



AN EXPORTER'S GUIDE TO LETTERS OF CREDIT SUBJECT TO UCP 600

The following information is intended to be a summary of certain provisions of UCP 600 and neither ABN AMRO Bank N.V. nor any of its subsidiaries makes any representation or warranty as to the completeness or accuracy of the information. Before taking any action related to UCP 600, we recommend that you obtain advice from your legal counsel; the information contained herein is not intended to, and should not be used as a replacement for, legal advice provided by your own legal counsel.

INTRODUCTION

The implementation of UCP 600 on July 1, 2007 presents an opportune time to provide a guide to the handling of a letter of credit (L/C) issued subject to these new rules. At the same time, it provides an opportunity to re-visit some of the characteristics of a L/C and to identify ways in which ABN AMRO Bank N.V. can assist your processing, including any reduction in discrepancies within a presentation.

Primarily, this document is designed to explain the role of ABN AMRO under UCP 600, in relation to the various functions it may perform (advising, confirming, honoring or negotiating) and provide an overview of what you, as an exporter, should consider upon receipt of the credit, any amendment or in the creation and preparation of documents for presentation under a credit. In all cases, ABN AMRO will have reviewed the L/C or amendment, at the point of receipt, from the perspective of whether there are any obvious errors in its content. However, it is only you, as exporter, that can truly determine whether the terms and conditions are as agreed or are achievable. (See comments under “Guidelines for Exporters.”)

ABN AMRO AS AN ADVISING BANK

The advising of a L/C and amendment is governed by article 9 of UCP 600. This article highlights a number of requirements that must

be followed and these will form the basis of any L/C, and any amendment thereto, that is advised by us in your favor.

- Where the credit is advised without our confirmation, there is no undertaking on our part to honor (pay at sight, accept a draft and pay at maturity or incur a deferred payment undertaking and pay at maturity) or negotiate. (See definitions of “Honor” and “Negotiation” in article 2 of UCP 600);
- Unless we advise to the contrary, in our advice of the credit or amendment, we will have satisfied ourselves as to the apparent authenticity of the message received;
- The advice of the credit or amendment, which we will provide to you, will accurately reflect the terms and conditions of the credit or amendment received in your favor; and
- Similar to UCP 500, under UCP 600, we are not obliged to advise any L/C or amendment. In this event, we must inform the issuing bank of our decision without delay. The UCP 600 does not require that we advise you, as the beneficiary, of our refusal to advise a credit or amendment. Subject to the reason(s) for such a refusal, if it should happen, we may be in a position to advise the reason(s) to you.

ABN AMRO AS A CONFIRMING BANK

The confirmation of a L/C is now governed by its own article in UCP 600 – article 8. As in the case under UCP 500, our ability to confirm any L/C will be subject to there being an appropriate confirmation facility in place for the issuing bank. This would cover criteria such as the amount, expiry and tenor of the payment period, and, in some cases, the underlying goods.

- Article 8 refers to the confirming bank honoring or negotiating provided the stipulated documents are presented to us, as the confirming bank, and our determining that the presentation constitutes a complying presentation. **(Please see definition of “Complying Presentation” in article 2 of UCP 600);**
- Sub-article 8 (a) (ii) states that where a credit is available with a confirming bank by negotiation, the confirming bank negotiates on a *without recourse* basis;
- Sub-article 8 (b) now defines the time when the confirming bank is irrevocably bound by its confirmation – at the time it adds its confirmation. Therefore, as of the moment that we provide our advice of the L/C, with our confirmation, sub-article 8 (b) has been invoked; and
- Should we be requested to add our confirmation and we are unable to do so, we are required to advise the issuing bank without delay of our decision/reason(s). We may be in a position to advise you of our reasons(s) for such action. In the event that we decline to confirm, we may advise the credit without our confirmation.

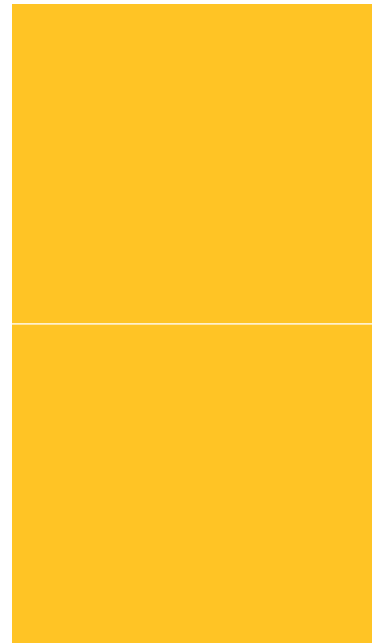
ABN AMRO AS A NOMINATED BANK

In addition to being an advising and/or confirming bank, ABN AMRO will, in most cases, also be a nominated bank, i.e., the bank that

is authorized to honor (pay at sight, accept a draft and pay at maturity, or incur a deferred payment undertaking and pay at maturity) or negotiate your documents upon our determining that the documents are complying. For ABN AMRO to be a nominated bank and to act on your behalf, it is necessary that the L/C be restricted for payment, acceptance, deferred payment or negotiation at the counters of the ABN AMRO branch where you have a relationship. Alternatively, the credit may be advised through ABN AMRO or any other bank with the statement that it is available with any bank. Our ability to handle documents under a credit that has been advised through another bank will be subject to our having a banking relationship with the issuing bank.

