Art. I)?
- Has the credit been issued in the agreed basic form (irrevocable but unconfirmed, or irrevocable and confirmed) and with the agreed method of settlement (sight, deferred payment, acceptance, etc.)?
- At which place do the documents have to be presented?
- At which bank is the credit available for payment at sight, deferred payment, acceptance or negotiation?
- Does the credit comply with the terms of the commercial contract with regard to the following points:
 - amount (based on the sales price of the goods) and terms of payment
 - description and origin of goods
 - terms of delivery (i.e. freight costs, insurance, etc.)
 - expiry date and shipping date?
- Can the stipulated insurance cover be provided?
- Can all the documents be produced on time and in the stipulated form and number and in compliance with the provisions of the UCP, the documentary credit and international standard banking practice?
- Can the goods be shipped on time by the prescribed mode of transport and route?
- Are part-shipments, transshipment and/or on-deck loading possible (if necessary and agreed)?
- Is payment still assured, if, for example, the buyer should arbitrarily refuse or delay signature of a work progress certificate (in the case of service transactions)?

The beneficiary does not have to expressly accept the documentary credit. He is deemed to have accepted it if he presents the required documents to the correspondent bank or issuing bank on time.

If the beneficiary finds any **discrepancies** in the credit, he must **immediately report them directly to the buyer** and request him to instruct the issuing bank to make the necessary amendments. The issuing bank and confirming bank are irrevocably bound by any **amendment** that they issue (in the case of the issuing bank) or confirm (in the case of the confirming bank). The beneficiary may communicate his acceptance or rejection of the amendment, or choose to remain silent. In the latter case, documents presented by the beneficiary in accordance with the original terms of the credit constitute a valid refusal of any amendment received.

Much inconvenience and delay can be avoided if the terms and conditions of the credit are limited to essentials. An unnecessarily detailed description of the merchandise does not give the importer any additional security but merely increases the amount of information that has to be checked and thereby creates additional sources of error.

The exporter always has the option of not availing himself of the credit and letting it expire; he is under no obligation to inform the importer or the banks of his decision. The credit lapses automatically if the beneficiary does not present the documents by the expiry date.


In the following four examples (Fig. 18, 19 and 20), the parts with grey shading define the role of the bank and the basic form of the credit. As we pointed out above, the basic form of the credit largely determines the degree of security enjoyed by the beneficiary.

Issue of an Irrevocable Credit with Request for Confirmation (Fig. 18)

< MT700 – ISSUE OF A DOCUMENTARY CREDIT >		
CREDIT SUISSE, ZURICH		
700		3 April 2008
MITSURO BANK, OSAKA, JAPAN		
:27:	Sequence of Total	1/1
:40A:	Form of Documentary Credit	IRREVOCABLE
:20:	Documentary Credit Number	SGAT 112-137312
:31C:	Date of Issue	03-APR-08
:40E:	Applicable Rules	UCP LATEST VERSION
:31D:	Date and Place of Expiry	21-MAY-08 IN JAPAN
:50:	Applicant	ELEKTRO-IMPORT AG VOLTASTRASSE 10; 8000 ZURICH, SWITZERLAND
:59:	Beneficiary	NIPPONEXPORT; 20 HAKARUCHO 2-CHOME; NANIWA-KU; OSAKA 530, JAPAN
:32B:	Currency Code, Amount	USD 30,000.–
:41A:	Available with... By...	MITSURO BANK, OSAKA; BY PAYMENT
:43P:	Partial Shipments	ALLOWED
:43T:	Transshipment	ALLOWED
:44E:	Port of Loading/ Airport of Departure	KOBE
:44F:	Port of Discharge/ Airport of Destination	HAMBURG
:44C:	Latest Date of Shipment	30-APR-08
:45A:	Description of Goods and/ or Services	120 TELEVISION SETS 'BRILLIANT COLOURS 2000' AT USD 250.– EACH, CIF HAMBURG
:46A:	Documents Required	SIGNED COMMERCIAL INVOICE, 5-FOLD FULL SET 'CLEAN ON BOARD' OCEAN BILL OF LADING, MADE OUT TO ORDER OF ELEKTRO-IMPORT AG, ZURICH, MARKED 'FREIGHT PREPAID', NOTIFY EXPEDITIO AG, FRACHTSTRASSE 100, 8000 ZURICH INSURANCE POLICY OR CERTIFICATE COVERING 110PCT OF CIF INVOICE VALUE, COVERING 'ALL RISKS', INCL. RISKS OF WAR, STRIKES, RIOTS AND CIVIL COMMOTIONS. PACKING-LIST, 2-FOLD
:71B:	Charges	ALL BANK CHARGES AND COMMISSIONS OUTSIDE SWITZERLAND ARE FOR THE ACCOUNT OF BENEFICIARY.
:48:	Period for Presentation	LATEST 21 DAYS AFTER DATE OF SHIPMENT BUT WITHIN THE VALIDITY OF THE CREDIT
:49:	Confirmation Instructions	CONFIRM
:78:	Instructions to Paying Bank	UPON RECEIPT OF YOUR SWIFT CONFIRMING THAT YOU HAVE TAKEN UP DOCUMENTS IN CONFORMITY WITH THE TERMS OF THE CREDIT, WE SHALL REMIT COVER IN ACCORDANCE WITH YOUR INSTRUCTIONS.


Advice of an Irrevocable Documentary Credit (Fig. 19)

(= unconfirmed documentary credit)

	CREDIT SUISSE Trade Finance Service Center
	P.O. Box 100 CH-8070 Zurich
	Tel. +41 (0)44 333 11 11 Telefax +41 (0)44 332 29 40 Telex 812412 CS CH SWIFT CRESCHZZ80A
Trade Finance Service Center Peter Muster	Registered letter
	Elektromotoren AG Sinusstrasse 90 CH-8000 Zurich
+41 44 334 62 35	March 21, 2008
Our reference: SGAT 112-136989	
Dear Sir/Madam	
The bank named below has mandated us to advise you of the issuance of a documentary credit, of which you are the beneficiary. The text as well as the terms and conditions are enclosed with this letter. Please note the terms and conditions that apply to this documentary credit. If you do not accept one of the terms and conditions, please contact the applicant to request that it be amended.	
Issuing bank:	Banque d'Afrique du Nord 100, rue El Alamin Tunis, Tunisie
Reference number:	B-157/778
Instructing party:	Compagnie pour Matériel Electrique Tunis
Amount:	USD 36,500
Expiration date:	April 25, 2008 (in Switzerland)
Commissions and fees:	Our commissions and fees will be charged to you.
We are sending you this letter and the enclosed advice without any obligation on our part.	
This documentary credit is subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce in Paris, France, which were in force on the date it was issued. The bank-to-bank reimbursement is subject to the Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits of the International Chamber of Commerce in Paris, France, which were in force on the date it was issued.	
Yours sincerely	
CREDIT SUISSE	

Confirmation of an Irrevocable Documentary Credit (Fig. 20)

(= confirmed documentary credit)

		CREDIT SUISSE Trade Finance Service Center	
		P.O. Box 100	Tel. +41 (0)44 333 11 11
		CH-8070 Zurich	Telefax +41 (0)44 332 29 40
			Telex 812412 CS CH
			SWIFT CRESCHZZ80A
Trade Finance Service Center Hans Muster		Registered letter	
		Instrumenten AG Wattstrasse 50 CH-8000 Zurich	
+41 44 332 89 19		April 14, 2008	
Our reference:	SGAT 112-137542		
Dear Sir/Madam			
<p>The bank named below has mandated us to advise you of the issuance of a documentary credit, of which you are the beneficiary. The text as well as the terms and conditions are enclosed with this letter. Please note the terms and conditions that apply to this documentary credit. If you do not accept one of the terms and conditions, please contact the applicant to request that it be amended.</p>			
Issuing bank:	Commercial Bank PO Box 1001 HK-Hong Kong		
Reference number:	C-123-45		
Instructing party:	Chai Chung Electronics Ltd. Hong Kong		
Amount:	CHF 45,000		
Expiration date:	May 31, 2008 (in Switzerland)		
Commissions and fees: Our commissions and fees will be charged to you.			
We are attaching our confirmation to this documentary credit.			
<p>This documentary credit is subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce in Paris, France, which were in force on the date it was issued. The bank-to-bank reimbursement is subject to the Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits of the International Chamber of Commerce in Paris, France, which were in force on the date it was issued.</p>			
Yours sincerely			
CREDIT SUISSE			

5. Utilization of the Credit

5.1 Basic Principles

The exporter has dispatched the goods or performed the service on time. The documents required under the credit are ready for presentation.

Before the exporter presents the documents to his bank he must ensure that they fully meet the requirements laid down in the credit. All the documents called for must be present (**completeness**); they must not contravene any stipulation of the credit, the UCP, or international standard banking practice (**correctness**); and they must not be at variance with each other (**consistency**, Art. 14d UCP). The bank's decision on whether or not to accept the documents will be based strictly on the principle that the **documents themselves and the timing of their presentation must comply with the terms of the credit**.

a) Compliance with Documentary Requirements

The basic principle of document conformity is that the bank must check the presented documents carefully against the wording of the terms of the credit. Payment cannot be made unless the documents are in strict conformity with the stipulations of the credit, the UCP and international standard banking practice.

A reference is necessary in this regard to International Chamber of Commerce publication no. 681 for banks and all parties that issue documents for utilization in documentary credits. This publication represents a summary of decisions and positions in short form that summarize what in practice is considered a compliant issuance of documents. The guidelines are designed in such a way that only issues are addressed which have caused conflict in the past. It is not possible to include all variations in a single publication. This is why Article 14d of UCP 600 refers only to standard international banking practice and not to the corresponding publications or their publication numbers.

The position has been summed up very well in a judgment by an English court: "There is no room for documents which are almost the same or which will do just as well". (Equitable Trust Co. v. Dawson Partners, 27 Lloyd L.R. 49, 1926[SC1])

The bank must not take up any documents that do not fully meet the requirements of the credit, regardless of whether or not the underlying transaction has been carried out correctly. The credit is a completely separate transaction from the business contract on which it is based (Art. 4 UCP). Thus the bank's decision must be based on the documents alone (Art. 14a UCP).

b) Compliance with Time Limits

The expiry date and latest shipping dates specified in the credit must be strictly complied with. If the documents are presented too late, the bank is not allowed to honor them.

If no latest shipping date is specified, the expiry date of the credit is regarded as the latest date for shipment. The interval between the date of shipment reflected in the transport documents and the presentation of the documents at the bank must not exceed 21 days, unless the terms of the credit provide for a longer period.

If the expiry date of the credit falls on a Sunday or public holiday, the latest date for the presentation of documents is extended to the next business day. However, banks will refuse transport documents which bear a date of shipment later than the expiry date stipulated in the credit. If a latest date for shipment is stipulated in the credit, this date is not affected by such an extension and the 21-day limit for credits without a latest shipping date is not extended (Art. 29c UCP).

The formulas used in specifying the time limits for documentary credit operations have precisely defined meanings. For example, shipment "in the middle of January" covers the period from January 11 to January 20 inclusive; shipment on January 21 would therefore be too late (Art. 3 "Interpretations" UCP and BGE 87 II 234 ff. [1961]).

5.2 Documents

a) Overview

Before presenting the required documents, the beneficiary must check the following points:

- Is the credit still valid and has the latest date for shipment (if stipulated) been complied with?
- Are all the stipulated documents present in the required numbers?
- Are the packing marks, the number of packages (packing units) and the indications of weight identical in all the documents?

Unless otherwise stipulated, banks will accept as originals documents that have been produced or appear to have been produced

- by reprographic systems
 - by or as a product of automated or computerized systems
 - as carbon copies
- provided the documents are marked as originals and carry an authentication as described in Art. 17b UCP.

In Swiss law, the documents commonly used in international trade can be divided into two classes:

- **Documents of title:**
e.g. bill of exchange, bill of lading, warehouse keeper's warrant.
- **Documents of evidence and accompanying documents:**
e.g. commercial invoices, air waybills, rail consignment notes, insurance policies/certificates, packing lists, certificates of origin, warehouse receipts, forwarder's certificates of receipt, work progress certificates.

The **UCP** classify documents as follows:

- **Documents covered by detailed rules:**
 - Commercial invoices: Art. 18 UCP
 - Transport documents (i.e. documents indicating loading on board or dispatch or taking in charge): Art. 19–25 UCP
 - Insurance documents: Art. 28 UCP
- **Other documents:**
(i.e. documents other than transport documents, insurance documents and commercial invoices): Art. 14f UCP.

The most important documents are described in the following pages. The checklists for the various types of document are intended as a practical help for people involved in documentary credit transactions. They summarize the points that require particular attention when the documents are examined.

b) Documents of Title

aa) Overview

According to Art. 965 of the Swiss Code of Obligations, a **document of title** is any document to which a right is attached in such a way that the right cannot be exercised or transferred without the document. Where the **transport document is also a document of title**, as in the case of a bill of lading or warehouse keeper's warrant, the transport documents actually **represent the goods**.

Documents of title fall into three groups:

■ **Order documents:**

The person to whose order the document is made out has the right to the property represented by the document. He can transfer this right simply by endorsement.

An endorsement is a written note of transfer on the back of a document. There are no requirements regarding the form of an endorsement; the signature of the holder suffices.

The debtor of an order document has only limited defenses. Any defenses or objections that he pleads must be based on the invalidity of the instrument (e.g. issuer's incapacity to contract, expiry under a statute of limitations) or in personal defenses against the creditor (Swiss Code of Obligations, Art. 1146; for bills of exchange, Art. 1007).

A distinction is made between documents that are order documents by law (e.g. bills of exchange) and those that can be made out to order (e.g. bills of lading, warehouse keeper's warrants),

■ **Bearer documents:**

The bearer of the document has the right to the property represented by the document. Transfer is effected by **delivery** of the document.

The debtor of a bearer document has the same rights of defense as the debtor of an order document.

■ **Documents made out to a named person:**

The right rests solely with the person named in the document. Transfer can be effected only by **assignment**.

Assignment is a written contract of transfer, which may be written on the document itself or on a separate paper.

In the case of a document made out to a named person, the debtor is entitled to all such defenses against any beneficiary as were available to him against the original creditor (Swiss Code of Obligations, Art. 169). To these may be added defenses arising from his relationship with the new creditor (assignee). The position of the debtor vis-à-vis the new creditor must not be worse than his position vis-à-vis the old creditor.

bb) Bill of Exchange (Draft)

In Swiss law, a bill of exchange is **“an unconditional order to pay a certain sum of money”** (Art. 991 of the Swiss Code of Obligations). This order can be addressed to the drawer himself (in which case the document becomes a promissory note) or to a debtor (in which case it is also referred to as a “draft”). In documentary credit operations, the drawee of a bill of exchange is usually a bank.

Bills of exchange serve primarily as instruments of short-term credit (e.g. supplier credit). A bill of exchange is evidence of an **unconditional and abstract obligation to make payment**. Thus the obligation is quite separate from the underlying transaction (documentary credit, contract of sale, etc.). The drawee cannot refuse to make payment to the bona fide holder of the bill of exchange on the basis of objections relating to the underlying transaction. In the event of non-payment of a bill of exchange, most countries have special procedures for accelerating the recovery of the debt. Being an order instrument, a bill of exchange is transferable by endorsement.

CHECKLIST Bill of Exchange

- ① ■ Does the amount of the bill of exchange conform to the terms of the credit?
 - It must not be higher than the invoice amount (unless the credit specifically allows for this, e.g. states that interest is to be added).
 - Does the amount in words agree with the amount in figures?
- ② ■ Is the bill payable as specified in the credit (at sight or at a given term after sight or after a specific date)?
 - Is the bill correctly dated?
- ③ ■ Is the bill drawn, as stipulated, on the buyer or the (correct) bank?
- ④ ■ Has the bill been duly signed?
- ⑤ ■ Does the bill carry an endorsement on the reverse (if necessary)?
 - The bill has to be endorsed if it is made out to the order of the beneficiary.

(See Fig. 21, “Bill of Exchange” on the facing page)

cc) Bill of Lading

A bill of lading – the most important document in overseas transactions – is a **document evidencing shipment**. It is issued by the carrier or his agent as a receipt for goods accepted for carriage by sea. It also contains the terms and **conditions of the contract of carriage**.

As already mentioned, a bill of lading is a document of title; it actually **represents the goods being shipped**. Only the holder of the bill of lading can take possession of the goods. It is usually made out to order, and can therefore be transferred by endorsement.

As a rule, a bill of lading is issued in several signed originals (plus copies). All the originals together are referred to as a “full set”. As soon as one of them has been presented for the purpose of obtaining the release of the goods, the others become invalid. The bank will therefore insist that the beneficiary present the full set, unless the credit contains a provision to the contrary.

There are three basic types of bill of lading:

- **“On board” bill of lading**
An “on board” (or “shipped”) bill of lading is issued after the goods have been received on board ship. It is the most secure type of bill of lading from the point of view of the importer and the banks, since it shows where and when and on which vessel the goods were dispatched.
- **“Received for shipment” bill of lading**
This merely confirms that the shipping company has received the goods for shipment.
- **“Through” bill of lading**
This type is issued when the journey is going to involve various modes of transport (e.g. ship / rail).

