

Trade Finance

Checklist for seller before presenting documents under documentary credit

The bank may only pay out against documents which are **absolutely credit compliant**. It is the bank's job to check whether the documents

- meet the documentary credit requirements,
- are not inconsistent
- and are conform to the Uniform Customs and Practice for Documentary Credits (UCP) issued by the International Chamber of Commerce.

If the documents contain discrepancies of any kind, the issuing bank's obligation to pay will no longer apply and, if confirmed, neither will that of the confirming bank. This means that the exporter loses the security offered to him by the documentary credit. It is therefore essential for the documents to be prepared completely and correctly.

Possible consequences of discrepancies:

- The payment may be delayed, resulting in lost interest.
- The work involved gives rise to costs.
- Payment may be refused.
- Discrepancies are sought as a pretext for refusing to pay or as a means of securing a discount in the event of falling prices on the world market and/or currency fluctuations.

Please ensure that the documents reflect the requirements pursuant to the UCP 600 issued by the International Chamber of Commerce, Paris. It may be that documentary credits exclude parts of these rules or prescribe additional requirements. Please comply with these individual requirements when preparing the requested documents.

General points

- Have all documents been properly signed?
- Are the necessary documents presented in the prescribed form and number (originals and copies) (UCP Art. 17)?
- Do all documents relate to the same delivery and to the same documentary credit?
- Are the details given in the documents consistent with each other (e.g. dimensions, weights, number of packages, marking, etc.)?
- Where necessary, have all documents been legalized and/or certified (UCP Art. 3)?
- Have any corrections (e.g. on the transport or insurance documents or certificates of origin) been authenticated by the issuer?
- Check whether all certificates (e.g. analysis certificates) have been signed and dated.
- Have partial deliveries been sent contrary to the documentary credit provisions?
- Are all documents issued by the documentary credit beneficiary drawn up in the same language as used in the credit?

Deadlines

- Is the documentary credit still valid?
- Have the shipment dates been complied with?
- Can the documents be presented to the bank within the prescribed period after shipment? If the documentary credit does not contain such a provision, a period of 21 days applies as per UCP Art. 14 c.

Drafts

Does the format comply with the requirements of a draft?

- Name of the document (draft/bill of exchange) in the language in which it is issued,
- Unconditional instruction to pay,
- Drawee (see below),
- Due date (see below),
- Place of payment,
- Order notation,
- Place and date of issue,
- Issuer's signature.

Is the draft drawn on the party indicated in the documentary credit?

If made out to your order, is the draft endorsed?

Does the draft provide for the documentary credit payment to be made on sight or as a deferred payment? It must be possible to define or calculate the actual due date on the basis of the details on the draft.

Are the amounts in words and figures identical?

Does the draft contain the notations and clauses provided for in the documentary credit, such as "drawn under documentary credit no. ..."?

Commercial invoices

UCP Art. 18

Is the invoice issued by the beneficiary?

Is the invoice issued in the name of the applicant?

Does the goods description correspond with that of the credit? In all other documents, the goods may be described in general terms not conflicting with their description in the documentary credit.

Does the value of the goods and/or unit price match that of the documentary credit as regards the amount/currency?

Are the delivery conditions (CIF/FOB, etc.) listed in the invoice? Are these consistent with the documentary credit conditions? The addition of extra costs and expenses is not permitted.

Is the invoice signed, if required by the documentary credit?

Are any certifications/authentications required in the documentary credit present?

Are special conditions required in the documentary credit (customs tariff number, licence number, etc.) indicated on the invoice?

- Is the invoice made out in the same language and currency as the documentary credit?
- The invoice may not contain goods deliveries not mentioned in the documentary credit, even if it is expressly stated that no charge will be made for them.

Bills of lading
UCP Art. 20

Does the name of the vessel appear?

Are the ports of loading and discharge stated and consistent with the documentary credit conditions?
Will the goods be transhipped contrary to the provisions of the documentary credit?

Does the bill of lading bear a date of issuance?

Does the bill of lading indicate the name of the carrier and is it signed by

- a) the carrier (identifiable as such) or
- b) a named agent (identifiable as such) for or on behalf of the carrier, or
- c) the master (identifiable as such), or
- d) a named agent (identifiable as such) for or on behalf of the master?

