

Trade Finance

UCP 600:

New rules for documentary credits

Key changes for internationally active companies

Application of UCP Article 1

- If the documentary credit is to be subject to the UCP, this fact must now be explicitly stated in the text of the documentary credit.
- If a specific article is to be excluded, it must be so noted in the text of the documentary credit.

Definitions and Interpretations Articles 2 and 3

- A summary of definitions of key terms (e.g. "negotiation"), interpretations and clauses is contained in articles 2 and 3. This increases understanding of the new UCP considerably.
- Revocable letters of credit are no longer listed. Therefore a documentary credit should be considered irrevocable unless otherwise noted.
- Unless required to be used in a document, words such as "prompt", "immediately" and "as soon as possible" will be disregarded.

Availability Article 6

Every documentary credit must state the bank with which it is available or whether it is available with at any bank.

Nomination Article 12

By nominating a bank to accept a draft or incur a deferred payment undertaking, the issuing bank expressly authorizes the nominated bank to prepay the draft accepted or deferred payment undertaking or to discount it to the beneficiary. Thus the risk of any fraud is transferred from the nominated bank to the issuing bank or the applicant. The applicant should therefore be aware of the possible risks before initiating such a transaction.

Standard for Examination of Documents Article 14

- The amount of time banks have to examine documents has been reduced to five bank working days following the day of receipt of the documents.
- The addresses of the beneficiary and the applicant do not need to correspond exactly to the addresses listed in the documentary credit or any other document. However, they must be within the same country. Contact data (fax, telephone, e-mail and the like) listed as part of the beneficiary's or the applicant's address are disregarded. This rule does not apply if these data are listed in the "notify address" section of a transport document. In this case, both the addresses and the contact data must correspond exactly.
- If a document contains a "shipper/consignor" field, a party other than the beneficiary may be listed.

Multimodal or Sea Transport Documents
Articles 19, 20, 21 and 22

- If a transport document is signed by an agent "for or on behalf of the master", the name of the master does not need to be listed.
- The terms "multimodal transport document" and "marine/ocean bill of lading" have been replaced by the terms "transport document covering at least two different modes of transport" and "bill of lading".
- A charter party bill of lading may now be signed by the charterer or his agent.

Air Transport Document
Article 23

If the air waybill has a specific notation indicating the actual date of shipment, this date is considered the date of shipment, even if such a notation was not required in the documentary credit. In all other cases, the date of issuance will be considered to be the date of shipment.