Bill of Exchange (Fig. 21)

Accepted:	Place and date of issue:		currency and amount:	
	8000 Zurich	March 20th, 2008	USD	45,000.- ①
	At ②	90 days sight	pay against this <input type="checkbox"/> Sole <input checked="" type="checkbox"/> Bill of Exchange	
	to the order of: ourselves			
	the amount of: US-Dollars fortyfivethousand-----			
	Drawee:	The New York City Bank New York, NY 10016, USA ③		Meier + Co., Zurich
			B Peter Meier ④	
	stamp and signature of the drawer			
	Drawn under Letter of Credit no. 0494-56794		issued on 1.2.2008	
	by The New York City Bank, New York			

Accepted:	Place and date of issue:		⑤	
	8000 Zurich	March 20th, 2008		
	At	90 days sight		
	to the order of: ourselves			
	the amount of: US-Dollars fortyfivethousand-----			
	Drawee:	The New York City Bank New York, NY 10016, USA		
			B Peter Meier	
	Pay to the order of Credit Suisse Meier + Co., Zurich			
	Drawn under Letter of Credit no. 0494-56794			
	by The New York City Bank, New York			

CHECKLIST Bill of Lading

- ① ■ Does the bill of lading indicate the name of the carrier and has it been signed or authenticated 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 (Art. 20a i UCP)?
- ② ■ Are the goods consigned as stipulated in the credit (i.e. to order, to order of a named person or firm, or direct to a named consignee without a “to order” notation)?
- Has the bill of lading been properly endorsed (if this is necessary)?
- ③ ■ Is the “notify” address exactly as stipulated in the credit (Art. 14j UCP)?
- ④ ■ Is the bill of lading an “on board” (“shipped”) bill of lading?
- To qualify as an “on board” or “shipped” bill of lading, it must either be made out on a form containing wording to this effect or it must carry an “on board” notation from the carrier or his agent (Art. 20a ii and iii UCP).
- Art 20a iii is particularly important in this regard. The “on board” notation must refer to the port of dispatch and the vessel named in the credit, and the document must bear the same port of destination as that named in the credit.
- Is the bill of lading marked “on deck”?
If so, the goods have been loaded on deck. This is not permissible unless specifically authorized in the credit (Art. 26 UCP).
 - Is the bill of lading marked “charter party”?
A “charter party” bill of lading has to be expressly authorized in the credit (UCP, Art. 20a vi), since the contract which it evidences does not constitute a contract of carriage for particular goods but a contract for the charter of freight space. Please refer to the checklist for and graphic of the charter party bill of lading on pages 58 and 59.
- ⑤ ■ Are the port of loading and port of destination exactly as stipulated in the credit?
- Does the document contain the word “intended” or some similar qualification in relation to the ship and/or port of loading and/or port of discharge?
Such qualifications are only allowed in certain circumstances (Art. 20a iii UCP).
- If the bill of lading indicates that the goods will be transhipped, is such transshipment permissible (i.e. not expressly forbidden) under the terms of the credit (Art. 20b and c UCP)? If so, does the bill of lading cover the whole transport route?
- ⑥ ■ Are the marks, weights, etc. consistent with those indicated in the other documents?
- ⑦ ■ Do references to the payment of freight costs, if present, conform to the terms of delivery in the credit, and do the freight charges shown in the bill of lading match those in the commercial invoice?
- In the case of CFR and CIF contracts, the bill of lading must bear the words “freight paid” or “freight prepaid”; for FOB deliveries, the required wording is “freight collect”.
- ⑧ ■ Does the date of shipment shown in the bill of lading conform to the requirements of the credit?
- The date of a “shipped” or “on board” bill of lading or the date of a subsequently added “on board” stamp is regarded as the date of shipment.
- If the credit does not stipulate a specific period of presentation for the documents, will the documents be presented within 21 days of the date of shipment, i.e. the date of issue of the bill of lading or the date of the “on board” notation, if there is one (Art. 14c UCP), and in any case not later than the expiry date of the credit?
 - Is the bill of lading “clean”, i.e. without any derogatory clause referring to the condition or packing of the goods (e.g. “several bags torn”, “iron bands rusty”, “one case defective”, “part of goods decayed”; Art. 27 UCP)?
 - Have alterations on the bill of lading been properly authenticated?
Any alteration must be accompanied by an “alteration approved” stamp and the signature or initials of the carrier or a named agent acting for or on behalf of the carrier, or of the master or a named agent acting for or on behalf of the master.
- ⑨ ■ Is the bill of lading in a full set of properly signed originals (Art. 20a iv UCP)?

(See Fig. 22, “Bill of Lading” on the facing page)

Bill of Lading (Fig. 22)

SCHENKER <i>ocean</i>		ORIGINAL Ocean or Combined Transport Bill of Lading	
(1) Shipper/Exporter NIPPONEXPORT 20 Hakarucho 2-Chome Naniwa-KU OSAKA 530, Japan		(4) B/L No. CHZRH42068	
(2) Consignee TO THE ORDER OF: Elektro-Import AG Voltastrasse 10 CH-8000 Zurich ②		(5) Reference Nos.: 1235	
(3) Notify Party Expedition AG Frachtstrasse 100 CH-8000 Zurich ③		(7) For Delivery of Goods apply to:	
(8) Vessel/Voyage (see clause 14.1 of the Bill of Lading terms) MV Seastar		(11) Place of Receipt (Applicable only when document used as Combined Transport B/L) Kobe CFS	
(9) Port of Loading ⑤ Kobe	(10) Port of Discharge ⑤ Hamburg	(12) Final Destination (Applicable only when document used as Combined Transport B/L) Hamburg CFS	
<small>BELOW PARTICULARS FURNISHED BY SHIPPER – CARRIER NOT RESPONSIBLE – FOR MERCHANT'S USE ONLY AND NOT PART OF THE BILL OF LADING CONTRACT</small>			
(13) Kind of packages; description of goods; marks and Numbers; Container No./Seal No. said to contain: Elektro-Import BC 2000 Made in Japan C1-120		(14) Gross Weight 120 Cardboard Boxes TELEVISION SETS L/C SGAT 112-137312	(15) Measurement 3,600.- KGS ⑥
④ SHIPPED ON BOARD 25.4.2008 ⑧		L.C.L./L.C.L. in Container ISCU 8973458 40 Container Seal No. 987654	
<small>Above particulars as declared by Shipper, but without responsibility of or representation by the Carrier (see clause 8).</small>			
(16) Carrier's Receipt (see clauses 1 and 8) Total number of containers or packages received by Carrier: SIX		RECEIVED by the Carrier in external apparent good order and condition unless otherwise stated the number of containers, packages or other customary freight units to be transported to such place as agreed, authorized or permitted herein and subject to all the terms and conditions appearing on the front and reverse of this Bill of Lading either written, printed or stamped or otherwise incorporated by which the Merchant agrees to be bound in accepting this Bill of Lading. The particulars given above as stated by the Merchant and the weight, measure, quantity, marks, condition, contents and value of the Goods considered unknown by the Carrier. In witness whereof the number of original Bills of Lading stated on this side have been signed and wherever one original Bill of Lading has been surrendered any others shall be void.	
(17) Freight and Charges ⑦ Freight Prepaid	(18) Prepaid	(19) Collect	(20) Declared Cargo Value (see clause 7.3): . 00
(21) Place and Date of issue of B/L: Kobe April 25, 2008		(22) Number of Original Bills of Lading: 3 / THREE ⑨	
(23) Signed and issued as agents for SCHENKER ocean as Carrier by:  Schenker Japan Ltd. ①			

CHECKLIST**Charter Party Bill of Lading (C/P Bill of Lading)**

- ① ■ Has it been signed or authenticated by the master or a named agent for or on behalf of the master, by the vessel's owner or a named agent for or on behalf of the vessel's owner, or by the charterer or a named agent for or on behalf of the charterer? (Art. 22a i UCP).
- ② ■ Are the goods consigned in the C/P bill of lading as stipulated in the documentary credit (i.e. to order, to order of a named person or firm, or directly to a named consignee without a "to order" notation)?
 - Has the C/P bill of lading been properly endorsed (if this is necessary)?
- ③ ■ Is the "notify" address exactly as stipulated in the credit (Art. 14j UCP)?
- ④ ■ Is the C/P bill of lading an "on board" ("shipped") bill of lading?

To qualify as an "on board" or "shipped" bill of lading, it must either be made out on a form containing wording to this effect or it must carry an "on board" notation from the carrier or his agent (Art. 22a ii and iii UCP). Art. 22a iii is particularly important in this regard. The "on board" notation must refer to the port of dispatch and the vessel named in the credit, and the document must bear the same port of destination as that named in the credit.

 - Is the C/P bill of lading marked "on deck"?

If so, the goods have been loaded on deck. This is not permissible unless specifically authorized in the credit (Art. 26 UCP).
- ⑤ ■ Are the port of loading and port of destination exactly as stipulated in the credit? The port of destination can be expressed in the form of several ports or as a geographic region, in accordance with the credit.
- ⑥ ■ Are the marks, weights, etc. consistent with those indicated in the other documents?
- ⑦ ■ Do references to the payment of freight costs, if present, conform to the terms of delivery in the credit, and do the freight charges shown in the C/P bill of lading match those in the commercial invoice?

In the case of CFR and CIF contracts, the C/P bill of lading must bear the words "freight paid" or "freight prepaid"; for FOB deliveries, the required wording is "freight collect."
- ⑧ ■ Does the date of shipment shown in the C/P bill of lading conform to the requirements of the credit?

The date of a "shipped" or "on board" C/P bill of lading or the date of a subsequently added "on board" stamp is regarded as the date of shipment.

 - If the credit does not stipulate a specific period of presentation for the documents, will the documents be presented within 21 days of the date of shipment, i.e. the date of issue of the C/P bill of lading or the date of the "on board" notation, if there is one (Art. 14c UCP), and in any case not later than the expiry date of the credit?
 - Is the C/P bill of lading "clean", i.e. without any derogatory clause referring to the condition or packing of the goods (e.g. "several bags torn", "iron bands rusty", "one case defective", "part of goods decayed", Art. 27 UCP)?
 - Have alterations on the C/P bill of lading been properly authenticated?

Any alteration must be accompanied by an "alteration approved" stamp and the signature or approval of the master, or a named agent for or on behalf of the master, or by the vessel's owner or a named agent for or on behalf of the vessel's owner, or signed or authenticated by the charterer or a named agent for or on behalf of the charterer?
- ⑨ ■ Is the C/P bill of lading in a full set of properly signed originals (Art. 22a iv UCP)?

(See Fig. 23 on the facing page, "Charter Party Bill of Lading")

Charter Party Bill of Lading (Fig. 23)

<p>CODE NAME "CONGENBILL" EDITION 1994</p> <hr/> <p>Shipper</p> <p>Commodities Ltd Moscow, Russia</p> <hr/> <p>Consignee</p> <p>Trading Co. Ltd ② Zug, Switzerland</p> <hr/> <p>Notify address</p> <p>Trading Co. Ltd ③ Zug, Switzerland</p> <hr/> <p>Vessel</p> <p>MV Novosibirsk</p> <hr/> <p>Port of loading ⑤</p> <p>St. Petersburg</p> <hr/> <p>Port of discharge ⑤</p> <p>Durban, South Africa</p> <hr/> <p>Shipper's description of goods</p> <p>Russian Coal as per P/I-No. 12345.6</p>	<p>Page 2</p> <p>B/L No1</p> <p>BILL OF LADING TO BE USED WITH CHARTER - PARTIES</p> <p>Reference</p> <div style="border: 2px solid blue; padding: 5px; display: inline-block; transform: rotate(-2deg); font-weight: bold; font-size: 1.2em;">ORIGINAL</div>								
<p>Gross weight</p> <p>27,998.490 MTS ⑥</p>									
<p>CLEAN ON BOARD</p> <p>(of which cargo on deck at Shipper's risk; the Carrier not being responsible for loss or damage howsoever arising)</p>									
<p>⑦ Freight payable as per CHARTER-PARTY</p> <p>FREIGHT PAYABLE AS PER CHARTER PARTY</p> <p>FREIGHT ADVANCE.</p> <p>Received on account of freight: _____</p> <p>Time used for loading _____ days _____ hours</p>	<p>④ SHIPPED at the Port of Loading in apparent good order and condition on board the Vessel for carriage to the Port of Discharge or so near thereto as she may safely get the goods specified above. Weight, measure, quality, quantity, condition, contents and value unknown.</p> <p>IN WITNESS where of the Master or Agent of the said Vessel has signed the number of Bill of Lading indicated below all of this tenor and date, any one of which being accomplished the other shall be void.</p> <p>FOR CONDITIONS OF CARRIAGE SEE OVERLEAF</p>								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Freight payable at</td> <td>Place and date of issue</td> </tr> <tr> <td>Number of Original B/L</td> <td>St. Petersburg 11/02/2008 ⑧</td> </tr> <tr> <td>⑨ 3 (THREE)</td> <td>Signature</td> </tr> <tr> <td></td> <td>THE MASTER OF M/V 'Novosibirsk' CAPT. Carlos Gonzales ① <i>C. Gonzales</i></td> </tr> </table>	Freight payable at	Place and date of issue	Number of Original B/L	St. Petersburg 11/02/2008 ⑧	⑨ 3 (THREE)	Signature		THE MASTER OF M/V 'Novosibirsk' CAPT. Carlos Gonzales ① <i>C. Gonzales</i>	
Freight payable at	Place and date of issue								
Number of Original B/L	St. Petersburg 11/02/2008 ⑧								
⑨ 3 (THREE)	Signature								
	THE MASTER OF M/V 'Novosibirsk' CAPT. Carlos Gonzales ① <i>C. Gonzales</i>								

c) Documents of Evidence and Accompanying Documents

aa) Overview

Documents of evidence and accompanying documents are not documents of title, i.e. they do not represent the goods to which they relate. The consignee can therefore take delivery of merchandise sent by air or rail without having to present a waybill or consignment note.

bb) Air Waybill (in the UCP generally referred to as an “air transport document”)

An air waybill is evidence of a contract of carriage between the carrier and the sender and certifies that the carrier has received the goods for dispatch. It also contains instructions for the handling, routing and release of the goods.

CHECKLIST Air Waybill

- ① ■ Are the consignee's name and address and the airports of departure and destination in agreement with the terms of the credit?
- ② ■ Does the document indicate the name of the carrier?
- ③ ■ Is the carrier's signature or authentication identifiable as that of the carrier? If the document is signed or authenticated by a named agent for or on behalf of the carrier, does it indicate the name and capacity of that party (carrier)?
- ④ ■ Do any statements concerning the payment of freight conform to the terms of the credit?
 - Does the air waybill indicate the actual flight date?
If the date is stated in the credit, the information contained in the air transport document under “Requested Flight/Date” or similar field for flight number and flight date does not suffice as a special note of this departure date. The date of issuance or a separately added notation with the flight date will otherwise be considered as the date of shipment.
- ⑤ ■ Has the shipper's copy (or similar description) been submitted?
If this remains in the exporter's possession, the exporter may recall the goods or have them rerouted to a different addressee as long as the shipper's copy was not submitted to the carrier. Only when the exporter has relinquished this document does he give up the power of disposal over the consignment. Submission of the copy intended for the sender is sufficient even if the credit prescribes a full set of originals (Art. 23a v UCP).

(See Fig. 24, “Air Waybill” on the facing page)

Air Waybill (Fig. 24)

Shipper's Name and Address NIPPONEXPORT 20 Hakarucho 2-Chome Naniwa-KU OSAKA 530, Japan		Shipper's Account Number		Not Negotiable Air Waybill CARRIER: Japan Airlines ^② Issued by PO Box, Tokyo, Japan	
Consignee's Name and Address Elektro-Import AG Voltastrasse 10 8000 Zürich Switzerland ^①		Consignee's Account Number		Copies 1, 2 and 3 of this Air Waybill are originals and have the same validity It is agreed that the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF. ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARE GIVEN HEREON BY THE SHIPPER. AND SHIPPER AGREES THAT THE SHIPMENT MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES WHICH THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge if required.	
Issuing Carrier's Agent Name and City		Accounting Information Notify: (same as consignee, Tel. +41 44 123 45 67)			
Agent's IATA Code		Account No.			
Airport of Departure (Addr. of First Carrier) and Requested Routing Tokyo, Japan ^①		Reference Number		Optional Shipping Information	
To	By First Carrier	Routing and Destination	to	by	to
ZRH	Japan Airlines				
Airport of Destination ^①		Requested Flight/Date		Currency	Declared Value for Carriage
Zurich, Switzerland		JL 614/25		CHF	NVD
Handling Information		Amount of Insurance		Declared Value for Customs	
		XXX		NCV	
No of Pieces RCP	Gross Weight	kg	Rate Class	Commodity Item No.	Charges
120	3,600 kgs				
Nature and Quantity of Goods (incl. Dimensions of Volume)		Television Sets L/C SGAT 112-137312 FREIGHT PREPAID ^④			
Prepaid		Weight Charge		Collect	
Valuation Charge		Tax		Total Other Charges Due Agent	
Total Other Charges Due Carrier		Total Prepaid		Total Collect	
Currency Conversion Rates		CC Charges in Dest. Currency		Charges at Destination	
For Carrier's Use only at Destination		Total Collect Charges		Total Collect	
		25-Apr-08		Tokyo	
		Executed on (date)		at (place)	
				Japan Airlines ^③	
				Signature of Shipper or his Agent <i>P. Muck</i>	
				Signature of Issuing Carrier or its Agent <i>P. Muck</i>	

ORIGINAL 3 (FOR SHIPPER) ^⑤

Ein Produkt der Hess Druck AG
8560 Märstetten **HSS**

cc) Other Transport Documents

(Non-negotiable sea waybills; multimodal transport documents; road, rail or inland waterway transport documents; courier and post receipts; transport documents issued by freight forwarders)

Road and rail transport documents and transport documents issued by freight forwarders, though not documents of title, are suitable for use in documentary credit operations. These accompanying documents are evidence of a contract of carriage between the seller and the carrier.

As soon as the sender delivers the goods to the forwarding agent or transport operator, he receives one of these documents, depending on the type of transport and the conditions of the credit, which he must present to the bank together with the other documents. This provides confirmation that the goods have either been taken in charge for delivery or actually dispatched.

UCP Articles 19, 21, 24 and 25 regulate how these documents must be issued if the credit itself does not contain other stipulations.

The checklist for the Multimodal Transport Document appears on page 64 and an example of it on page 65, Fig. 26

CHECKLIST

Other Transport Documents, General

- If the credit stipulates these types of documents, have these been duly stamped and/or signed?
- Do these documents relate to the same delivery or service as the other documents?
- Are the marks, weights, etc. consistent with those indicated in the other documents?
- Are the name and address of the consignee correct?
- Are the places of departure and destination in agreement with the terms of the credit?
- Do statements concerning the payment of freight conform to the delivery terms?
- Do the documents contain all the information called for in the credit?

(See Fig. 27, "CMR – International Waybill" on page 67)

CHECKLIST

Rail Consignment Note (Rail Transport, Art. 24 UCP)

- Is the document the genuine duplicate or just a copy?
- Does the document carry the stamp of the station of departure?