Does the bill of lading indicate that the goods have been shipped on board

- a) in the form of a pre-printed wording in the bill of lading?
 - b) in the form of an "on board" notation indicating the date of loading on board?
- The date of issuance of the bill of lading will be deemed to be the date of shipment unless the bill of lading contains a notation on board indicating the date of shipment. In that case the date of the notation on board will be deemed to be the date of shipment.

Does the document indicate the number of originals in which it was issued?

Is the complete set of originals present?

Is the bill of lading issued to the "order" required in the documentary credit, i.e.

- a) to a certain order?
- b) to your order? (Remember to endorse it.)

Are all the other conditions required in the documentary credit, such as

- Name/address of the shipper,
- Name/address of the consignee: "Straight bill of lading",
- Name/address of the notify party,
- Shipping marks,
- Number of packages,
- Description of goods,
- Weight,
- Freight notations,
- Additional notations met?

- In case of any corrections/alterations on the document, have they been authenticated accordingly?
- Is the bill of lading "clean," i.e. without a clause or notation regarding defects in the goods and/or packaging (UCP Art. 27)?
- In the case of on deck loading, are "on deck" bills of lading permitted under the conditions of the documentary credit (UCP Art. 26 a)?
- Does the word "intended" or similar appear in connection with the vessel or the port of loading? The indication "intended" is only permitted under certain conditions (UCP Art. 20 a ii., iii.).

Non-negotiable sea waybills

UCP Art. 21

Contrary to the bill of lading the non-negotiable sea waybill is not a document of title.

Does the name of the vessel appear?

Are the ports of loading and discharge stated and consistent with the documentary credit conditions?

Will the goods be transhipped contrary to the provisions of the documentary credit?

Does the non-negotiable sea waybill bear a date of issuance?

Does the non-negotiable sea waybill indicate the name of the carrier and is it signed by

- a) the carrier (identifiable as such) or
- b) a named agent (identifiable as such) for or on behalf of the carrier, or
- c) the master (identifiable as such), or
- d) a named agent (identifiable as such) for or on behalf of the master?

Does the sea waybill indicate that the goods have been shipped on board

- a) in the form of a pre-printed wording in the sea waybill?
 - b) in the form of an "on board" notation indicating the date of lading on board?
- The date of issuance of the non-negotiable sea waybill will be deemed to be the date of shipment unless the sea waybill contains a notation on board indicating the date of shipment. In that case the date of the notation on board will be deemed to be the date of shipment.

Are all the other conditions required in the documentary credit, such as

- Name/address of the shipper,
- Name/address of the consignee,
- Name/address of the notify party,
- Shipping marks,
- Number of packages,
- Description of goods,
- Weight,
- Freight notations,
- Additional notations

met?

- In case of any corrections/alterations on the document, have they been authenticated accordingly?
- Is the non-negotiable sea waybill "clean," i.e. without a clause or notation regarding defects in the goods and/or packaging (UCP Art. 27)?
- In the case of on deck loading, are "on deck" sea waybills permitted under the conditions of the documentary credit (UCP Art. 26 a)?
- Does the word "intended" or similar appear in connection with the vessel or the port of loading? The indication "intended" is only permitted under certain conditions (UCP Art. 21 a ii., iii.).

Charter party bills of lading

UCP Art. 22

Does the name of the vessel appear?

Are the ports of loading and discharge stated and consistent with the documentary credit conditions?

Does the bill of lading bear a date of issuance?

Is the bill of lading signed by:

- a) the master (identifiable as such), or
- b) a named agent (identifiable as such) for or on behalf of the master, or
- c) the owner (identifiable as such), or
- d) a named agent (identifiable as such) for or on behalf of the named owner, or
- e) the charterer (identifiable as such), or
- f) a named agent (identifiable as such) for or on behalf of the named charterer

Does the bill of lading indicate that it is subject to a charter party?