Article 12 of UCP 600 is specifically entitled “nomination” and covers aspects related to that nomination such as:

- The receipt, examination and forwarding of documents to an issuing bank does not constitute honor or negotiation and, unless we have added our confirmation, there is no obligation to honor or negotiate;
- As a nominated bank that has not confirmed the credit, we may agree to act beyond the role envisaged when expressly agreed to by ourselves and communicated to you; and
- Probably most importantly, that where an issuing bank issues a credit available with us by acceptance or deferred payment, we are authorized (subject to credit criteria) to pre-pay or purchase thereunder subject to complying documents being presented.



The articles of UCP 600 with which you should have a good working knowledge are:

Article 1 –	Application of UCP
Article 2 –	Definitions
Article 3 –	Interpretations
Article 8 –	Confirming Bank Undertaking
Article 9 –	Advising of Credits and Amendments
Article 10 –	Amendments
Article 12 –	Nomination
Article 14 –	Standard for Examination of Documents
Article 16 –	Discrepant Documents, Waiver and Notice
Article 17 –	Original Documents and Copies
Article 18 –	Commercial Invoice
Articles 19 – 27	In relation to Transport Documents
Article 28 –	Insurance Document and Coverage
Article 31 –	Partial Drawings or Shipments

Most of the articles listed above have an impact in relation to the advising, confirmation, amendment, document preparation and settlement. The exception is article 1 which outlines the application of the rules. This is included in the list to emphasize the position that the UCP are now considered as rules and *all the rules will apply to a L/C unless the terms and conditions of the credit expressly modify or exclude their application.*

GUIDELINES FOR EXPORTERS

As mentioned previously, ABN AMRO can carry out a review of the credit or amendment to ascertain whether there are any obvious errors in the wording. However, it is for the exporter to provide the definitive yes or no as to whether it is in a workable form. It is imperative that, upon receipt of the credit or amendment, a full review is undertaken to ensure that the conditions meet those agreed or envisaged.

Particular reference should be made to:

- Whether the expiry, latest shipment and presentation dates/periods are correct and allow sufficient time for the manufacture of the goods or provision of the services or performance; the shipment of any underlying goods AND presentation of documents to the bank. This should also allow sufficient time in the event that there are discrepancies to be corrected;
- The names of the applicant and your company are correct. Sub-article 14 (j) of UCP 600 now allows for variations in the addresses appearing on documents;
- The amount and currency are correct;
- Payment terms have been correctly stated;
- Partial shipments and/or transshipment are allowed, if required;
- Places of shipment from and to have been correctly stated;
- Description of goods or services is in line with any pro forma or contract;
- Required documents are obtainable and in the form that is requested in the credit and any applicable provision in UCP 600;



- Charges are stated to be for the correct party; and
- Do you require confirmation? Has it been authorized in the credit and has confirmation been added if requested by the issuing bank?

It should be noted that article 14 of UCP 600 contains a number of standards for examination that should aid your preparation of documents, and it is recommended that you become familiar with the contents of this article.

DOCUMENTS – GENERAL

Keep the data content in the documents to the bare minimum that is required by the credit or the UCP. Adding information that is not required can lead to data being re-keyed incorrectly and banks refusing documents due to the data being in conflict either within that document, any other stipulated document or the credit (**See sub-article 14(d).**) If extensive detail is required by your customer, consider sending this directly and providing only the detail required by the credit.

Where a credit calls for a document without stating its content, i.e., “Packing List”, the document must appear to fulfill the function of the document and, in this example, should contain some form of packing data (**See sub-article 14 (f).**)

High level items to look out for, subject to the credit not modifying or excluding a rule, include:

Documents – Invoice

- Must appear to have been issued by you as beneficiary;
- Made out in the name of the applicant;
- Made out in the same currency as the credit;
- Need only be signed if requested in the credit; and

- Description of goods, services or performance must correspond with that in the credit.

Documents – Transport

- Must indicate the name of the carrier (as required by UCP articles 19 – 21 and 23 – 24);
- Be signed according to the details shown in articles 19 – 25;
- Bear an “on board” notation as required;
- Bear a general goods description that does not conflict with that in the credit or contain one that corresponds with the credit;
- For air transport, the date shown in any flight stamp will now be considered to be the date of shipment;
- Transport articles have been re-written for further clarity and consistency across all types of transport.

Documents – Insurance

- Must appear to be issued and signed by an insurance company, an underwriter or their agents or proxy;
- No cover notes are allowed;
- Insurance policy is acceptable in lieu of an insurance certificate or declaration under an open cover;
- Must evidence that insurance cover is effective no later than the date of shipment as evidenced on the transport document;
- Requirement in a credit for “insurance covering 110% of the invoice value...” means the minimum amount of insurance required; and
- Insurance documents may contain reference to any exclusion clause.