(See Fig. 25, "Rail Consignment Note" on the facing page)

CHECKLIST Courier and Post Receipt (Art. 25 UCP)

- Have the receipts been stamped, signed or otherwise authenticated by the named courier?

- Have the receipts or certificates of posting been stamped or otherwise authenticated?

Rail Consignment Note (Fig. 25)

<p>Nonobstant toute clause contraire, le transport des marchandises est soumis aux Règles uniformes CIM. Sont en outre applicables les conditions générales de transport du transporteur. Die Beförderung von Gütern unterliegt auch bei einer gegenseitigen Abmachung den Einheitlichen Rechtsvorschriften CIM. Ausserdem sind die Allgemeinen Beförderungsbedingungen des Beförderers anwendbar.</p> <p>Sauf convention contraire, l'établissement des wagons vides est soumis aux Règles uniformes CUV. Sont en outre applicables les conditions contractuelles stipulées au transport ferroviaire. Die Beförderung von Leerwagons unterliegt unter Vorbehalt gegenseitiger Abmachung den Einheitlichen Rechtsvorschriften CUV. Im Übrigen gelten die einschlägigen Vertragsbedingungen des Eisenbahnverkehrsunternehmens.</p>		<p>30 Lettre de voiture CIM <input type="checkbox"/> Frachtbrief CIM</p> <p>31 Lettre wagon CUV <input type="checkbox"/> Wagenbrief CUV</p>		40	41	42	43
<p>1 Expéditeur (nom, adresse) – Absender (Name, Anschrift)</p> <p>Instrumenten AG Wattstrasse 50 8000 Zürich</p> <p>Signature – Unterschrift</p> <p>N° TVA – MWST-Nr.</p>		<p>2</p> <p>3</p> <p>E-Mail</p> <p>Tel.</p> <p>Fax</p>		<p>7 Déclarations de l'expéditeur Erklärungen des Absenders</p> <p>FREIGHT REPAID</p>		<p>8 Référence expéditeur – Absender Referenz</p>	
<p>4 Destinataire (nom, adresse, pays) Empfänger (Name, Anschrift, Land)</p> <p>Import SpA Strada Principale 120 Napoli, ITALIA</p> <p>N° TVA – MWST-Nr.</p>		<p>5</p> <p>6</p> <p>E-Mail</p> <p>Tel.</p> <p>Fax</p>		<p>9 Annexes – Beilagen</p> <p>COMMERCIAL INVOICE</p>			
<p>10 Lieu de livraison – Ablieferungsort</p> <p>Napoli</p> <p>Gare – Bahnhof</p>		<p>11</p> <p>12</p>		<p>16 Prise en charge – Übernahme</p> <p>mois – jour – heure Monat – Tag – Stunde</p> <p>MARCH 31ST, 2008</p>		<p>17</p>	
<p>13 Conditions commerciales – Kommerzielle Bedingungen</p> <p>FREIGHT REPAID</p>		<p>14</p> <p>15</p>		<p>18 Wagon N° – Wagen Nr.</p> <p>0187 332 3028 0</p>		<p>19 Parcours – Strecke</p> <p>par – durch</p>	
<p>15 Informations pour le destinataire – Vermerke für den Empfänger</p>		<p>16</p> <p>17</p>		<p>20 Paiement des frais – Zahlung der Kosten</p> <p>Y compris – einschliesslich</p> <p>jusqu'à – bis</p> <p><input type="checkbox"/> Franco de port Franko Fracht</p> <p><input checked="" type="checkbox"/> CIP Napoli, ITALIA Incoterms</p>		<p>21 Désignation de la marchandise – Bezeichnung des Gutes</p> <p>200 HIGHTEMPERATURE COMPONENTS</p>	
<p>22 Transport exceptionnel – Aussergewöhnliche Sendung</p> <p>oui ja <input type="checkbox"/> 23 RID oui ja <input type="checkbox"/></p>		<p>24</p> <p>25</p>		<p>26 NHM Code</p> <p>27 Masse</p> <p>15'000</p> <p>40</p>		<p>28 Déclaration de valeur – Wert des Gutes</p> <p>Monnaie</p> <p>29 Intérêt à la livraison – Interesse an der Lieferung</p> <p>Währung</p> <p>30 Remboursement – Nachnahme</p> <p>Monnaie</p> <p>31 Vérification – Überprüfung</p>	
<p>70</p> <p>71</p> <p>72</p> <p>73</p> <p>74</p> <p>75</p> <p>76</p> <p>77</p> <p>78</p>		<p>79</p> <p>80</p>		<p>49 Code d'affranchissement – Frachtkennzeichen</p> <p>50 Itinéraires – Leitungswege</p>		<p>32 Déclaration de valeur – Wert des Gutes</p> <p>Monnaie</p> <p>33 Intérêt à la livraison – Interesse an der Lieferung</p> <p>Währung</p> <p>34 Remboursement – Nachnahme</p> <p>Monnaie</p> <p>35 Vérification – Überprüfung</p>	
<p>70</p> <p>71</p> <p>72</p> <p>73</p> <p>74</p> <p>75</p> <p>76</p> <p>77</p> <p>78</p>		<p>79</p> <p>80</p>		<p>51 Opérations douanières – Zollbehandlung</p>		<p>36 Rémunération – Vergütung</p> <p>37</p>	
<p>70</p> <p>71</p> <p>72</p> <p>73</p> <p>74</p> <p>75</p> <p>76</p> <p>77</p> <p>78</p>		<p>79</p> <p>80</p>		<p>52 Bulletin d'affranchissement – Frachtkennzeichnung</p> <p>oui ja <input type="checkbox"/> renvoyé zurückgesandt</p> <p>mois – jour Monat – Tag</p>		<p>38</p>	
<p>70</p> <p>71</p> <p>72</p> <p>73</p> <p>74</p> <p>75</p> <p>76</p> <p>77</p> <p>78</p>		<p>79</p> <p>80</p>		<p>53 Avis d'encaissement N° – Nachnahmebegleitschein Nr.</p> <p>renvoyé zurückgesandt</p> <p>mois – jour Monat – Tag</p>		<p>39</p>	
<p>70</p> <p>71</p> <p>72</p> <p>73</p> <p>74</p> <p>75</p> <p>76</p> <p>77</p> <p>78</p>		<p>79</p> <p>80</p>		<p>54 Procès-verbal N° – Tatbestandsaufnahme Nr.</p> <p>établi par établi durch</p> <p>mois – jour Monat – Tag</p>		<p>40</p>	
<p>70</p> <p>71</p> <p>72</p> <p>73</p> <p>74</p> <p>75</p> <p>76</p> <p>77</p> <p>78</p>		<p>79</p> <p>80</p>		<p>55 Prolongation du délai de livraison – Lieferfristverlängerung</p> <p>Code du – von</p> <p>au – bis</p> <p>lieu – Ort</p>		<p>41</p>	
<p>56 Déclarations du transporteur – Erklärungen des Beförderers</p>		<p>57 Autres transporteurs – Andere Beförderer</p> <p>Nom, adresse – Name, Anschrift</p> <p>ZÜRICH – CHIASSO – MILANO – ROMA – NAPOLI</p> <p>Parcours – Strecke</p> <p>Qualité Eigenschaft</p>		<p>58</p>		<p>42</p>	
<p>58 a) Transporteur contractuel – Vertraglicher Beförderer</p> <p>Signature – Unterschrift</p>		<p>59 Date d'arrivée – Ankunftsdatum</p> <p>Arrivée N° – Empfangs-Nr.</p>		<p>60 Mise à disposition – Bereitgestellt</p> <p>mois – jour – heure Monat – Tag – Stunde</p>		<p>61 Identification de l'envoi – Sendungs-Identifikation</p> <p>Pays – Land</p> <p>Gare – Bahnhof</p> <p>Entreprise – Unternehmen</p> <p>Exp. N° – Versand Nr.</p>	
<p>b) Procédure simplifiée de transit ferroviaire – Vereinfachtes Eisenbahnversandverfahren</p> <p>oui ja <input type="checkbox"/></p> <p>Code principal obligé – Code Hauptverpflichteter</p> <p>1</p>		<p>62</p> <p>63</p>		<p>64</p>		<p>65 Lieu et date d'établissement – Ort und Datum der Ausstellung</p> <p>8000 ZÜRICH, 31-MAR-08</p>	

Print-Date: 8.7.8

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CHECKLIST Multimodal Transport Document
(Transport document for at least two modes of transport)

- ① ■ Does the document indicate the name of the carrier and has it been signed or authenticated 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 (Art. 19a i UCP)?
- ② ■ Are the goods consigned as stipulated in the credit (i.e. to order, to order of a named person or firm, or direct to a named consignee without a “to order” notation)?
 - Has the document been properly endorsed (if this is necessary)?
- ③ ■ Is the “notify” address exactly as stipulated in the credit (Art. 14j UCP)?
- ④ ■ Does the document indicate the taking in charge, dispatch or loading on board of the goods at the place specified in the documentary credit?

If yes, do the forms contain wording to this effect or are they forms on which the date of dispatch, taking in charge or loading on board has been added after the fact by the carrier or his agent or by the master or a named agent for or on behalf of the master (Art. 19a ii UCP).

Art 19a iii is particularly important in this regard. The “on board” note must refer to the port of dispatch and the vessel indicated named in the credit and the document must bear the same port of destination as that named in the credit.

 - Is the document marked “on deck”?

In this case, the goods have been loaded on the deck, which is not permitted unless the credit contains a corresponding provision (Art. 26 UCP).
 - Does the document contain the word “intended” or some similar qualification in relation to the ship and/or port of loading and/or port of discharge?

Such qualifications are only allowed in certain circumstances (Art. 19a iii UCP).

- ⑤ ■ Are the markings, weights, etc. in agreement with the details given in the other transport documents?
- ⑥ ■ Do references to the payment of freight costs, if present, conform to the terms of delivery in the credit, and do the freight charges shown in the document match those in the commercial invoice?

In the case of CFR and CIF contracts, the document must bear the words “freight paid” or “freight prepaid”; for FOB deliveries, the required wording is “freight collect”.
- ⑦ ■ Does the date of shipment shown in the document conform to the requirements of the credit?

The date of a “shipped” or “on board” bill of lading or the date of a subsequently added “on board” stamp is regarded as the date of shipment.

 - If the credit does not prescribe a specific deadline for the submission of the documents after the shipping date: Will the documents be submitted within 21 days of the shipping date, but not later than on the expiry date (Art. 14c UCP)?
 - Is the document “clean”, i.e. without any derogatory clause referring to the condition or packing of the goods (e.g. “several bags torn”, “iron bands rusty”, “one case defective”, “part of goods decayed”, Art. 27 UCP)?
 - Have alterations on the document been properly authenticated?

Any alteration must be accompanied by an “alteration approved” stamp and the signature or initials of the carrier or a named agent acting for or on behalf of the carrier, or of the master or a named agent acting for or on behalf of the master.
- ⑧ ■ Has a full set of properly signed originals been submitted (Art. 19a iv UCP)?

(See Fig. 26, “Multimodal Transport Document” on the facing page)

(See Fig. 27, “CMR - International Waybill” on page 67)

Multimodal Transport Document (Fig. 26)

Shipper Instrumenten AG Wattstrasse 50 8000 Zürich		SPEDLOGSWISS MT B/L Negotiable Multimodal Transport Bill of Lading issued subject to UNCTAD/ICC Rules for Multimodal Transport Documents (ICC Publication 481).	
Consigned to order of Import Ltd Main Road New Delhi India ②			
Notify address Import Ltd Main Road New Delhi India ③			
Declared value	Place of receipt	Zurich ④	
Ocean Vessel	MV Seastar	Port of loading	Genova
Port of discharge	Mumbai	Place of delivery	New Delhi
		Freight payable at	origin
		Number of Original Bs/L three ⑧	
Marks and numbers	Number/kind of packages	Description of goods	Gross weight/Measurement
Carton No. 1 – 120 Order-No. 12345 ⑤	2 Pallets each 100 cartons total 200 cartons	200 High Temperature Components	350,00 kgs
⑥ FREIGHT PREPAID			
SHIPPED ON BOARD ON MV SEASTAR IN GENOVA ON 31-MAR-08 ⑦			
according to the declaration of the merchant			
For release of cargo apply to India Agency Ltd Mumbai, India		Freight and charges	
		Place and date of issue Zurich, 31-Mar-08	
RECEIVED in apparent good order and condition, unless otherwise noted herein, at the place of receipt for transport and delivery as mentioned above. One of these Multimodal Transport Bills of Lading must be surrendered duly endorsed in exchange for the goods. In witness whereof the original Multimodal Transport Bills of Lading all of this tenor and date have been signed in the number stated above, one of which being accomplished the other(s) to stand void.		Stamp and signature SPEDLOGSWISS LTD ①	
The goods and instructions are accepted and dealt with subject to the Standard Conditions printed overleaf.		As Carrier	

SPEDLOGSWISS

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SPECIMEN



CMR – International Waybill (Fig. 27)

<p>1. Blatt (weiß) Tarifkontrolle 1er exemplaire (blanc) contrôle tarifaire</p>	<p>2. Blatt (rot) Absender 2e exemplaire (rouge) expéditeur</p>	<p>3. Blatt (blau) Empfänger 3e exemplaire (bleu) destinataire</p>	<p>4. Blatt (grün) Frachtführer 4e exemplaire (vert) transporteur</p>																												
<p>1 Absender (Name, Anschrift, Land) Expéditeur (nom, adresse, pays)</p> <p>Instrumenten AG Wattstrasse 50 8000 Zürich</p>		<p>INTERNATIONALER FRACHTBRIEF Exp.-Nr. LETTRE DE VOITURE INTERNATIONALE</p> <p>Diese Beförderung unterliegt trotz einer gegenteiligen Abmachung den Bestimmungen des Übereinkommens über den Beförderungsvertrag im internat. Straßengüterverkehr (CMR). Ce transport est soumis, nonobstant toute clause contraire, à la Convention relative au contrat de transport international de marchandises par route (CMR).</p>																													
<p>2 Empfänger (Name, Anschrift, Land) Destinataire (nom, adresse, pays)</p> <p>Import SpA Strada Principale 120 Napoli, ITALIA</p>		<p>16 Frachtführer (Name, Anschrift, Land) Transporteur (nom, adresse, pays)</p> <p>CAMION AG 8000 ZÜRICH</p>																													
<p>3 Auslieferungsort des Gutes Lieu prévu pour la livraison de la marchandise</p> <p>Ort/Lieu Napoli Land/Pays Italia</p>		<p>17 Nachfolgende Frachtführer (Name, Anschrift, Land) Transporteurs successifs (nom, adresse, pays)</p>																													
<p>4 Ort und Tag der Übernahme des Gutes Lieu et date de la prise en charge de la marchandise</p> <p>Ort/Lieu 8000 Zürich Land/Pays Schweiz Datum/Date 31-Mar-08</p>		<p>18 Vorbehalte und Bemerkungen Réserves et observations des transporteurs</p>																													
<p>5 Beigefügte Dokumente Documents annexés</p>																															
<p>6 Kennzeichen und Nummern Marques et numéros</p> <p>7 Anzahl der Packstücke Nombre des colis</p> <p>8 Art der Verpackung Mode d'emballage</p> <p>9 Bezeichnung des Gutes * Nature de la marchandise *</p> <p>10 Statistiknummer No statistique</p> <p>11 Bruttogewicht in kg Poids brut, kg</p> <p>12 Umfang in m³ Cubage m³</p>																															
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<p>13 Anweisungen des Absenders (Zoll- und sonstige amtliche Behandlung) Instructions de l'expéditeur (formalités douanières et autres)</p>		<p>19 Zu zahlen vom: À payer par:</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>Fracht Prix de transport</td> <td>Absender L'expéditeur</td> <td>Währung Monnaie</td> <td>Empfänger Le Destinataire</td> </tr> <tr> <td>Ermäßigungen Réductions</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Zwischensumme Solde</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Zuschläge Suppléments</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Nebengebühren Frais accessoires</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sonstiges Divers</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Zu zahlende Gesamtsumme/TOTAL à payer</td> <td></td> <td></td> <td></td> </tr> </table>		Fracht Prix de transport	Absender L'expéditeur	Währung Monnaie	Empfänger Le Destinataire	Ermäßigungen Réductions				Zwischensumme Solde				Zuschläge Suppléments				Nebengebühren Frais accessoires				Sonstiges Divers				Zu zahlende Gesamtsumme/TOTAL à payer			
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<p>14 Rückerstattung Remboursement</p>		<p>20 Besondere Vereinbarungen Conventions particulières</p>																													
<p>15 Frachtzahlungsanweisungen Prescription d'affranchissement</p> <p>Frei Franco Unfrei Non Franco</p>																															
<p>21 Ausgefertigt in Etablie à 8000 Zürich</p>		<p>24 Gut empfangen Réception des marchandises</p>																													
<p>am le 31. März 2008</p>		<p>Datum Date</p>																													
<p>22 Instrumenten AG</p> <p>Unterschrift und Stempel des Absenders (Signature et timbre de l'expéditeur)</p>		<p>23 Camion AG</p> <p>Unterschrift und Stempel des Frachtführers (Signature et timbre du transporteur)</p>																													
<p>25 Angaben zur Ermittlung der Tarifierung mit Grenzübergängen</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>von</td> <td>bis</td> <td>km</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </table>		von	bis	km				<p>28 Berechnung des Beförderungsentgelts</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th>frachtpf. Gewicht in kg</th> <th>Tarifstelle, Sonderabmachung</th> <th>Güterarten</th> <th>Währung</th> <th>Frachtsatz</th> <th>Beförderungsentgelt</th> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>		frachtpf. Gewicht in kg	Tarifstelle, Sonderabmachung	Güterarten	Währung	Frachtsatz	Beförderungsentgelt																
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<p>26 Vertragspartner des Frachtführers ist – kein – Hilfs- gewerbetreibender im Sinne des anzuwendenden Tarifs</p>																															
<p>27</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>Amtl. Kennzeichen</td> <td>Nutzlast in kg</td> </tr> <tr> <td>Kfz</td> <td> </td> </tr> <tr> <td>Anhänger</td> <td> </td> </tr> <tr> <td colspan="2" style="text-align: right;">Summe</td> </tr> </table>		Amtl. Kennzeichen	Nutzlast in kg	Kfz		Anhänger		Summe																							
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Kfz																															
Anhänger																															
Summe																															
<p>Benutzte Gen.-Nr.</p>		<p><input type="checkbox"/> National <input type="checkbox"/> Bilateral <input type="checkbox"/> EG <input type="checkbox"/> CEMT</p>																													
<p>Ausfüllen unter der Verantwortung des Absenders À remplir sous la responsabilité de l'expéditeur</p> <p>1-15 einschließlich y compris 21 + 22 Die mit fett gedruckten Linien eingerahmten Rubriken müssen vom Frachtführer ausgefüllt werden. Les parties encadrées de lignes grasses doivent être remplies par le transporteur.</p> <p>* Bei gefährlichen Gütern ist, außer der eventuellen Bescheinigung, auf der letzten Linie der Rubrik anzugeben: die Klasse, die Ziffer sowie gegebenenfalls der Buchstabe. * En cas de marchandises dangereuses indiquer, outre la certification éventuelle, à la dernière ligne du cadre: la classe, le chiffre et le cas échéant, la lettre.</p>																															

dd) Insurance Documents

If the agreed delivery terms are CIF, it is up to the seller to take out insurance. The insurance document (policy or certificate) is the proof that he has done so. The amount of cover must be at least 110 % of the CIF value of the goods. (Art. 28f i + ii). The CIF value normally comprises the net price (after deduction of discounts) plus the costs of packing, transport and insurance.