Does the bill of lading indicate that the goods have been shipped on board

- a) in the form of a pre-printed wording in the bill of lading?
 - b) in the form of an "on board" notation indicating the date of lading on board?
- The date of issuance of the bill of lading will be deemed to be the date of shipment unless the bill of lading contains a notation on board indicating the date of shipment. In that case the date of the notation on board will be deemed to be the date of shipment.

Does the document indicate the number of originals in which it was issued?

Is the complete set of originals present if required by the credit?

Is the bill of lading issued to the "order" required in the documentary credit, i.e.

- a) to a certain order?
- b) to your order? (Remember to endorse it.)

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Charter party bills of lading (continuation)

Are all the other conditions required in the documentary credit, such as

- Name/address of the shipper,
- Name/address of the consignee: "Straight bill of lading",
- Name/address of the notify party,
- Shipping marks,
- Number of packages,
- Description of goods,
- Weight,
- Freight notations,
- Additional notations

met?

- In case of any corrections/alterations on the document, have they been authenticated accordingly?
- Is the bill of lading "clean," i.e. without a clause or notation regarding defects in the goods and/or packaging (UCP Art. 27)?
- In the case of on deck loading, are "on deck" bills of lading permitted under the conditions of the documentary credit (UCP Art. 26 a)?

Transport documents covering at least two different modes of transport – UCP Art. 19

Are the place of dispatch, taking in charge or place of shipment and the place of final destination stated and consistent with the documentary credit conditions?

Does the document bear a date of issuance?

Does the document indicate the name of the carrier and is it signed by

- a) the carrier (identifiable as such) or
- b) a named agent (identifiable as such) for or on behalf of the carrier, or
- c) the master (identifiable as such), or
- d) a named agent (identifiable as such) for or on behalf of the master?

Does the document indicate that the goods have been dispatched, taken in charge or shipped on board?

- a) in the form of a pre-printed wording in the document
- b) by a stamp or notation indicating the date on which the goods have been dispatched, taken in charge or shipped on board
- The date of issuance of the document will be deemed to be the date of dispatch, taking in charge or shipped on board and the date of shipment, unless the transport document indicates, by stamp or notation, a date of dispatch, taking in charge or shipped on board, in which case this date will be deemed to be the date of shipment.

Does the document indicate the number of originals in which it was issued (if issued in more than one original)?

Is the complete set of originals present if required by the credit?

If issued in negotiable form, does the document indicate the order party required in the documentary credit, i.e.

- a) to a certain order?
- b) to your order? (Remember to endorse it.)

Are all the other conditions required in the documentary credit, such as

- Name/address of the shipper,
- Name/address of the consignee,
- Name/address of the notify party,
- Shipping marks,
- Number of packages,
- Description of goods,
- Weight,
- Freight notations

met?

- In case of any corrections/alterations on the document, have they been authenticated accordingly?
- Is the document of transport "clean" i. e. without a clause or notation regarding defects in the goods and/or packaging (UCP Art. 27)?
- In the case of on deck loading, are on deck transport documents permitted under the conditions of the documentary credit (UCP Art. 26 a)?

General

The document must show at least two different modes of transport.

**Air transport documents
UCP Art. 23**

Are the airports of departure and destination stated and consistent with the documentary credit conditions?
Will the goods be transhipped contrary to the provisions of the documentary credit?

Does the document indicate the name of the carrier and is it signed by

- a) the carrier (identifiable as such) or
- b) a named agent (identifiable as such) for or on behalf of the carrier?

Does the document bear a date of issue?

This date will be deemed to be the date of shipment unless the document contains a specific notation of the actual date of shipment, in which case the date stated in the notation will be deemed to be the date of shipment. (Notes in the box "For Carrier Use only" or under other headings do not count!)

Does the document indicate that the goods have been accepted for carriage?

Is the document presented the original for the consignor/shipper, even if the credit stipulates a full set of originals?

Are all the other conditions required in the documentary credit, such as

- Name/address of the shipper,
- Name/address of the consignee,
- Name/address of the notify party,
- Shipping marks,
- Number of packages,
- Description of goods,
- Weight,
- Freight notations

met?

- In case of any corrections/alterations on the document, have they been authenticated accordingly?

**Road, rail or inland waterway transport documents
UCP Art. 24**

Are the places of shipment and destination stated and consistent with the documentary credit conditions?
Will the goods be transhipped contrary to the provisions of the documentary credit?

