

# Trade Finance

## Check list for seller after receiving the documentary credit

Documentary credits are carefully checked when they are received by us as the advising bank. Art. 9 and 12 of the Uniform Customs and Practice for Documentary Credits (UCP) lay down the duties of the advising banks.

However, banks are **not** able to determine whether

- the terms of the credit tally with those of your delivery agreement,
- the beneficiary does indeed wish to forgo confirmation of the documentary credit,
- the contract terms as per the Incoterms (CIF, FCA, etc.) correspond to what you had agreed,
- goods descriptions are replicated correctly,
- you are able to meet the dispatch deadline (date of shipment on the transport document) and can present the documents within the allotted period and before the credit expires.

When you receive the documentary credit, it is worth checking whether you can produce the required documents and whether the documentary credit contains any incomplete or unclear conditions.

Discuss the necessary changes to the documentary credit with the buyer without delay and ask him to have these changes made by the opening bank. We therefore advise you to check the documentary credit for the following points as soon as you receive it.

### General points

- Do not accept any documentary credits notified to you directly from abroad without first checking their authenticity.
- Is the documentary credit unconfirmed or confirmed, as agreed?
- Does the documentary credit correspond with the contract, especially in connection with the following points?
  - Amount/unit price
  - Period of validity/shipping deadline
  - Delivery terms
  - Description and provenance of goods?
- Can it be transferred, if necessary?
- Where and how is the credit available?
- Does the documentary credit contain contradictory stipulations?
  - If the documentary credit is unconfirmed or confirmed by a foreign bank, what is your assessment of:
    - a) the credit risk (creditworthiness of the bank)
    - b) the country risk (i.e. political and transfer risk, the trading conditions in the buyer's country)
    - c) the mailing risk (if the credit is available abroad)?
  - Is the manufacturing risk covered?
  - Are the names and addresses of the applicant and the beneficiary correct?
  - Is the documentary credit subject to the ICC's currently valid Uniform Customs and Practice for Documentary Credits (UCP 600)?
  - If documents are to be presented in electronic records: is the documentary credit subject to the ICC's currently valid "Supplement to UCP 600 for Electronic Presentation" (eUCP)?
  - Is there sufficient time available to meet attestation and authentication requirements?
  - Are declarations requested in the documents which cannot be made?
  - Are documents stipulated which are contradictory to the terms of delivery?
  - Does the credit stipulate documents which need to be drawn up or countersigned by the buyer or his bank (= soft clause/stop clause)? (If so, fulfilment of the credit terms depends largely on the buyer's goodwill.)
  - Can the required number of specified documents be furnished?
  - Are the terms of delivery correct?
  - Are the commission arrangements in the documentary credit as contractually agreed?
  - Have all the affected departments in your company (accounting, shipping, sales, etc.) been informed of the documentary credit?
  - Have all external partners (carriers, freight forwarders, insurers, inspection agencies, etc.) been informed of the documentary credit?
  - Certificates must always be signed and dated.
  - Unless otherwise required, can at least one original of each document stipulated in the credit be presented?
  - If original documents are required, we recommend you to mark them as "originals".
  - Documents issued by the documentary credit beneficiary should be drawn up in the same language as used in the credit.

### **Deadlines and shipment of goods**

- Can the shipment deadline be met?
- Are the terms regarding the place where the goods are to be taken in charge and the points of departure and arrival feasible?
- Are partial shipments and transshipments prohibited contrary to the terms of contract?
- Can the prescribed marking and transport regulations be complied with?
- Are you familiar with the expressions of time used in the credit?
- Can the requested documents be presented in the desired form before the credit validity expires?
- If the credit stipulates an original transport document, the documents have to be presented at the bank not later than 21 days after the date of shipment unless the credit stipulates another time limit.
- Does the documentary credit contain other deadlines (e.g. "copy of telex sent to applicant within x days after shipment")?

### **Drafts**

- Are you absolutely certain how the draft has to be issued?

### **Commercial invoices**

- Can the description of the goods in the invoice be copied exactly from the documentary credit?

### **Transport documents, general points**

- Are you aware that, unless a transport document is required to be in this form, the banks cannot accept a document that:
  - a) is subject to a charter party (sea transport only),
  - b) states shipment on deck (sea transport only),
  - c) is issued by a party other than a carrier, owner, master or charterer, unless it meets the requirements of articles 19, 20, 21, 22, 23, 24 of the UCP 600.
- Certain countries require the value of the merchandise to be indicated on the transport documents for the export. Does this value correspond to the amount and the currency in your invoice?
- Rail freight: Can the duplicate of the rail transport document be obtained? (In the case of consolidated consignments, the Swiss Federal Railways can only give you a book extract.)

### **Bills of lading**

- If a bill of lading is issued by a freight forwarder, the document must meet the requirements of article 20.
- Is the bill of lading to be issued to order of the buyer or is it to be made out in his name? In both cases it will be extremely difficult to arrange any return of the goods. This point should be taken into full account.
- Does the prescribed freight notation conform to the terms of delivery?

### **Charter party bills of lading**

- Does the credit call for or allow such a document?

### **Transport documents covering at least two different modes of transport**

- If goods must be dispatched by more than one mode of transport, does the credit provide for presentation of such a transport document?

### **Air transport documents**

- If the air transport document is issued by a freight forwarder, does it meet the requirements of article 23 of the UCP 600?

### **Insurance documents**

- Can the terms of insurance be fulfilled?
- Are the risks to be covered accurately described in the documentary credit? (Avoid imprecise formulations such as "usual risks", "customary risks", etc.)
- Does the insurance cover meet your requirements?
- Is a policy or a certificate required? (Cover notes will not be accepted by the banks unless expressly permitted in the credit.)

### **Certificates of origin**

- Are the Chamber of Commerce and the consulate willing to attest or authenticate the statements required to appear on the certificate of origin?
- If authentication is required, does the relevant country, if necessary, have a consulate?
- Can a certificate of origin issued in the country of origin be furnished in time?
- Can the authentication be effected in time?

**For a comprehensive overview of trade & export finance, please see our homepage [www.ubs.com/tef](http://www.ubs.com/tef)**

**You can find further information – including templates of the most important documents – in our brochure "Documentary Credits and Collections".**