If the CIF value cannot be assessed, the minimum amount of the insurance cover must be 110 % of the amount for which payment, acceptance or negotiation is requested or 110 % of the gross amount of the invoice, whichever is higher (Art. 28f ii UCP). The insurance must be issued in the currency of the credit unless the credit states otherwise (Art. 28f I UCP).

In the UCP (Art. 28g), the parties to the credit are urged to give **explicit descriptions** of the **risks** to be insured against and to avoid imprecise formulations such as “usual risks” or “commercial risks”.

If the risks to be covered are not precisely stipulated in the credit, the bank will accept insurance documents as presented, without responsibility for any risks not covered (Art. 28g UCP).

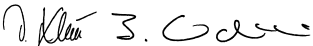
The insurance document must show that the risks are covered at least between the place of dispatch stated in the credit and the destination (Art. 28f iii).

CHECKLIST Insurance Documents

- ① ■ Is the insurance document of the right type?
The terms of the credit will stipulate whether the exporter must present an insurance policy or insurance certificate. Brokers' cover notes – which are sometimes headed “insurance certificate” – will not be accepted by the bank unless expressly permitted in the credit (Art. 28a, c and d UCP).
- ② ■ Has the insurance document been issued by the insurance company, an underwriter or an agent or proxy of the insurance company or an underwriter (UCP, Art. 28a)?
 - If the insurance certificate has been signed by an agent or proxy, does it specifically state that the agent or proxy has signed for and on behalf of the insurance company or an underwriter?
 - Is the document endorsed on the reverse (if necessary)?
- ③ ■ Are the description of goods, the marks, the transport route and the name of the vessel in agreement with the details given in the transport documents and commercial invoice?
- ④ ■ Is the sum insured expressed in the same currency as the credit and is it at least equal to the required minimum amount (Art. 28f i UCP)?
- ⑤ ■ Are all the risks specified in the credit included word for word in the insurance document (Art. 28g and h UCP)?
- ⑥ ■ Do the presented documents constitute a full set (Art. 28b UCP)?
- ⑦ ■ Is the date of issue the same as or earlier than the date of the transport document?
A later date of issue is acceptable only if the document expressly states that cover was effective from the date of shipment (Art. 28e UCP).
 - If the goods have been loaded on deck, does the insurance cover “on deck” risks?
This transport method must be expressly permitted in the documentary credit (Art. 26a UCP).

(See Fig. 28, “Insurance Certificate” on the facing page)

Insurance Certificate (Fig. 28)

International Insurance Company	CH-8001 Zurich P.O. Box 22 Telephone +41 (0)44 723 01 77 Telefax +41 (0)44 723 01 74 info@inincompany.com	Insurance Certificate (Insurance Policy)
②		①
		Certificate issued in 1 originals and 2 copies. ⑥
Policy No. CH00002972MA	Assured: Elektro-Import AG Voltastrasse 10 CH-8000 Zurich Switzerland	
We herewith certify having insured the goods Designated hereafter for the transportation		
from Kobe, Japan		
to Hamburg, Germany	③	
Conveyance MV Seastar on 25-Apr-08		
Marks, numbers, goods and manner of packing:		
Elektro-Import BC 2000 Made in Japan C1-120 Television-Sets 120 Cardboard boxes	③	
Amount insured: USD 33,000.–	④	
in letters: US-Dollars thirty three thousand/00		
Scope of insurance		
COVERING 'ALL RISKS', INCL. RISKS OF WAR, STRIKES, RIOTS AND CIVIL COMMOTIONS ⑤		
In the event of loss or damage:	Surveyor:	
<ol style="list-style-type: none"> 1. Any loss or damage must be ascertained immediately by the surveyor. 2. Claims shall be settled by the head office of XL Winterthur International Insurance Switzerland. 3. Claims will be paid subject to surrendering of one negotiable original of this certificate, the remaining originals, if any, thereby becoming void. 4. Place of jurisdiction is Winterthur or the Swiss domicile of the plaintiff. 5. The following documents are to be submitted in support of any claim: <ol style="list-style-type: none"> 5.1. Negotiable original of the Insurance Certificate or policy 5.2. Commercial invoice and packing list 5.3. Original Bill of Lading and/or other original documents relating to the conveyance 5.4. Original Survey Report issued by the surveyor 5.5. Letter of protest against the carriers and respective replies 5.6. Claim statement 5.7. Any other document or correspondence in respect of the transport in question 		
Zurich, April 20, 2008 ⑦		
International Insurance Company		
		

ee) Commercial Invoice

The commercial invoice is the accounting document which shows the sum of money due to the exporter from the importer.

From time to time the beneficiary is required to present a consular invoice. This is an invoice authenticated by the consulate of the importer's country, confirming that the invoice amount represents the actual value of the goods. A consular invoice facilitates customs clearance in the importer's country.

CHECKLIST Commercial Invoice

- ① ■ Has the invoice been made out by the beneficiary and – unless otherwise stipulated in the credit – is it addressed to the applicant for the credit (Art. 18a UCP)?
- ② ■ Is the commercial invoice made out in the currency of the credit (Art. 18a iii UCP)?
- ③ ■ Has the invoice been signed, authenticated by a notary public or a chamber of commerce and /or legalized by a consulate, if so stipulated in the credit?
- ④ ■ Are the description of the goods, their value and the unit price exactly as stipulated in the credit (Art. 18c UCP)?
The description of the goods must not contain specifications such as "used", "as new", "reconditioned", etc., unless these are expressly allowed by the terms of the credit.
- ⑤ ■ Does the information regarding the number of packages, shipping marks, quantity of goods, weights, etc. agree with the details given in the transport and other documents?
 - Is the invoice amount no higher than the credit amount or, in the case of part-shipments, no higher than the outstanding portion of the credit?
This applies only where the credit covers 100 % of the value of the goods.
 - In the case of part-shipments, does the invoice amount correspond proportionally to the dispatched quantity?
This applies only to deliveries comprising a single type of goods.
- ⑥ ■ Do the terms of delivery (ex-works, FOB, CFR, etc.) agree with the terms of the credit?
 - Is the invoice correct arithmetically (insofar as the prices have been specified)?

(See Fig. 29, "Commercial Invoice" on the facing page)

CHECKLIST Consular Invoice

- Has the consular invoice been issued on the official form and been duly authenticated by the consulate?
- Do the marks, number of items, quantity of goods, weight, import license number, etc. agree exactly with the details given in the commercial invoice and the transport document?
- Do the FOB, CFR or CIF values agree exactly with those given in the commercial invoice?
- Does the name of the vessel agree with that stated in the bill of lading?

Commercial Invoice (Fig. 29)

Nipponexport ①

INVOICE

20 Hakarucho 2-Chome
Naniwa-Ku
Osaka 530, Japan

DATE: April 25th, 2008
INVOICE # 100
FOR: TV-Sets

Bill To:
Elektro-Import AG
Voltastrasse 10
8000 Zurich
Switzerland

Covering Television Sets
Shipped per MV Seastar on 25-Apr-08 from Kobe to Hamburg
freight prepaid, insurance to be covered by us

DESCRIPTION	AMOUNT
Television Sets 'Brilliant Colours 2000' ④ Quantity: 120 pcs Unit-Price: USD 250.-/pc Marks + Numbers: Elektro- Import ⑤ BC 2000 Made in Japan C1-120 as per L/C-No. SGAT 112-137312 issued by Credit Suisse Zurich dated 03-Apr-08	② USD 30,000.- ⑥ CIF Hamburg
TOTAL	USD 30,000.-

THANK YOU FOR YOUR BUSINESS!

Nipponexport
Sales Manager
M. Komei

③



ff) Other Documents

These include, for example, certificates of origin, certificates of quality or analysis, work progress certificates, weight lists, weight certificates, inspection certificates and packing lists.

The UCP contain no detailed rules covering these documents. The issuing party and the wording or information content should therefore be precisely stipulated in the credit. Otherwise banks will accept such documents as presented, provided their information content enables the goods and/or services referred to in the documents to be related to those referred to in the commercial invoice or credit (Art. 14f UCP).

The growing use of documentary credits in connection with service transactions means that **work progress certificates** are now becoming increasingly important. By signing a work progress certificate, the buyer confirms to the seller that a part of the work has been duly completed.

These documents involve a degree of risk for the beneficiary of the credit, since the buyer can withhold his signature and thereby delay or even prevent payment under the credit. It is therefore very important that the credit should contain a **“latest due clause”** stipulating a date by which the amount owed must be paid irrespective of the presentation or non-presentation of work progress certificate.

The detailed checklists given above emphasize the **formal rigor that characterizes documentary credit operations**. If a single question cannot be answered satisfactorily, the Bank may have to refuse payment. If, however, after a thorough examination of the documents, the beneficiary judges them to be in order, he can present them to the bank. Credit Suisse provides a special form for this purpose (See Fig. 31, “Documents Schedule” on page 74).

CHECKLIST Weight List, Weight Certificate

- Is the document headed “weight list”/“weight certificate”?
A weight certificate must be signed.
- Does the total weight agree with that stated in the other documents?
- Do the various partial weights add up to the total weight?

CHECKLIST Inspection Certificate

- Is the document headed “inspection certificate”?
- Do the details in the certificate agree with the terms of the credit?
- Has the certificate been signed?
These points also apply to certificates of quality and manufacturers' test certificates.

CHECKLIST Packing List

- Is the document headed “packing list”?
- Does the list contain all the necessary information, especially concerning the packing units?

CHECKLIST Certificate of Analysis



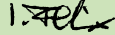
- Does the analysis agree exactly with the terms of the credit and the information contained in the other documents?
- Does the analysis refer to the same goods as the commercial invoice?
- Has the certificate been issued and signed by the authorities stipulated in the credit?

CHECKLIST Certificate of Origin

- ① ■ Does the origin of the goods as stated in the certificate agree with the terms of the credit?
- ② ■ Is the applicant for the credit designated as the consignee?
- ③ ■ Has the certificate been signed?
- ④ ■ Has the certificate been authenticated and/or legalized by the stipulated authorities?

(See Fig. 30, “Certificate of Origin” on the facing page)

Certificate of Origin (Fig. 30)

Exporteur Exportateur Esportatore Exporter Instrumenten AG Wattstrasse 50 8000 Zurich Switzerland		Nr. No.
Empfänger Destinataire Destinataro Consignee The India Commercial Co. Ltd. Central Road Mumbai INDIA	②	URSPRUNGSZEUGNIS CERTIFICAT D'ORIGINE CERTIFICATO D'ORIGINE CERTIFICATE OF ORIGIN SCHWEIZERISCHE EIDGENOSSENSCHAFT CONFÉDÉRATION SUISSE CONFEDERAZIONE SVIZZERA SWISS CONFEDERATION 
Angaben über die Beförderung (Ausfüllung freigestellt) Informations relatives au transport (mention facultative) Informazioni riguardanti il trasporto (indicazione facoltativa) Particulars of transport (optional declaration) by airfreight from Zurich to Mumbai	Ursprungsstaat Pays d'origine Paese d'origine Country of origin SWITZERLAND	①
Zeichen, Nummern, Anzahl und Art der Packstücke; Warenbezeichnung Marques, numéros, nombre et nature des colis; désignation des marchandises Marche, numeri, numero e natura dei colli; designazione delle merci Marks, numbers, number and kind of packages; description of the goods SHIPPING MARKS: India Commercial Co. Ltd. Measuring Instruments Invoice-No. 1234 HANDLE WITH CARE L/C-No. BOM-9876 C1-20	DESCRIPTION OF GOODS: 20 pcs. IAG Measuring Instruments as per Proforma-Invoice-No. PI1234	Nettogewicht Poids net Peso netto Net weight kg, l, m ³ etc./ecc. 220 kg Bruttogewicht Poids brut Peso lordo Gross weight 240 kg
<p>Die unterzeichnete Handelskammer bescheinigt den Ursprung oben bezeichneter Ware La Chambre de commerce soussignée certifie l'origine des marchandises désignés ci-dessus La sottoscritta Camera di commercio certifica l'origine delle merci summenzionate The undersigned Chamber of commerce certifies the origin of the above mentioned goods</p> <p>Zürich, February 28th, 2008</p>  <p>Zürcher Handelskammer ④ Chambre de Commerce de Zürich Camera di Commercio di Zurigo Zürich Chamber of Commerce  ③</p>		

Documents Schedule (Fig. 31)

Absender / Expéditeur / Mittente / Sender:

Instrumenten AG
Wattstrasse 50
8000 Zürich

CREDIT SUISSE
Trade Finance Service Center **Zürich**
Giesshuelbelstrasse 30
P.O. Box
CH-8070 Zürich

Ort und Datum / Lieu et date / Luogo e data / Place and date
Zürich, 25.5.2008

Ref. / Rif: AB-0678

Eröffnende Bank / Ouvert par / Aperto da / Opening Bank:
Commercial Bank
Hong Kong

Akk. / LC-No.: SGAT 112-135742 / C-123-45

- Als Beilage übergeben wir Ihnen die folgenden Dokumente zur teilweisen restlichen vollständigen Benützung obigen Akkreditives:
- Nous vous remettons en annexe les documents suivants pour l'utilisation partielle restante complète de l'accréditif susmentionné:
- Vi rimettiamo in annesso i seguenti documenti per l'utilizzo parziale rimanente completo dell'accreditivo summenzionato:
- Enclosed we send to you the following documents for partial the remaining the complete utilisation of the above mentioned letter of credit:

Wechsel/ Quittung	Faktura	Konsul.- Faktura	Urspr.- Zeugnis	Vers.-Pol. od. Zert.	Konnos- sement	Luffr.- brief	Dupl. Frachtbr.	Sped.- Besch.	Post- Quittung	Pack- liste	Gewicht- Nota	Kredit- brief	
Effet/ Quittance	Facture	Facture consul.	Certificat d'origine	Pol./Cert. d'assur.	Connais- sement	Lettre de tr. aérien	Lettre de voiture	Récép. d'expéd.	Récép. postal	Liste de colisage	Note de poids	Lettre de credit	
Effetto/ Ricevuta	Fattura	Fattura consolare	Certific. d'origine	Pol./Cert. d'assicur.	Polizza di carico	Lett. di tr. aereo	Dupl.Lett. di vettura	Ricev. d. sped.	Ricevuta postale	Distinta d'imball.	Nota pesi	Lettera di credito	
Draft / Receipt	Invoice	Consular Invoice	Certificate of origin	Insurance policy or Certificate	Bill of lading	Air waybill	Duplicate of railway bill	Forwarder's receipt	Postal receipt	Packing list	Weight certificate	Letter of credit	
2	5			1		1							

über folgende Warensendung / concernant l'envoi de la marchandise suivante /
riguardante il seguente invio di merci / of the following consignment of goods:
200 high temperature components

Der uns zustehende Betrag von / La somme de / L'importo dovutoci di / the amount of
CHF 45,000.- ist / qui nous est due doit être / è / entitled to us

- unserem Konto Nr. gutzuschreiben / créditée sur notre compte No. /
da accreditare sul nostro conto no. / is to be credited to our account No. -200 100-01
- zu überweisen an / virée à / da versare a / is to be transferred to
zugunsten Konto Nr. / sur le compte No. /
in favore del nostro no. /in favour of account No. _____

Bemerkungen / Remarques / Osservazioni / Remarks:

Unterschrift / Signature / Firma


To be completed by the Bank
CIF-Nr. _____ Productcode: 00011

5.3 Discrepancies in the Documents

If the bank decides to refuse documents because it has found them to be irregular, it must inform the beneficiary of this decision within a reasonable time (defined in Art. 16c UCP as five banking days following the day of receipt of the documents). It will then sometimes be possible for the beneficiary to rectify the documents or get them corrected and to resubmit them before the credit expires. The credit does not automatically become void if the documents are rejected by the Bank.

In most cases an alternative solution is sought, because outright rejection would run counter not only to the economic interests of the beneficiary but also to those of the buyer. In practice, one of the following three procedures is adopted:

1. The correspondent bank notifies the issuing bank of the discrepancies by SWIFT and requests **authority to effect payment despite them** or
2. The correspondent bank suggests to the beneficiary that the documents be sent to the issuing bank **for approval**. In this way, the buyer will gain possession of the documents only against payment of the value of the goods.
3. The correspondent bank may – though it is under no obligation to do so – honor the documents **“under reserve”**. If the buyer or issuing bank then refuses to make payment against the documents because of the discrepancies, the beneficiary must refund the amount (plus commissions, expenses and interest) to the bank. The reserve is lifted, i.e. payment becomes definitive, once the buyer or issuing bank has received the documents and expressly or tacitly accepted them (“tacitly” in this context means without immediate objection).