Does the document indicate the name of the carrier and is it signed by

- a) the carrier (identifiable as such) or
- b) a named agent (identifiable as such) for or on behalf of the carrier? or indicate receipt of the goods by signature, stamp or notation by
 - the carrier (identifiable as such) or
 - a named agent (identifiable as such) for or on behalf of the carrier.

Does the document indicate the date of shipment or the date that the goods have been received for shipment, dispatch or carriage?

Unless the document bears a dated reception stamp, an indication of the date of receipt or a date of shipment, the date of issuance of the document will be deemed to be the date of shipment.

In the case of road transport: is the consignor/shipper's original presented?

Otherwise a document bearing no marking indicating for whom the document has been prepared is acceptable?

In the case of rail transport: does the document bear any signature or stamp of the railway company?

Any signature or stamp of the railway company will be accepted as evidence of the document being signed by the carrier.

A rail document transport marked "duplicate" is acceptable. A rail or inland waterway transport document is acceptable as original even if not marked original.

Are all the other conditions required in the documentary credit, such as

- Name/address of the shipper,
- Name/address of the consignee,
- Shipping marks,
- Number of packages,
- Description of goods,
- Weight,
- Freight notations

met?

- In case of any corrections/alterations on the document, have they been authenticated accordingly?

Courier receipts UCP Art. 25

Is the name of the courier service stated?

Is the document stamped or signed by the named courier service at the place from which the goods are to be shipped?

Does the document bear a date of pickup or receipt of the goods for transport (deemed to be the shipment date)?

Are all the other conditions required in the documentary credit, such as

- Name/address of the consignee,
 - Freight notations,
 - Place where goods were shipped, etc.
- met?

Insurance documents and coverage UCP Art. 28

Is the insurance document issued as a policy, certificate or a declaration under an open cover in compliance with the documentary credit stipulations?

Have all issued originals of the insurance document been presented? (original and duplicates)

Is the insurance document issued and signed by an insurance company or underwriter or their agents or their proxies? Cover notes will not be accepted.

Is the insurance document correctly dated and signed?
N.B.: The date of the insurance document must not be later than the date of shipment unless the insurance document expressly states that the cover takes effect at the latest on the date of shipment.

Is the information regarding the transport route and mode of transport consistent with the documentary credit?

Are the risks covered at least between the place of taking in charge or shipment and the place of discharge or final destination?

Is the amount insured correct? (At least 110% of the CIF or CIP value of goods.) See UCP Art. 28 f ii. if the CIF/CIP value cannot be determined.

The insurance coverage must be in the same currency as that of the documentary credit.

Does the insurance cover all risks as required in the documentary credit? If the documentary credit states "Insurance against all risks", an insurance document with any notation "all risks" or "indicating that it covers Institute Cargo Clauses (A)" is accepted, even if it is stated in the document that certain risks are excluded.

Does the insurance cover all additional risks resulting from the type of shipping or transport route such as reloading, "on deck" loading, storage, if required in the documentary credit?

Does the insurance document contain the correct

- description of goods,
- shipping marks

i.e. do they tally with those on the transport document and the invoice?

If endorsement is necessary, is the insurance document correctly endorsed?

Other documents

If documentary credits require other documents in addition to the invoice, transport and insurance documents, the documentary credit should stipulate the issuer and their data content.

If the documentary credit does not indicate the issuer of such documents and their data content, the banks will accept these documents as presented, provided that their data content appears to fulfil the function of the required document and is not conflicting with data in that document and any other stipulated document or the credit. See UCP Art. 14 d, f.

Please ensure that the other documents are consistent with the documentary credit conditions in the following points:

- Name/address of the shipper,
- Name/address of the consignee,
- Description of goods,
- Country of origin/country of destination,
- Additional comments (e.g. documentary credit number),
- Issuer,
- Certifications/authentications,
- Shipping marks,
- Indications of weights, dimensions, number of packing units.

For a comprehensive overview of trade & export finance, please see our homepage www.ubs.com/tef

You can find further information – including templates of the most important documents – in our brochure “Documentary credits and collections”.



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