

Objectives

The long-awaited revision of UCP 500, three years in preparation, will soon enter into force. The revision contains major changes to rules which govern billions of dollars each year in letter of credit transactions. UCP 600 has new provisions you and your colleagues will need to know:

- a leaner set of rules, with 39 articles rather than UCP 500's 49;
- a new section of "definitions", containing terms such as "honour" and "negotiation";
- a replacement of the term "reasonable time" with a definite number of days, for examining and determining compliance of documents;
- an expanded description of "original documents";
- changed practice for notice of refusal: and
- Re-drafted transport articles.
- How the onus is now on the issuer to be precise in their LC terms in order to reduce the element of interpretation
- New, final definitions of key terms
- The precise obligation of a confirming bank when the beneficiary has presented their documents directly to the issuing bank
- Clarifications on when an amendment to a credit has been accepted and is binding on the beneficiary
- Standards for examining documents and data
- Definition of when an Incoterm 2000 must be reflected in the documents

Outline

Introduction: Structural comparison of UCP 600 and UCP 500

The framework of the UCP 600: articles 1 -5,

- New articles on "definitions", "interpretations"
- Introduction of the concept of "honour" upon determination of good tender

Structure of and obligations under documentary credits (articles 6-10),

- Availability of credit and place for presentation
- Undertakings of the issuing and confirming banks
- The role of a "second advising bank" in advising a credit
- Problems of determining acceptance or refusal of amendments

Standard for examination of documents; discrepant documents, waiver and notice; and other items in articles 11-18,

- Standards for checking and refusing documents

Export Documentation Requirements under International Standard Banking Practices

▶ **Background, Purpose and Objectives of ISBP.**

▶ **Introduction and Preliminary Considerations.**

▶ **General Principles on:**

Issuer, Language, Dates, Titles of Documents, Multiple Pages, Attachments and Riders, Originals and Copies, Expressions not defined in UCP 500, Typo Errors, Abbreviations, Inconsistency, Shipping Marks, Signatures, Certification and Declaration, Corrections and Alterations, Transport Documents Articles that do not apply.

▶ **Specific Requirements of the Stipulated Documents:**

Drafts, Invoices, Maritime/Ocean Bills of Lading, Charter Party Bills of Lading, Multimodal Transport Documents, Air Transport Documents, Road, Rail and Inland Waterway Transport Documents, Insurance Documents and Certificate of Origin.

- Replacing "reasonable time" with definite time limits
- Determining whether data in a document conflicts with data in that document, any other stipulated document or the credit

The UCP 600 transport articles (Part 1),

- Differences between the UCP 500 and the UCP 600 transport articles
- Requirements for on board notations

The UCP 600 transport articles (Part 2) and the insurance articles

- The term "charterer" in the article on charter party bills of lading
- Implications of the new provisions in the insurance articles

Transferable credits and remaining issues.

- Partial drawings or shipments
- Force majeure and disclaimer

Long awaited by the letter of credit community, the ISBP contains some 200 paragraphs setting forth the steps document checkers should take when reviewing presented documents.

Among questions answered in the paper are the following:

- ▶ Do drafts, certificates and declarations, if not stated in the credit, require a signature?
- ▶ Under what conditions can drafts drawn on the applicant be issued?
- ▶ What effect do on board notations have if they contain the words "shipped in apparent good order", "laden on board" and "clean on board"?
- ▶ What will be deemed to be the date of dispatch on a multi modal transport document?
- ▶ Does an air transport document have to indicate that the goods have been accepted for carriage?
- ▶ What constitutes an "alteration" or "addition" to a document, when and how should these be authenticated?
- ▶ How should documents be signed, if this is not explicitly stated in the credit?
- ▶ How should one handle typing errors on documents regarding the name and address, different addresses of same company, etc.?
- ▶ Must trade terms, such as Incoterms, appear on the invoice?
- ▶ What is the "face" of a transport document and should a practitioner examine the reverse side to determine the name of carrier, description of the journey, etc.?
- ▶ What is a full set of insurance documents, a copy vs. an original, endorsements, and the effective date?
- ▶ If the LC is silent, does a certificate require a date and/or a signature?
- ▶ If the LC requires a document issued by Company A and an authorized signature of Company A signs on Company B letterhead. Is this acceptable?
Can a bank reduce the number of acceptable languages in its advice and confirmation of the LC?
- ▶ What three kinds of documents must bear an issuing date even if the LC and the UCP 500 are both silent?
- ▶ "Within 2 days of (an event)" means 2 days before, or 2 days after that event or both?
- ▶ If the LC requires a packing list and a weight list, is presentation of a combined packing/weight list acceptable?
- ▶ Under which condition a typographical error is not deemed to be a discrepancy?
- ▶ Can documents show goods not mentioned in the LC, but all supplied free of charge, such as advertising materials, spare parts and other sales supports?
Must all bills of lading be marked "originals"?
- ▶ Can an endorsement in a BL be made by an agent of the shipper?
- ▶ Is a BL stating "packaging may not be sufficient for the sea voyage" acceptable?
- ▶ If LC requires "insurance for 110%", should "sum insured" be exactly 110% CIF value or it only represents a minimum amount?

Designed For

- ▶ A must for all practitioners of the UCP 600 and Letters of Credit Operations. Are you ready?
- ▶ Document Checkers and Managers in Banks
- ▶ Shipping Staff from Importers and Exporters
- ▶ Documentation Staff of Freight Forwarders, Carriers and Insurers
- ▶ Lawyers engaged in trade finance and commercial laws
- ▶ Are you 100% sure to have the right answers

Trainer Profile – Mr. Victor Tan, MBA (Strathclyde), ACIB, MInstAM

Victor has been in the Banking Industry for the last 15 years covering the operational areas of International Trade Finance including Remittances, Imports, Exports and Guarantee departments

He has worked with various International Banks since 1977, starting with Standard Chartered Bank, Amsterdam-Rotterdam Bank, Bangkok Bank, Royal Trust Merchant Bank and lastly Barclays Bank, where he was the Deputy Head, Trade Finance, on leaving the banking industry in 1992

He is now an Independent Training Consultant and conducts Company In-house training for corporate clients as well as Public Seminars both locally and overseas regularly

He is a Life Associate Member of The Chartered Institute of Bankers, London and he holds a Master of Business Administration Degree from University of Strathclyde (UK)

Understanding UCP 600 & ISBP



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