If the issuing bank decides to refuse documents presented to it by the correspondent bank on the grounds that they contain discrepancies, the refusal will not be regarded as valid unless the following conditions are met (Art. 16c and d UCP):

- Notice of refusal must be given without delay and no later than the close of the fifth banking day following the day of receipt of the documents.
- A rapid means of communication must be used.
- The notice must state all the discrepancies and indicate which of the four options detailed in Article 16c has been selected with regard to fate of the documents.

5.4 Settlement

A correspondent bank that has confirmed a documentary credit will honor the documents once it has examined them and found them to be in order. If the credit is unconfirmed, the correspondent bank that advised it is not bound to honor the documents, but, in the interests of the client, it will usually do so.

Depending on the agreed method of settlement, the correspondent will either pay out the credit amount, give an undertaking to pay at a later date (in the case of a deferred payment credit), accept a bill of exchange or negotiate, i.e. give value in exchange for the documents. In the first case the beneficiary obtains an immediate cash payment. If the transaction involves an undertaking to pay at a later date, the beneficiary’s bank may be prepared to grant him an advance on the strength of this undertaking if he so wishes. If the credit is available by acceptance, he can either wait for the accepted bill of exchange to mature or else convert it into cash by discounting it at his bank.

If the credit is available by negotiation, the beneficiary will receive a cash payment. However, a reduction will be made from this payment to allow for the expected time for the transmission of the documents to the issuing bank and the transfer of the cover to the corresponding bank. Depending on the form the credit takes, the beneficiary may receive an undertaking to provide advance payment from the bank.

The correspondent bank forwards the documents to the issuing bank and requests reimbursement, either immediately or at a later date depending on the terms of the credit. If the transaction is conducted in the local currency of the correspondent bank, this bank can debit the amount to the issuing bank’s account (for example, foreign banks hold their Swiss franc balances with Swiss banks). If the amount is expressed in the currency of the issuing bank’s country, the issuing bank will credit the account of the correspondent bank. In the case of a documentary credit issued in a currency other than that of the issuing or correspondent bank, settlement is not quite so simple. The issuing bank could authorize a bank in the respective currency area to credit or transfer the owed amount on demand to the correspondent bank (reimbursement). The duties and responsibilities of all banks involved are set out in International Chamber of Commerce Publication No. 725 “ICC Uniform Rules Bank-to-Bank Reimbursements under Documentary Credits”. These rules are not reproduced in this brochure.

The issuing bank checks the documents to ensure that they meet the requirements of the credit. If they are in order, they will be released to the buyer against payment of the amount due, either immediately or at a later date depending on the terms. On the strength of the documents, the buyer can now take possession of the goods and proceed with the import formalities.

6. Supplement to UCP 600 for Electronic Presentation

The supplement Version 1.1 in force since July 1, 2007, consists of 12 articles which are all headed by the article number prefixed by the letter “e” to distinguish them from the numbered articles of UCP 600.

It aims to allow beneficiaries to present documents in electronic or paper form, provided that the documentary credit does not stipulate otherwise.

Although there is no established practice as yet with respect to electronic documents, a framework has been set up which will make it possible for the beneficiary to present documents in an electronic form and for the banks to check these documents, irrespective of systems or technologies.

In particular, the rules had to define how terms such as “on their face” and “sign”, which are completely clear in the paper world, should and must be interpreted for the electronic world.

In this respect, particular care must be taken to ensure that every documentary credit defines the format of the electronic document to be presented. Otherwise, it would be possible to present the document in any format (e4). The bank is not allowed to refuse documents on the grounds that it cannot read and examine them (e6c). Therefore, important to know whether the bank can examine a particular format before issuing or advising. Agreeing to issue or advise a documentary credit without defining a format would therefore entail incalculable risk.

Another important provision states that every principal must take due note of the fact that any electronic document presented to the bank must identify the documentary credit under which it is presented. This identification may be provided in a header or in the document itself (e5d i).

The beneficiary of the documentary credit must notify the bank at which the documents are to be presented when the presentation is complete. Until this notification arrives, the bank must not take any action, and the documents, which nearly always come from different parties and at different times, will not be considered as presented.

The banks involved must particularly ensure that the beneficiary is provided with two addresses in the documentary credit for the presentation of electronic and paper documents. An address for the presentation of electronic documents (e.g. cs@tfsczrh.ch) and an address for the presentation of paper documents (usual street address and town) must be supplied (e5a).

Electronic documents may also contain a hyperlink to an external system. The principal must ensure that the link to such an external system allows access for checking. If access is not available, the document is considered non-compliant with the conditions of the documentary credit.

These are the most important provisions. It remains to be seen whether, in practice, electronic documents will soon account for a large proportion of presentations. Until a large number of transactions have taken place, it will not be clear whether the regulations set down meet the needs of the markets. However, as these regulations form an appendix to UCP 600, revised versions can be readily produced to fulfil any new requirements.

7. Costs

The main commissions charged by the banks for services rendered and risks borne are as follows:

Costs of a Documentary Credit (Fig. 32)

	Unconfirmed Irrevocable Credit	Confirmed Irrevocable Credit
Issue (Issuing bank)	Handling fee plus risk premium	Handling fee plus risk premium
Advice (Correspondent bank)	Non-recurring advice commission	
Confirmation (Correspondent bank)		Handling fee plus risk premium
Disbursement	Payment/negotiation commission	Payment/negotiation commission
Deferred payment	Non-recurring deferred payment commission	Handling fee for each payment plus risk premium for the extended commitment period

- In the absence of an agreement to the contrary, all costs are borne by the applicant (exception: negotiation credit).
- If a credit is utilized only in part or not at all, commissions already charged in respect of that credit are not refunded.
- There are fixed commission rates for most types of amendment.
- Expenses are charged separately.

2. Instruments for Securing Payment

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2. Instruments for Securing Payment

B. Documentary Collections

1. Procedures and Participants

A documentary collection is a transaction in which a bank collects payment on behalf of the seller (the principal) by delivering documents to the buyer.

Documentary collections are very suitable in cases where the exporter is reluctant to supply the goods on an open account basis but does not need the degree of security provided by a documentary credit. Compared to delivery on open account, a documentary collection offers greater security in that its purpose is to prevent the buyer from taking possession of the goods before either paying or accepting a bill of exchange. **The banks concerned do not enter into any commitment and are under no obligation to pay.** The exporter is relieved of a large part of the administrative work connected with the collection of documents and benefits from the bank's worldwide network of contacts. Thanks to the less stringent formal requirements, this service is cheaper and more flexible than a documentary credit.

In a documentary collection the exporter cannot be sure at the time of dispatch of the goods that the buyer will actually pay the amount owed. This form of settlement is therefore most appropriate in the following cases:

- if the exporter has no doubt about the buyer's willingness and ability to pay (e.g. because a good business relationship exists between the two parties);
- if the political, economic and legal environment in the importing country is considered to be stable;
- if the buyer's country has placed no restrictions on imports (e.g. exchange controls) or has issued all the necessary authorizations.

The whole process, extending from the first contact between the importer and exporter to the completion of the transaction, can involve many separate steps. Basically, however, a documentary collection has three stages:

Stages of a Documentary Collection (Fig. 33)

Stage 1

Establishing the terms of collection

The exporter stipulates the terms of payment in his offer or agrees them with the buyer in the contract of sale.

Stage 2

Collection order and transmission of documents

When the order has been awarded or the contract of sale has been signed, the exporter dispatches the goods direct to the address of the buyer or to the presenting bank. At the same time, he assembles all the necessary documents (invoice, bill of lading, insurance certificate, certificate of origin, etc.) and sends them to his own bank (the remitting bank) together with the collection order. The remitting bank then sends the documents, together with the necessary instructions, to the collecting bank.

Stage 3

Presentation of documents to drawee and settlement

The presenting bank informs the buyer of the arrival of the documents and notifies him of the terms of their release. The buyer makes payment, or accepts the bill of exchange, and in return receives the documents. The presenting bank then transfers the collected amount to the remitting bank, which credits it to the exporter's account.

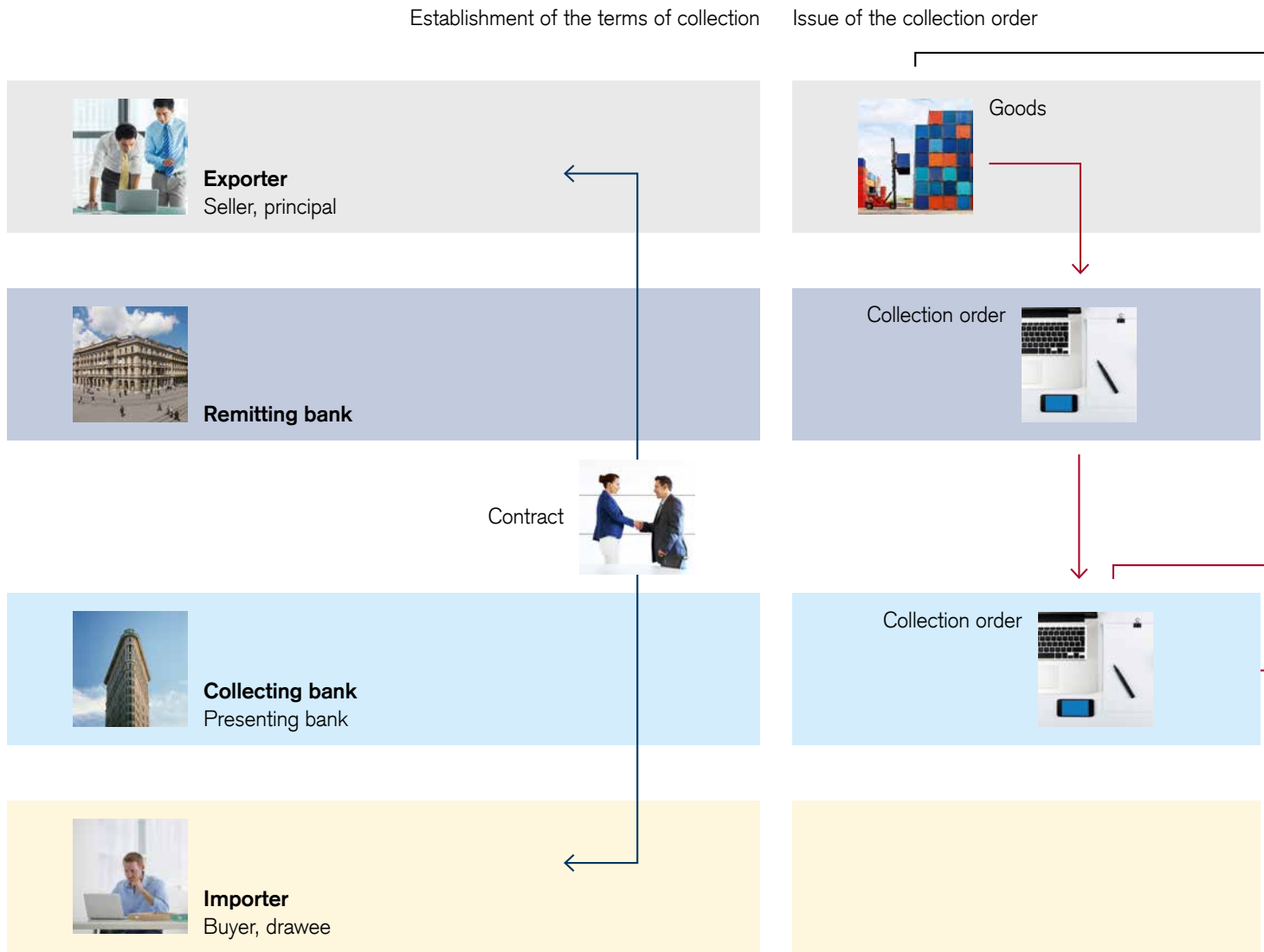
Participants:

There are usually four parties to a documentary collection operation:

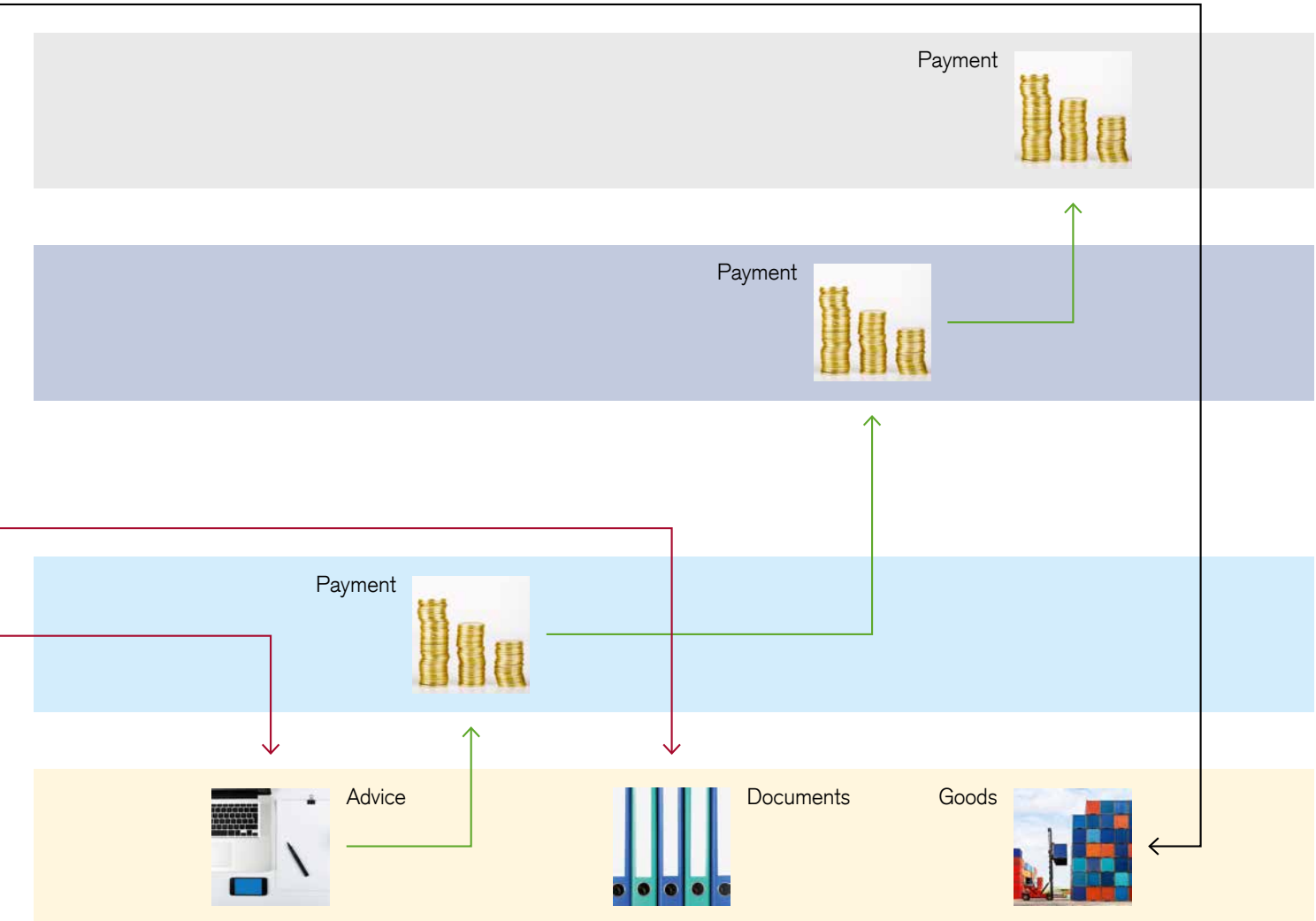
- **exporter** (seller, principal)
- **remitting bank**
- **collecting bank** (presenting bank); the term "collecting bank" is applied to any bank, other than the remitting bank, involved in the execution of the order. The term "presenting bank" is used to denote the collecting bank which presents the documents to the importer.
- **importer** (buyer, drawee)

(See Fig. 34, "Procedure for a Documentary Collection" on page 82)

Procedure for a Documentary Collection (Fig. 34)



Presentation of the documents and payment



2. Basis in Law

The Swiss banks base their handling of documentary collections on the “**Uniform Rules for Collections**” (URC) published by the ICC in Paris. The text of the version in force since January 1, 1996, is reproduced in the Appendix.

Juridically, these rules have not yet gained the same degree of international acceptance as the Uniform Customs and Practice for Documentary Credits. An appropriate clause in the order form makes the URC an integral part of the contract between the principal and the bank.

The collection order forms used by CS contain the following note:

“This documentary collection is to be subject to the 1995 revision of the ‘Uniform Rules for Collections’ issued by the ICC, Paris, publication no. ICC 522”.

The URC are chiefly concerned with regulating the rights and duties of the banks and the liabilities they assume by accepting a collection order. The remitting bank is responsible – not only under the URC but also under Art. 394 et seq. (“Mandate”) of the Swiss Code of Obligations – for ensuring that the exporter’s instructions are transmitted to the collecting bank. It is not liable for any errors on the part of the collecting bank. **The banks make no promise of payment**, nor can they be sued for consequences arising from force majeure or delays or losses in the transmission of information or documents, provided such delays or losses occur through no fault of theirs.

3. Establishing the Terms of Collection

An exporter has been invited by a prospective foreign buyer to submit an offer for the supply of goods.

The terms of payment are stipulated in the offer or in the contract of sale, e.g. “documents against payment”, or “documents against acceptance (bill of exchange payable at 60 days after sight)”.

This payment clause refers to one or other of the following **types of collection**:

3.1 Documents against Payment (D/P)

The presenting bank is authorized to release the documents to the drawee **only against immediate payment**. In international usage, “immediate” means “no later than the arrival of the goods”. If the seller (customer) does not wish to wait this long for payment, he or she must request “payment upon first presentation of documents” when issuing the collection instructions. In this case, however, both the contract of sale and the invoice must contain a clause stating that the documents are to be presented to the drawee at the collecting bank immediately on receipt. According to Art. 5b of URC 522, the collection instruction should state the exact period of time within which the drawer must take up the documents or fulfill “other conditions”. Such “other conditions” may, for instance, take the form of a written commitment by the importer to pay the amount owed at maturity; the wording of this commitment must be established by the principal.

3.2 Documents against Acceptance (D/A)

The presenting bank releases the documents to the drawee against his **acceptance of a bill of exchange**, which is usually payable 30–180 days after sight or at a fixed future date. A sight bill is never used in this type of collection, because accepting such a bill would be equivalent to making a cash payment and taking receipt. Under a D/A arrangement the drawee

gains possession of the goods before payment is actually effected. By selling them immediately, he can raise the necessary funds to pay the bill of exchange. He thus obtains a **period of credit** and is relieved of the need to arrange short-term inventory financing.

Once the documents have been released, the exporter's only security is the bill of exchange accepted by the importer. While waiting for the bill to mature, the exporter bears the risk of non-payment. If the contract of sale has a clause to this effect, however, he may request that the importer **have the bill guaranteed by the presenting bank** or by another first-class bank. Under Swiss law, a guarantee for a bill of exchange (known as an “aval”) may take the form of either a signature on the face of the bill or an explicit guarantee written on the reverse or in an appended document. A note must be added to the signature stating that the **guarantee covers the obligation of the drawee** (under Art. 1021 SCO, it is otherwise deemed to cover the obligation of the drawer). The guarantor becomes jointly liable with the drawer. Thus if the drawee fails to pay the bill at maturity, the guarantor can immediately be sued for the debt. The seller thereby reduces his own risk and is more likely to be able to discount the bill or – in the case of medium-term maturities – sell it to a forfaiter or get it accepted as security for a bank advance.

3.3 Acceptance with Documents against Payment

This third type of collection is encountered more often in the textbooks than in practice. Orders of this type are occasionally received from countries in the Far East. The exporter gives instructions that the importer, on presentation of the documents, shall accept a bill of exchange drawn at, say, 60 days after sight. The documents may not, however, be released to the importer until the bill has been paid. Until then the goods must be kept in a warehouse.

Documentary Collection Order (Fig. 35)

Documentary Collection Order

8987 Wiesenkirch, February 8, 2008

Zip Code, Place, Date

AB/cd/A-60 B

Our Ref.

A Baumann, +41 449410001/+41 449410000

Officer responsible, tel.: /fax:

Registered
CREDIT SUISSE

P.O. Box 100
SGAT 112
CH-8070 Zurich

Please find enclosed the following documents:

- bill of exchange / draft
- invoices
- packing / weight list
- certificate of origin
- insurance certificate /policy
- bill of Lading (B / L)
- air consignment note (AWB)
- FCR /CMR /CTD /MTD
- postal receipt
- certificates
- pyrogen tests

Drawee:

R. R. Ramirez + Cia. SAIC
14 de Mayo
1400 Buenos Aires
Argentina

Drawee's bank

Banco de Sta. Cruz
Florida
1000 Buenos Aires
Argentina

These documents are to be presented through the above bank to the drawee, to be released only against:

- payment of _____
- acceptance of the attached draft for: CHF 2,700.- due 06.05.2008
The collecting bank is to retain the draft for collection at maturity.
- other condition(s): _____
(Please prescribe form and wording)

Your collection fees for account of

- ourselves
- drawee: documents may be released before fees paid.
- drawee: documents may not be released until fees paid.

Collection fees of correspondent for account of

- ourselves
- drawee: documents may be released before fees
- drawee: documents may not be released until fees paid.

In case of difficulties the bank should contact:

Agent
A. Kumstein SA
Casilla de Correo Central 2005
1000 Buenos Aires

Special conditions:

Fill in only if necessary

- protest of non - payment non-acceptance
- no protest
- guarantee issued
- default interest payable at 6 % p.a. from 07.05.2008 until payment.
interest may may not be waived

- who is authorized to alter all of these conditions
- who is not authorized to alter any of these conditions

agent's commission: _____

agent's bank: _____

Please send the document express by courier

Instructions in the event of non-payment, non accept and/or non-fulfilment of other requirements, or any comments:
Please see our "General Instructions" for Argentina, dated 02.08.1992

After payment, please credit:

- our Swiss francs account no. 0835-995 098-01
(foreign currencies converted at best available current exchange rate)
- our (foreign currency) account no. _____

Hugentobler AG
Waldhüslweg 67
8987 Wiesenkirch



Stamp and signature

This documentary collection to be subjected to the "Uniform rules for collections", published by the International Chamber of Commerce, ICC, publication 522, 1995

4. Collection Order and Transmission of Documents

Having received the purchase order or signed the contract of sale, the seller dispatches the goods. The invoice, transport document, insurance document and other documents have been prepared.

The seller is now ready to request that his bank **arrange collection**. The **instructions** he gives **must be clear and complete**, since the handling of the transaction by the remitting and collecting banks will be governed solely by the instructions contained in the collection order. Where possible, the banks should also be instructed how to proceed in the event of difficulties.

4.1 Collection Order

For the convenience of exporters, CS has prepared a special order form for documentary collection orders (Fig. 35, "Documentary Collection Order" on page 86).

When making out the collection order, special attention should be paid to the following points:

① Drawee's Address

In order to avoid hitches in the collection process, the full and exact address of the buyer must be stated. Carelessness on this point can lead to considerable problems (Art. 4c URC 522).

Registered CREDIT SUISSE P.O. Box 100 SGAT 112 CH-8070 Zurich
Drawee: R. R. Ramirez + Cia. SAIC 14 de Mayo 1400 Buenos Aires Argentina ①
Drawee's bank Banco de Sta. Cruz Florida 1000 Buenos Aires Argentina

② Documents

The type and number of the **documents** should be in accordance with the laws and regulations of the importing country. If the relevant particulars are not contained in the purchase order or the contract of sale, the exporter should make early enquiries at the consular office of the importing country. Should any of the required documents be missing, taking-up of the documents by the buyer will be prevented or delayed, and that will mean the prevention or delay of payment. For further information on the documents commonly used in international trade, see pages 53–73.

Packing marks and numbers must be the same in all documents. Likewise, the ports of loading and discharge and the name of the vessel must be the same in all documents.

Shipments by sea may be consigned "**to order**". The fact that a marine bill of lading is a document of title guarantees that the goods will be released only to the bill's formally identified holder. Problems can arise if the goods are consigned to the order of the importer. If he fails to take up the documents and does not endorse the bill of lading, the goods cannot be disposed of.

Documentary Collection Order	
8987 Wiesenkirch, February 8, 2008	
Zip Code, Place, Date	
AB/cd/A-60 B	
Our Ref.	
A Baumann, +41 449410001/+41 449410000	
Officer responsible, tel.: /fax:	
Please find enclosed the following documents:	
<input checked="" type="checkbox"/>	bill of exchange / draft
<input checked="" type="checkbox"/>	invoices
<input type="checkbox"/>	packing / weight list
<input type="checkbox"/>	certificate of origin
<input checked="" type="checkbox"/>	insurance certificate /policy
<input type="checkbox"/>	bill of Lading (B / L)
<input type="checkbox"/>	air consignment note (AWB)
<input type="checkbox"/>	FCR /CMR / CTD /MTD
<input type="checkbox"/>	postal receipt
<input checked="" type="checkbox"/>	certificates
<input checked="" type="checkbox"/>	pyrogen tests

② ICC, publication 522, 1995

If goods are dispatched by air, post, rail or truck directly to the importer's address, they will be handed over to the importer regardless of whether or not he has honored the documents. The exporter may therefore address the goods to the presenting bank or another collecting bank. But in such cases he must obtain the prior consent of the bank in question. Otherwise "the bank has no obligation to take delivery of the goods, which remain at the risk and responsibility of the party dispatching the goods" (Art. 10 URC 522).

If the collecting bank has expressly agreed to the goods being dispatched to its address, its sole obligation in the event of non-payment or non-acceptance by the importer is to give immediate notification to the remitting bank. The warehousing, sale or return of the goods is then the responsibility of the exporter or his representative in the country of destination. In some cases the collecting bank may offer assistance, the resultant costs of which are borne by the exporter.

③ Name and Address of Presenting Bank

If the exporter knows the identity of the importer's bank or wishes a particular bank to be entrusted with the collection, he should give the exact name and address of this bank in the collection order. Should the remitting bank regard his choice as unsatisfactory on the basis of previous experience or because of restrictions in the importing country, it will contact him and suggest what it believes to be a more suitable alternative.

③	Drawee's bank
	Banco de Sta. Cruz Florida 1000 Buenos Aires Argentina

In the absence of instructions from the exporter, the remitting bank will entrust the collection to a correspondent bank of its own choice. It cannot, however, be made liable for any errors on the part of the bank selected. It is merely obliged to make its choice with reasonable care and to pass on the correct instructions.

④ Type of Collection

For reasons of security, the banks will release the documents to the buyer against immediate payment only in the absence of instructions to the contrary. They will not collect on a **“documents against acceptance”** basis unless the collection order **expressly instructs** them to do so. If such an instruction is given, the presenting bank must ensure that the acceptance of the bill of exchange is complete and correct. However, the presenting bank bears no responsibility for the genuineness of the signature, the authority of the signatory to sign or the credit-worthiness of the acceptor.

⑤ Bill of Exchange

The exporter must enclose, along with the commercial documents, a bill of exchange drawn on the buyer and payable to himself. Depending on the instructions contained in the collection order, the presenting bank will return the accepted bill to the remitting bank for delivery to the exporter or retain it in safe-keeping until maturity. Once the accepted bill has been paid, the presenting bank transfers the proceeds to the remitting bank and the latter credits the sum to the exporter.

onal Chamber of Commerce,	These documents are to be presented through the above bank to the drawee, to be released only against ④
	<input type="checkbox"/> payment of _____
	<input checked="" type="checkbox"/> acceptance of the attached draft for: <u>CHF 2,700.--</u> ⑤ due <u>06.05.2008</u> The collecting bank is to retain the draft for collection at maturity.
	<input type="checkbox"/> other condition(s): _____ (Please prescribe form and wording)

⑥ Commissions and Expenses (see also 6. Costs)

In the absence of instructions to the contrary, the remitting bank will debit its own commissions and expenses and also those of the collecting or presenting bank to the exporter. The latter can, however, give instructions that the commissions and expenses be borne by the buyer. If the buyer refuses to pay them, the presenting bank is still entitled to release the documents to him unless the collection order expressly states that the documents may not be released until after payment of commissions and expenses (Art. 21b URC 522).

Published by the Internet	Your collection fees for account of	⑥	<input type="checkbox"/> ourselves
			<input checked="" type="checkbox"/> drawee: documents may be released before fees paid.
			<input type="checkbox"/> drawee: documents may not be released until fees paid.
	Collection fees of correspondent for account of		<input type="checkbox"/> ourselves
			<input checked="" type="checkbox"/> drawee: documents may be released before fees
			<input type="checkbox"/> drawee: documents may not be released until fees paid.

⑦ Address in Case-of-Need

The exporter should give the name and address of a representative or agent in the country of destination who in the event of non-payment will be able to attend to the warehousing, resale or repatriation of the goods. The collection order should also state whether and on which matters the presenting bank may take instructions from the case-of-need address (e.g. concerning the alteration of terms and conditions or the disposal of documents and goods).

in rules for collections	Agent	⑦
	A. Kumstein SA	
	Casilla de Correo Central 2005	
	1000 Buenos Aires	

⑧ Special Conditions and Instructions

Under this heading the exporter can give instructions on various matters, such as:

- whether a protest should be made in the event of non-payment or non-acceptance. If the importer refuses to pay or to accept the bill of exchange when the documents are presented, the presenting bank must send notice of this to the exporter through the remitting bank. The bank will not institute a protest unless expressly instructed to do so;
- whether a protest should be made in the event of non-payment of the accepted bill;
- whether the presenting bank may permit the drawee to inspect or sample the goods;
- whether, in the event of late payment, default interest is to be charged;
- whether, in the case of a transaction in a foreign currency, payment is to be credited against a forward contract (currency hedge).

Special conditions:	⑧	Fill in only if necessary
<input type="checkbox"/> protest of	<input type="checkbox"/> non - payment	<input type="checkbox"/> non-acceptance
<input checked="" type="checkbox"/> no protest		
<input type="checkbox"/> guarantee issued		
<input checked="" type="checkbox"/> default interest payable at 6 % p.a. from 07.05.2008 until payment.		
interest may <input type="checkbox"/>	may not <input type="checkbox"/>	be waived

⑨ Bank Account

Precise instructions on how the proceeds of the collection are to be paid to the exporter will speed up the transmission of payment and prevent misunderstandings. If the proceeds are payable in a foreign currency, it is a good idea for the exporter to open a foreign currency account. The amount can then be credited to him in the original currency.

This documentar	After payment, please credit:	⑨
	<input checked="" type="checkbox"/> our Swiss francs account no. 0835-995 098-01 <small>(foreign currencies converted at best available current exchange rate)</small>	
	<input type="checkbox"/> our (foreign currency) account no.	

⑩ Signature

And finally – don't forget to sign!

Hugentobler AG Waldhüsiweg 67 8987 Wiesenkirch	⑩
<i>Hugentobler</i>	
Stamp and signature	

CHECKLIST for Collection Orders

- Does the order state the buyer's full and exact address?
- Is the type of collection (i.e. against payment or acceptance) clearly stated?
- Have all the documents required by the buyer or agreed in the contract of sale been enclosed?
- Have the documents been made out in accordance with the laws and regulations of the importing country?
- Have the documents been filled out completely and correctly?
- Are the packing marks and numbers the same in all the documents?
- Are the ports of loading and discharge and the name of the vessel the same in all the documents?
- Have the documents been duly signed?
- Have the bill of lading, insurance document and bill of exchange been endorsed on the reverse (if necessary)?
- Is it possible to state the exact name and address of the presenting bank?
- Are the commissions and expenses of the remitting bank and the collecting bank to be charged to the buyer?
If so, an instruction to this effect must be given in the collection order.
- Is it possible to give the name and address of a representative or agent ("case-of-need" address) in the country of destination who will attend to the goods in the event of non-payment?
If so, the presenting bank must be told whether and on which matters it may take instructions from this representative.
- Should the bank be instructed to institute a protest in the event of non-payment or non-acceptance?
- Should a protest be made in the event of non-payment of an accepted bill?
- May the presenting bank permit the drawee to inspect or sample the goods?
- If the transaction is in a foreign currency, is payment to be credited against a forward contract (currency hedge)?
- Does the order clearly state the bank account to which the proceeds of the collection are to be credited?
- Has the order been signed?

4.2 Checking the Documents

Before submitting the collection order to his bank, the exporter must check the **documents** to see that they have been **completed fully and correctly**. The bank has no obligation to carry out such an examination itself; its task is merely to pass on the documents and to ensure that the collection order is properly executed. The bank will, of course, check to ensure that all the documents listed in the collection order have been submitted.

The exporter should pay special attention to the following points:


- Has he collated all the documents demanded by the buyer or stipulated in the contract of sale?
- Have the documents been made out in accordance with the laws and regulations of the importing country?
- Have the documents been duly signed?
- Have the bill of lading, the insurance document and the bill of exchange been endorsed on the reverse (if necessary)?
Endorsement is sufficient for transfer if the documents are made out to order.

See also the checklists on pages 54–72

4.3 Forwarding the Documents to the Presenting Bank

The remitting bank sends the documents, together with the necessary instructions, to a bank in the buyer's country. In most cases, this bank presents the documents directly to the buyer. Under some circumstances, it will entrust another bank with the presentation. As already mentioned, the collecting bank which presents the documents to the buyer is known as the presenting bank.

Advice of Documents Received for Collection / Acceptance (Fig. 36)

		CREDIT SUISSE Trade Finance Service Center	
Trade Finance Service Center Hans Keller		P.O. Box 100 CH-8070 Zurich	Tel. +41 (0)44 333 11 11 Telefax +41 (0)44 332 29 40 Telex 812412 CS CH SWIFT CRESCHZZ80A
		Registered letter	
		Hugentobler AG Waldhüslweg 67 8987 Wiesenkirch	
+ 41 44 332 88 56		January 16, 2008	
Our reference:	SGAT 112-137542		
Collection amount	CHF	12,318.–	
Commission	CHF	200.–	
Fees	CHF	75.–	

Total	CHF	12,593.–	

Drawer Zenga SpA Rimini, Italien			
Due date:	At sight		
Documents	1 st mail	2 nd mail	
Invoice	3		
Packing list	3		
		Documents	1 st mail 2 nd mail
		Insurance contract/ certificate	2
		Bill of lading (BL)	3/3
Dear Sir or Madam,			
We are pleased to inform you that we have received the above item for collection. Please find enclosed copy of the relative documents.			
We shall send you the original documents after receipt of your authorization for payment by tested e-mail. In case of refusal, please inform us immediately giving your reasons, so that we may advise our correspondent accordingly.			
Our commission and charges may be waived.			
The execution of this order is subject to ICC URC 522.			
Yours sincerely,			
CREDIT SUISSE			

5. Presentation of the Documents and Settlement

The presenting bank has informed the buyer of the arrival of the documents.

The **advice** from the presenting bank is accompanied by photocopies of the documents. These provide the buyer with the essential facts about the goods that have been sent and tell him whether the documents received by the bank will enable him to take delivery of the goods and clear them through customs (see Fig. 36, “Advice of Documents Received for Collection / Acceptance” on page 91).

The buyer may, if he wishes, go to the bank’s offices and examine the papers. The bank is not, however, allowed to let him inspect the goods at the place of destination without express authorization from the exporter.

In a “documents against payment” transaction, the presenting bank forwards the proceeds of the collection to the remitting bank immediately after payment has been received from the buyer. However, in countries without freely convertible currencies, difficulties can arise if the buyer does not have the required amount of foreign exchange at his disposal. In response to the demands of both importers and exporters, it has now become customary **to release the documents to the buyer against the deposit of an equivalent amount of local currency** together with an **exchange risk guarantee**. In this way, the buyer can take immediate possession of the goods even if the necessary foreign currency is not available at the time.

However, permission for this course of action must be expressly stated in the collection order since the transfer risk remains with the exporter (Art. 17 and Art. 18 URC 522).

The presenting bank forwards the proceeds to the remitting bank as soon as the required foreign exchange becomes available. Any differences caused by exchange rate movements have to be made good by the buyer.

In a “documents against acceptance” transaction, the accepted bill of exchange either remains with the collecting bank or is returned to the remitting bank, depending on the instructions given by the exporter. In the latter case, the remitting bank delivers the bill to the exporter, who can either discount it or have it collected at maturity. In the case of medium-term maturities, it may be possible to sell the bill to a forfaiter or using it as security for a bank advance.

The documentary collection has now fulfilled its purpose; the buyer has used the documents to take possession of the goods and the seller has received his money.

6. Costs

The remitting bank and the collecting bank charge commissions and expenses for handling the collection. The main charges are:

- Commission for the delivery of the documents against acceptance or payment
- Commission for the collection of the accepted bill
- Commission for the release of goods addressed to the bank or addressed to a forwarding agent and to be held to the bank’s order

Depending on the circumstances, the transaction may also involve further charges and expenses, e.g. for the extension of bills of exchange, advice of fate, return of documents, protest, etc., plus postage and other expenses.

Costs are low and the client obtains good value for money. The bank places at his disposal not only the services of its own experienced specialists but also a worldwide network of contacts, which ensures that payments, documents and information are transmitted safely and reliably even in exceptional situations.

3. Case Study and Countertrade

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3. Case Study and Countertrade

A. Case Study: Security of Performance Combined with Security of Payment

A single mechanism is often unable to satisfy the **security needs of one party** without prejudicing **the interests of the other**. The best solution in this situation is to construct a balanced “safety net” of payment-securing and performance-securing instruments. The exporter can then dispatch the goods in the certainty that he will be paid promptly, and the importer can make payment in the certainty that the goods will be duly delivered.

Case Study

The following example illustrates the basic features of an arrangement of this type. For the sake of simplicity, it is assumed that the foreign buyer will recognize guarantees issued by an internationally active Swiss bank.

A consortium in an African country invites tenders for the delivery and installation of textile machines. It requires each tenderer to furnish a tender bond for 2 % of the tender amount. Moreover, the award of the contract is conditional on the provision of a performance bond for 10 % of the contract value.

1. A Swiss textile machine manufacturer prepares a tender, taking into account the cost of the required guarantees. In his tender, he stipulates that settlement is to be by an irrevocable documentary credit confirmed by a Swiss bank. He also specifies the following terms of payment:
 - Advance payment 10 %
 - Part-payment of 60 % after dispatch of the machine
 - Final payment of the outstanding balance after an acceptance test by an independent firm of inspectors

The manufacturer requests his bank to issue the required tender bonds and sends it, together with the tender, to the purchasing consortium.

2. The Swiss company is awarded the order and signs the contract.

The buyer requests his bank to issue an irrevocable documentary credit to be confirmed by a Swiss correspondent. The credit contains the following provisions regarding guarantees:

- The credit is to become operative when the importer confirms to the issuing bank that he has received the required performance bond.
- The advance payment of 10 % may not be made until the correspondent bank is in possession of the stipulated payment guarantee.

3. The exporter's bank issues the performance bond. The documentary credit becomes operative as soon as the Swiss correspondent bank receives notification to this effect from the issuing bank.

The tender bond, having fulfilled its purpose, becomes void.

The exporter's bank, acting on the exporter's instructions, issues an advance payment guarantee for 10 % of the credit amount in favor of the importer and sends the guarantee to the correspondent bank. The latter pays the exporter the amount of the advance payment.

4. Against the presentation of the required documents evidencing dispatch of the machines, the exporter receives the agreed part-payment under the documentary credit.
5. The machines are installed and have passed the acceptance test. The exporter receives payment of the remaining 30 % of the documentary credit amount.

The advance payment guarantee lapses, while the performance bond remains effective until its expiry date or until the end of the guarantee period specified in the contract of sale.

B. Countertrade

1. Introduction

Countertrade transactions have fallen out of fashion in recent years or the economic situation no longer requires them. For example, the improving balance of payments and foreign currency positions in many countries have resulted in fewer solvency and liquidity problems. As it is impossible to predict whether this situation will change, these transactions are nevertheless described here for the sake of completeness.

In this connection, transactions are generally referred to as “countertrades”. Countertrades exist in many forms, and the definitions for the specific types of transaction vary from country to country, leading to confusion over the terminology. Even within Europe, there is no consensus about the definitions of many commonly used terms in this field.

In this chapter we shall present two types of operation, which we refer to as “**compensation transactions**” and “**parallel transactions**”. Both involve placing a monetary value on the goods involved. This distinguishes them from straightforward **barter**, in which an exchange of goods takes place without stipulation of a monetary value.

There is virtually no limit to the kinds of merchandise that can be imported and exported on a countertrade basis. Countries with weak foreign exchange positions offer a very wide range of goods, e.g. crude oil, steel products, agricultural products (coffee, wheat), fishery products ... even jute bags. The goods that flow in the other direction are even more varied: machinery, semi-finished steel products, coal, spectacle lenses, rough-terrain vehicles, fertilizers, pesticides, fully installed automatic telephone exchanges, and many more.

The following examples from practice illustrate how Credit Suisse's range of services can help exporters, importers and foreign banks to solve the technical problems involved in a countertrade transaction.

Banks' involvement in this field rests on the fact that a monetary value is assigned to the goods and services being traded, even if no money actually changes hands. The reciprocal movement of goods and services is reflected in book entries in a special account: an “**escrow account**” in a compensation transaction and an “**evidence account**” in a parallel deal.

2. Compensation Transactions

Compensation transactions are an arrangement whereby the value of imported goods is offset against the value of exported goods. In the case of “**full compensation**”, the values of the goods involved are fully offset against each other. But it is also possible to arrange “**partial compensation**”, under which the exporter receives payment for part of the goods in cash.

Fig. 37, page 98, traces the possible course of a compensation transaction, using the following example:

Stage 1:

Texmas AG, a Swiss exporter, and Masimp Ltd, an importer in a financially weak country, sign a contract for the delivery of goods. Texmas AG is prepared to make delivery only against full payment in advance or against an irrevocable, confirmed documentary credit. However, it is not possible for a bank in Masimp's country to issue a documentary credit because there is no foreign exchange available. Moreover, no bank in Switzerland would be prepared to add its confirmation to a credit issued by a bank in Masimp's country. Masimp Ltd therefore proposes that payment should be made in the form of goods delivered by its compatriot firm, Agrex Ltd.

A Swiss importer, Foodimp AG, is prepared to buy from Agrex Ltd.

The banks enlisted by the importers in the two countries make an agreement under which the amount payable by Foodimp AG in Switzerland is to be credited to an escrow account at Credit Suisse.

Stage 2:

Foodimp AG has a documentary credit issued in favor of Agrex Ltd. A credit is then issued by Masimp Ltd in favor of Texmas AG.

Stage 3:

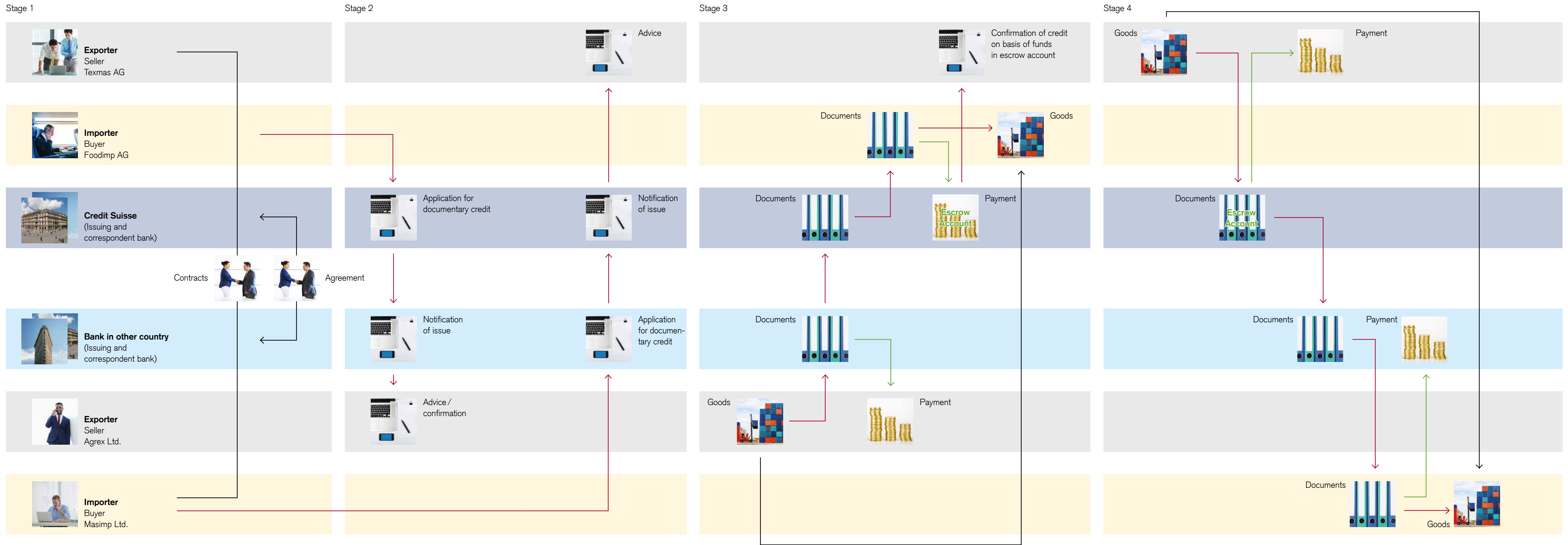
Agrex Ltd dispatches the goods, and the documents are presented to Credit Suisse via the bank in Agrex's country. Credit Suisse debits Foodimp's account and credits the amount to the escrow account. On the basis of the cover in the escrow account, Credit Suisse is now in a position to confirm Masimp's credit in favor of Texmas AG. The bank in the other country credits the amount to the exporter, Agrex Ltd.

Stage 4:

Texmas AG in Switzerland dispatches the goods and presents the documents to Credit Suisse, which then debits the escrow account and credits the amount to Texmas AG's account. The bank in the other country debits the amount to Masimp Ltd on the basis of the documents received from Credit Suisse.

Obviously, the agreement will stipulate that the amount in the escrow account will be paid to the other country if Texmas AG does not deliver the goods within the stipulated period and thus does not avail itself of the documentary credit.

Procedure for a Compensation Transaction (Fig. 37)



3. Parallel Transactions

The procedure for a parallel transaction is basically the same as for a transaction using an escrow account. The main difference is that in this case the Swiss company Foodimp AG does not necessarily have to be the first to take delivery and make payment. Usually each party is free to deliver or receive goods as soon as it is ready to do so. For the purpose of the transaction both parties are granted an **overdraft facility** which represents the maximum permissible difference between the accumulated value of completed deliveries in either direction. In an arrangement covered by a framework agreement, which usually has a duration of one year and a maximum amount of USD 10–30 million, the overdraft facility is typically USD 1–3 million.

The amount of the overdraft facility depends on the expected value of the individual deliveries. As each delivery is made, Credit Suisse and the bank in the other country will credit or debit the corresponding amount to an evidence account without any movement of money between Switzerland and the other country.

After expiry of the framework agreement, the remaining balance on the evidence account will be transferred in foreign currency to whichever country has delivered more goods.

4. Features of Countertrade Transactions

There is no room here to discuss all the problems that can occur in connection with countertrade operations. The most obvious causes of difficulty include product quality, delivery times and unpredictable weather conditions (e.g. delivery dates not being kept because rivers become unnavigable due to freezing, etc.).

Any company contemplating a countertrade transaction must be very careful about the **pricing** of the goods involved. Sudden changes in the other country's offer at a late stage in the negotiations (when the Swiss exporter is already virtually committed to the transaction) can mean that the Swiss company is forced to

take countertrade goods at excessive prices and with stiff penalty clauses in the event of rejection. This is tantamount to subsidizing the other country's products, and the ultimate result is an erosion of profit margins.

Our Trade and Export Finance department has experience in this field and can provide creative tailor-made solutions to the problems that arise. Companies are well advised to avail themselves of the bank's services at an early stage in the negotiation of a countertrade transaction.

4. Appendix

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List of Terms

Technical terms in English, German, French, Italian and Spanish

English	German	French	Italian	Spanish
A				
about	circa	environ	circa	aproximadamente
acceptance	Akzept/Akzeptierung	acceptation	accettazione	aceptación
accessory	akzessorisch	accessoire(ment)	accessorio	accesorio
act of God	höhere Gewalt	force majeure	forza maggiore	fuerza mayor
advance (money on)	beverschussen	avancer (de l'argent)	concedere un anticipo	anticipar
advance payment guarantee	Anzahlungsgarantie	garantie de restitution d'acompte	garanzia per la restituzione di pagamenti anticipati	garantía de pago a cuenta
advice	Avisierung/Avis	avis	aviso	aviso
advise	avisieren	aviser	avvisare	avisar
air consignment note	Luftfrachtbrief	lettre de transport aérien	lettera di trasporto aereo	carta de porte aérea (guía aérea)
air freight	Luftfracht	fret aérien	nolo aereo	flete aéreo
air mail	Luftpost	poste aérienne	posta aerea	correo aéreo
air waybill	Luftfrachtbrief	lettre de transport aérien	lettera di trasporto aereo	carta de porte aérea (guía aérea)
amendment	Abänderung	modification (amendement)	modifica	modificación
applicant (for a doc. credit)	Akkreditivsteller	donneur d'ordre	ordinante	ordenante
approval	Zustimmung	approbation	approvazione	aprobación
arrive	ankommen	arriver	arrivare/giungere	llegar
assignment of proceeds	Zession/Abtretung	cession	cessione	cesión
at sight	bei Sicht	à vue	a vista	a la vista
authenticate	beglaubigen	légaliser	legalizzare	legalizar
authorization	Ermächtigung	autorisation	autorizzazione	autorización
average	Havarie/Beschädigung	avarie	avaria	avería
B				
back-to-back credit	Gegenakkreditiv	contre-accréditif	contro-accreditivo	contra-acreditivo
bank guarantee	Bankgarantie	garantie bancaire	garanzia bancaria	garantía bancaria
bearer	Inhaber	porteur	portatore	portador
beneficiary (of a doc. credit)	Akkreditivbegünstigter	bénéficiaire	beneficiario	beneficiario
beneficiary (of a guarantee)	Begünstigter	bénéficiaire	beneficiario	beneficiario
bid bond	Offertgarantie/Bietungs-garantie	garantie à la soumission (caution provisoire)	"Bid Bond"	caución provisoria
bill of exchange	Wechsel	lettre de change	cambiale	letra de cambio
bill of exchange guarantee	Aval	aval	avallo	aval
bill of lading	Konnossement	connaissance	polizza di carico	conocimiento
buyer	Käufer	acheteur	acquirente/compratore	comprador
by goods train	Frachtgut	petite vitesse	piccola velocità	pequeña velocidad
C				
cancellation	Annullierung	annulation	annullamento	anulación
cargo	Ladung	cargaison	carico	carga
carrier	Frachtführer	transporteur	vettore	transportador
case	Kiste	caisse	cassa	caja
address in case of need	Notadresse	adresse à notifier	indirizzo per la notifica	dirección de notificación
certificate of analysis	Analysenzertifikat	certificat d'analyse	certificato d'analisi	certificado de análisis
certificate of origin	Ursprungszeugnis	certificat d'origine	certificato d'origine	certificado de origen
certificate of quality	Qualitätszertifikat	certificat de qualité	certificato di qualità	certificado de calidad
chamber of commerce	Handelskammer	chambre de commerce	camera di commercio	cámara de comercio
charges	Spesen	frais	spese	gastos

English	German	French	Italian	Spanish
charter party B/L	Charter-Party-Konnossement	connaissance charte-partie	polizza di carico "charter party"	conocimiento de embarque chárter (c. de e. con contrato de fletamento)
CFR = cost and freight	CFR = Kosten und Fracht	CFR = coût et fret	CFR = costo e nolo	CFR = costo y flete
CIF = cost, insurance and freight	CIF = Kosten, Versicherung und Fracht	CIF = coût, assurance et fret	CIF = costo, assicurazione e nolo	CIF = costo, seguro y flete
claim (under a guarantee)	Inanspruchnahme	appel/demande de paiement	domanda	aviso/demanda de pago
clean	rein	net	pulito, "clean"	limpio
COD = cash on delivery	COD = Nachnahme	COD = livraison contre remboursement	COD = incasso alla consegna	COD = reembolso
collecting bank	Inkassobank	banque chargée de l'encaissement	banca d'incasso	banco cobrador (banco encargado de la cobranza)
collection	Inkasso	encaissement	incasso	cobranza
combined transport	kombinierter Transport	transport combiné	trasporto combinato	transporte combinado
commercial letter of credit	Handelskreditbrief	lettre de crédit commerciale	lettera di credito commerciale	carta de crédito comercial
commercial invoice	Handelsrechnung (Handelsfaktura)	facture commerciale	fattura commerciale	factura comercial
commission	Kommission	commission	commissione	comisión
compensation transaction	Kompensationsgeschäft	affaire de compensation	affare di compensazione	negocio de trueque
conditions	Bedingungen	conditions	condizioni	condiciones
to confirm	bestätigen	confirmer	confermare	confirmar
confirmed L/C/doc. credit	bestätigtes Akkreditiv	accréditif confirmé	accreditivo confermato	carta de crédito confirmada
confirmation	Bestätigung	confirmation	conferma	confirmación
consignee	Empfänger	destinataire	destinatario	destinatario
consignor	Absender	expéditeur	mittente	expedidor
consular invoice	Konsularfaktura	facture consulaire	fattura consolare	factura consular
contract	Kontrakt/Vertrag	contrat	contratto	contrato
contract of sale	Kaufvertrag	contrat d'achat	contratto di compravendita	contrato de compraventa
correspondent bank	Korrespondenzbank	banque correspondante	banca corrispondente	banco corresponsal
creditor	Gläubiger	créancier	creditore	acreedor
currency	Währung	monnaie	valuta (moneta)	moneda
customs duty	Zollgebühr	droits de douane	diritti doganali	derechos de aduana

D

damage by sea	Havarie	avarie	avaria	avería
date of dispatch	Versanddatum	date d'expédition	data di spedizione	fecha de expedición
date of issuance	Ausstellungsdatum	date de l'émission	data di emissione	fecha de expedición
date of loading	Verladedatum	date de chargement	data di carico	fecha de cargar
date of payment	Zahlungsziel	délat de paiement	termine di pagamento	plazo para el pago
date of shipment	Verschiffungsdatum	date d'embarquement	data d'imbarco	fecha de embarque
deadline	Frist	délat	termine	plazo
deferred payment	aufgeschobene Zahlung	paiement différé	pagamento differito	pago diferido
deliver	liefern/aushändigen	remettre/livrer	fornire/consegnare	entregar
delivery	Lieferung/Aushändigung	remise/livraison	fornitura/consegna	entrega
delivery order	Lieferschein	bon de livraison	bolletta di consegna	orden de entrega
description	Bezeichnung	désignation	descrizione	descripción
discount	Diskont, diskontieren	escompte, escompter	sconto, scontare	descuento, descontar
discrepancy	Unstimmigkeit	divergence	divergenza/irregolarità	divergencia
to dispatch	absenden/senden	expédier	spedire/inviare	expedir
documentary collection	Dokumentar-Inkasso	encaissement documentaire	incasso documentario	cobranza documentaria
documentary credit	Dokumenten-Akkreditiv	crédit documentaire	credito documentario	credito documentario
documents against acceptance (D/A)	Dokumente gegen Akzept (D/A)	documents contre acceptation (D/A)	documenti contro accettazione (D/A)	documentos contra aceptación (D/A)
documents against payment (D/P)	Dokumente gegen Zahlung (D/P)	documents contre paiement (D/P)	documenti contro pagamento (D/P)	documentos contra pago (D/P)
draft	gezogener Wechsel/Tratte	lettre de change/traite	cambiale tratta/tratta	giro/letra de cambio
drawee	Bezogener	tiré	trassato/trattario	girado
drawer (of a bill of exchange)	Aussteller (von Wechseln)	tireur	traente	girador
due date	Fälligkeit	échéance	scadenza	vencimiento

English	German	French	Italian	Spanish
duplicate	Duplikat	duplicata	duplicato	duplicado
duplicate rail consignment note	Duplikat-Frachtbrief	duplicata de lettre de voiture	duplicato della lettera di vettura	duplicado de carta de porte ferroviaria
E				
to endorse	indossieren	endosser	girare	endosar
endorsement	Indossament	endossement/endos	girata	endoso
escrow account	Escrow Account	“escrow account”	“escrow account”	“escrow account”
evidence account	Nachweiskonto	“evidence account”	“evidence account”	“evidence account”
to expire	erlöschen/verfallen	expirer	scadere	caducar/vencer
expiry date	Verfalldatum	date d'expiration/date d'échéance	data di scadenza	fecha de vencimiento
exporter	Exporteur	exportateur	esportatore	exportador
express goods	Eilgut	grande vitesse	grande velocità	gran velocidad
ex station	ab Station	ex gare	franco stazione	ex estación
extension	Prolongation/Verlängerung	prolongation/prorogation	proroga/estensione	prórroga
ex rail	ab Waggon	ex wagon	franco carro ferroviario, franco vagone	ex vagón
ex warehouse	ab Lager	ex magasin	franco magazzino	ex almacén (ex bodega)
ex works	ab Fabrik	ex usine	franco fabbrica	ex fábrica
F				
FAS = free along-side ship	FAS = frei Längsseite des Schiffs	FAS = franco le long du navire	FAS = “free along-side ship”/franco banchina nave	FAS = libre al costado del barco
FIO = free in and out	FIO = frei ein und aus	FIO = “free in and out”	FIO = “free in and out”	FIO = “free in and out”
floating policy	Generalpolice	police d'abonnement	polizza flottante	póliza flotante
FOB = free on bord	FOB = frei an Bord	FOB = franco à bord	FOB = franco a bordo	FOB = libre a bordo
force majeure	höhere Gewalt	force majeure	forza maggiore	fuerza mayor
foreign exchange/foreign currency	Devisen	devises	divise	divisas (monedas extranjeras)
forwarder/forwarding agent	Spediteur	transitaire/transporteur	spedizioniere	agente de transportes
forwarder's certificate of receipt	Spediteur-Übernahmebescheinigung	attestation de prise en charge de l'expéditeur	ricevuta dello spedizioniere	certificado de recibo de agente de transportes
forwarder's certificate of transport	Spediteur-Versandbescheinigung	attestation d'expédition d'un transitaire dello spedizioniere	dichiarazione di trasporto	certificado de expedición de agente de transportes
forwarder's receipt	Spediteurbescheinigung	récépissé du transitaire	ricevuta del trasportatore	recibo de un agente de transportes
FPA = free from particular average	FPA = frei von Beschädigung	FPA = franc d'avarie particulière	FPA = franco d'avaría particolare	FPA = franco de avería particular
framework agreement	Rahmenvertrag	contrat type	contratto quadro	contrato tipo
free border	franko Grenze	franco frontière	franco confine	franco frontera
freight	Fracht	fret	nolo	flete
freight unpaid	unfranko	port dû	porto assegnato	porte debido
full set	voller Satz	jeu complet	gioco completo	juego completo
G				
goods	Ware	marchandise	merce	mercancía
gross weight	Bruttogewicht	poids brut	peso lordo	peso bruto
groupage wagon (combined load)	Sammelwaggon	wagon groupage	vagone collettame	vagón colectivo
guarantee amount	Garantiesumme	somme garantie	somma garantita	cantidad de garantía
guarantor	Garant/Bürge	garant	garante	garante
H				
to honor	honorieren	honorer	onorare	honrar
house air waybill	Hausluftfrachtbrief	lettre de transport aérien émise par un transitaire	lettera di trasporto aereo emessa da uno spedizioniere	guía aérea expedida por transportador

English	German	French	Italian	Spanish
I				
importer	Importeur	importateur	importatore	importador
in bulk	lose	en vrac	alla rinfusa	a granel
increase	Erhöhung	augmentation	aumento	aumento
inspection certificate	Inspektionszertifikat	certificat d'inspection	certificato d'ispezione	certificado de inspección
insurance against all risks	Versicherung gegen alle Risiken	assurance contre tous risques	assicurazione contro tutti i rischi	seguro contra todo riesgo
insurance certificate	Versicherungszertifikat	certificat d'assurance	certificato di assicurazione	certificado de seguro
insurance declaration	Versicherungsdeklaration	déclaration d'assurance	dichiarazione d'assicurazione	declaración de seguro
insurance policy	Versicherungspolice	police d'assurance	polizza d'assicurazione	póliza de seguro
to insure	versichern	assurer	assicurare	asegurar
International Standby Practices ISP98	International Standby Practices ISP98	International Standby Practices ISP98		
in trust	zu getreuen Händen	à titre fiduciaire	a mani fideate/a titolo fiduciario	a título fiduciario
invoice	Faktura/Rechnung	facture	fattura	factura
irrevocable	unwiderruflich	irrévocable	irrevocabile	irrevocable
to issue (a credit)	eröffnen	ouvrir	aprire	abrir
to issue (a document)	ausstellen	établir (émettre)	emettere/trarre	expedir/establecer
issuing bank	Akkreditivbank	banque émettrice	banca emittente	banco emisor
J				
jurisdiction	Zuständigkeit/Gerichtsstand	compétence (judiciaire)/for	competenza/giurisdizione di un tribunale/foro	lugar de jurisdicción competente/foro
L				
legalize	legalisieren/beglaubigen	légaliser	legalizzare	legalizar
letter of credit	Akkreditiv/Kreditbrief	lettre de crédit	accreditivo/lettera di credito	carta de crédito
letter of indemnity	Revers (Haftungserklärung)	lettre réversale	modulo di rivalsa	carta de indemnidad
liability	Haftung	responsabilité	responsabilità	responsabilidad
to load	beladen	charger	caricare	cargar
M				
maker (of a bill of exchange)	Aussteller (von Wechseln)	tireur	traente	girador
maturity	Fälligkeit	échéance	scadenza	vencimiento
merchandise	Ware	marchandise	merce	mercancía
N				
negotiable letter of credit	Negoziierungsakkreditiv	accréditif négociable	credito documentario negoziabile	crédito negociable
to negotiate	negoziieren	négocier	negoziare	negociar
net weight	Nettogewicht	poids net	peso netto	peso neto
notice of defects	Mängelrüge	action de garantie/avis pour livraison défectueuse	ricorso in garanzia	reprimenda por falta/reclamación por vicios
notify address	Meldeadresse (notify)	adresse à notifier	indirizzo per la notifica	dirección notificación/domicilio para efectos de notificación
O				
objections/defences	Einreden/Einwendungen	exceptions/objections	eccezioni/obiezioni	objecciones
on board	an Bord	à bord	a bordo	a bordo
on board B/L	Bordkonnossement	connaissance à bord	polizza di carico per merce a bordo	conocimiento de embarque a bordo
on deck	an Deck	en pontée (sur le pont)	sopra coperta	sobre cubierta
on first demand	auf erstes Verlangen	à première réquisition	a prima richiesta	a primera demanda
open	eröffnen	ouvrir	aprire	abrir
order	Auftrag/Order	ordre	ordine	orden

English	German	French	Italian	Spanish
P				
package	Kolli	colis	collo	bulto
packing	Verpackung	emballage	imballaggio	embalaje
packing list	Packliste	liste de colisage	distinta d'imballaggio	lista de empaque
paid	bezahlt	payé	pagato	pagado
parallel transaction	Parallelgeschäft	affaire parallèle	affare parallelo	negocio paralelo
partial delivery/shipment	Teillieferung	expédition partielle	spedizione parziale	envío parcial
partial guarantee	Teilgarantie	garantie partielle	garanzia parziale	garantía parcial
to pay	bezahlen	payer	pagare	pagar
payment	Zahlung	paiement	pagamento	pago
payment obligation	Zahlungsverpflichtung	engagement de paiement	impegno di pagamento	obligación de pago
payment on first presentation	Zahlung bei erster Vorweisung	payable sur première présentation	pagamento a prima presentazione	pago a la primera presentación
performance bond	Erfüllungsgarantie	garantie de bonne exécution	garanzia di esecuzione	garantía de cumplimiento
period of validity	Gültigkeitsdauer	durée de validité	periodo di validità	duración de validez
port	Hafen	port	porto	puerto
postage	Porto	port	porto	franqueo
postage certificate	Postversandbescheinigung	attestation d'expédition par poste	attestato di spedizione postale	comprobante de envío por correo
postal receipt	Postquittung	récépissé postal	ricevuta postale	recibo de encomienda postal
prepaid	vorausbezahlt	payé d'avance	pagato anticipatamente	pagado por anticipado
present	vorlegen	présenter	presentare	presentar
presentation	Einreichung/Vorlage	présentation	presentazione	presentación
presenting bank	vorlegende Bank	banque présentatrice	banca cedente	banco cedente
principal (documentary collection)	Einreicher	donneur d'ordre	ordinante	remittente/presentador
principal (guarantee)	Auftraggeber	donneur d'ordre	datore d'ordine/ordinante	ordenante (por orden de)
principal debtor	Hauptschuldner	débiteur principal	debitore principale	deudor principal
pro forma invoice	Proforma-Rechnung	facture pro forma	fattura proforma	factura proforma
promissory note	Eigenwechsel	billet à ordre	vaglia cambiario/pagherò	pagaré
protest	Protest	protêt	protesto	protesta
Q				
quantity	Menge	quantité	quantità	cantidad
R				
railway	Bahn	chemin de fer	ferrovia	ferrocarril
railway bill/railroad bill of lading/duplicate of rail consignment note	Bahnfrachtbrief	lettre de voiture ferroviaire	lettera di vettura ferroviaria	carta de porte ferroviaria
railway truck/car	Waggon	wagon	vagone	vagón
receipt	Quittung	reçu (quittance)	ricevuta	recibo
reception stamp	Empfangsstempel	timbre de réception	timbro di ricezione	sello de recepción
recourse/regress	Regress/Rückgriff	recours	regresso	recurso
reimbursement	Rembours/Erholung	remboursement	rimborso	reembolso
to reject	zurückweisen	refuser	rifiutare	rechazar/rehusar
remitting bank	Einreicherbank	banque remettante	banca ordinante	banco remittente/presentador
reserve	Vorbehalt/Vorweisung	réserve	riserva	reserva
revocable	widerruflich	révocable	revocabile	revocable
revolving credit	revolvierendes Akkreditiv	"revolving credit"	"revolving credit" (credito rotativo)	credito rotativo (revolviendo)
risk	Risiko	risque	rischio	riesgo

English	German	French	Italian	Spanish
S				
samples	Muster (Pl.)	échantillons	campioni	muestras
sea freight	Seefracht	fret maritime	nolo marittimo	flete marítimo
seaworthy packing	seemässige Verpackung	emballage maritime	imballaggio marittimo	embalaje marítimo
second beneficiary	Zweitbegünstigter	bénéficiaire en second	secondo beneficiario	segundo beneficiario
seller	Verkäufer	vendeur	venditore	vendedor
to send	senden	envoyer	inviare	enviar
to ship	verschiffen	embarquer	imbarcare	embarcar
shipment	Ladung	cargaison	carico	carga
shipping company	Schiffahrtsgesellschaft	compagnie maritime	compagnia marittimo	compañía marítimo
shipping date	Verschiffungsdatum	date d'embarquement	data d'imbarco	fecha de embarque
sight letter of credit	Sichtakkreditiv	accréditif à vue	accreditivo a vista	crédito a la vista
SRCC = strikes, riots, civil commotions	SRCC = Streik, Aufruhr, politische Unruhen	SRCC = grèves, émeutes, troubles civils	SRCC = scioperi, ammutinamenti e sommosse civili	SRCC = huelgas, motines, conmociones civiles
stamped	abgestempelt	estampillé	stampigliato	timbrado
steamer (s/s)/vessel	Dampfer	vapeur	vapore	vapor
to stow	verstauen	arrimer	stivare	estibar
strike	Streik	grève	sciopero	huelga
Supplement to UCP 600 for Electronic Presentation (eUCP)				
supplier	Lieferant	fournisseur	fornitore	suministrador
surety bond	Bürgschaft	acte de cautionnement (caution)	(atto di) fideiussione	garantía
T				
telegram	Telegramm	télégramme	telegramma	telegrama
telex	Telex/Fernschreiben	télex	telex	télex
tender bond	Offertgarantie/Bietungs-garantie	garantie de soumission	garanzia dell'offerta	caución provisoria
terms	Bedingungen	conditions	condizioni	condiciones
through B/L	Durchkonnossement	"through B/L"	polizza di carico diretta	"through B/L"
time of delivery	Lieferfrist	délaï de livraison	termine di consegna	plazo de entrega
to order	an Order	à l'ordre	all'ordine	a la orden
TPND = theft, pilferage, non-delivery	TPND = Diebstahl, Plünderung, Abhandenkommen	TPND = vol, pillage, non-delivrance	TPND = furto, saccheggio, mancata	TPND = robo, pillaje y falta de entrega
transfer	Übertragung	transfert	trasferimento	transferencia
transferable	übertragbar	transférable	trasferibile	transferible
transferred credit	Übertragungsakkreditiv	accréditif transféré	credito trasferito	crédito transferido
translation	Übersetzung	traduction	traduzione	traducción
transhipment/transshipment	Umladung	transbordement	trasbordo	transbordo
truck waybill (CMR)	Lastwagenfrachtbrief (CMR)	lettre de transport routier (CMR)	lettera di vettura per trasporto via strada (CMR)	carta de porte de camión (CMR)
U				
unconfirmed letter of credit	unbestätigtes Akkreditiv	accréditif non confirmé	accreditivo non confermato	crédito no confirmado
under deck	unter Deck	sous couvert (sous le pont)	sotto coperta	bajo cubierta
undertaking	Verpflichtung	engagement	impegno	compromiso
Uniform Customs and Practice for Documentary Credits (UCP)	Einheitliche Richtlinien und Gebräuche für Dokumenten-Akkreditive (ERA)	Règles et usances uniformes relatives aux crédits documentaires (RUU)	Norme ed usi uniformi relativi ai crediti documentari (NUU)	Reglas y usos uniformes para créditos documentarios (RUU)
Uniform Rules for Collections (URC)	Einheitliche Richtlinien für Inkassi (ERI)	Règles uniformes relatives aux encaissements (RUE)	Norme uniformi relative agli incassi documentari (NUI)	Reglas uniformes para cobranzas documentarias (RUC)
Uniform Rules for Contract Guarantees	Einheitliche Richtlinien für Vertragsgarantien	Règles uniformes pour les garanties contractuelles	Norme uniformi per le garanzie contrattuali	Reglas uniformes para garantías de contratos
Uniform Rules for Demand Guarantees	Einheitliche Richtlinien für auf Anfordern zahlbare Garantien	Règles uniformes de la CCI relatives aux garanties sur demande		
to unload	abladen/ausladen	décharger	scaricare	descargar

English	German	French	Italian	Spanish
V				
valid until	gültig bis	valable jusqu'à	valido fino	válido hasta
validity	Gültigkeit	validité	validità	validez
value date	Valuta/Wert	valeur	valore/valuta	valor
venue	Gerichtsstand	for	foro competente	foro/lugar de jurisdicción competente
vessel	Schiff	navire	nave	barco
W				
WA (WPA) = with particular average	WA (WPA) = einschliesslich Beschädigung	WA (WPA) = avec avarie particulière	CA (CAP)/WA (WPA) = con avaria particolare	WA (WPA) = con avería particular
warehouse	Lager(haus)	magasin/entrepôt	magazzino/deposito	almacén
warehouse keeper's warrant	Lagerschein	certificat de dépôt	fedes di deposito	resguardo de almacén
warehouse receipt	Lager(haus)empfangsschein	récépissé d'entrepôt	ricevuta di deposito	certificado de almacén
to weigh	wiegen	peser	pesare	pesar
weight certificate	Gewichtszertifikat	certificat de poids	certificato di peso	certificado de peso
weight list	Gewichtsliste	liste de poids	distinta pesi	lista de pesos
without charges	kostenfrei	sans frais	senza spese	sin gastos
working day	Arbeitstag	jour ouvrable	giorno lavorativo	día hábil
work progress certificate	Arbeitsfortschrittsausweis	certificat d'avancement des travaux	certificato di progresso del lavoro	certifiado de progreso de trabajo

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