

There are some universal requirements, including those listed below:

DOCUMENT PREPARATION UNDER LETTERS OF CREDIT

Document: THE LETTER OF CREDIT

Ensure:

- it is the correct referenced letter of credit
- it is still valid (not expired/canceled)
- the available balance in the letter of credit is sufficient to cover the value of the drawing
- the documents required by the letter of credit are presented
- no amendments or previous drawdowns are in a questionable state

Document: THE DRAFT OR BILL OF EXCHANGE

Ensure:

- the draft bears the correct letter of credit reference number
- the draft has a current date
- the signature and/or the name of the Drawer corresponds with the name of the Beneficiary
- it is drawn on the drawee
- the amount in figures and words correspond
- the tenor is as required by the letter of credit
- the name of the payee is identified
- if it requires an endorsement it is properly endorsed
- there are no restricted endorsements
- it contains any necessary clauses as required by the letter of credit
- the amount drawn does not exceed the balance available in the letter of credit
- the value of the draft and the invoices correspond
- it is not drawn “without recourse” unless authorized by the letter of credit

Document: THE COMMERCIAL INVOICE OR TRADE INVOICE

Ensure:

- it is issued by the Beneficiary of the letter of credit
- Applicant (Buyer) is indicated as the invoiced party, unless otherwise stated in the letter of Credit
- it is not titled “pro-forma” or “provisional” invoice
- the description of the goods corresponds with the merchandise description in the letter of credit
- no additional detrimental description of the goods appears that may question their condition or value
- details of the goods, prices and terms as mentioned in the letter of credit are included in the invoice
- any other information supplied in the invoice, such as marks, numbers, transportation information, etc., is consistent with that of the other documents
- currency of the invoice is the same as that of the letter of credit
- value of the invoice corresponds with the draft

- value of the invoice does not exceed the available balance of the letter of credit
- it covers complete shipment as required by the letter of credit (if partial shipments are not allowed)
- if required by the letter of credit the invoice is signed, notarized, legalized, certified, etc.
- the information relative to the shipment, packaging, weight, freight charges or other related transport charges corresponds with that appearing on the other documents
- correct number of originals and copies are presented

Document: CERTIFICATE OF ORIGIN

(A document in which certification is made as to the country of origin of the merchandise.)

Ensure:

- it is a unique document and not combined with any other document
- it is signed, notarized, legalized, etc. as required by the letter of credit
- the data on it is consistent with that of the other documents
- the country of origin is specified, and that it meets the requirements of the letter of credit

Document: WEIGHT LIST / CERTIFICATE

Ensure:

- it is a unique document and not combined with any other document
- it is signed if a certificate is called for, or as otherwise stated in the letter of credit
- the data on it is consistent with that of the other documents

Document: PACKING LIST

(A list which shows number and kinds of packages being shipped, totals of gross, legal and net weights of the packages, and marks and numbers on the packages.)

Ensure:

- it is a unique document and not combined with any other document
- it corresponds with the requirements of the letter of credit. A detailed packing list requires a listing of the contents of each package, carton, etc. and other relevant information
- data on it is consistent with that of the other documents

Document: INSPECTION CERTIFICATE

Ensure:

- inspection firm nominated in the letter of credit, if any, issued the certificate,
- it is signed
- it complies with the inspection requirements of the letter of credit
- it contains no detrimental statement as to the goods, specifications, quality, packaging, etc. unless authorized by the letter of credit

Document: INSURANCE DOCUMENT

(Document issued by an insurance company, usually to order of shipper, under a marine policy and in cover of a particular shipment of merchandise.)

Ensure:

- policy/certificate/declaration/cover note, as required by the letter of credit, is presented
- full set of the insurance documents issued is presented
- it is issued and signed by the insurance company, the underwriter or their agents, and the insured, if so required by the insurance document
- date of issuance or date from which cover is effective at the latest from the date of loading on board or dispatch or taking in charge of the goods, as the case may be
- value of the goods insured is as required by the letter of credit or as defined in UCP 500 sub-Article 34(f)
- it is issued in the same currency as the letter of credit, unless otherwise allowed in the letter of credit
- goods description corresponds with that of the invoice
- covers the merchandise from the designated port of embarkation or point of taking in charge to the port of discharge or point of delivery
- covers the specified risks as stated in the letter of credit and that the risks are clearly defined
- marks and numbers, etc. correspond with those of the transport document
- if the insured named is other than the Confirming Bank, Issuing Bank or buyer, it bears the appropriate endorsement
- all other information appearing on the document is consistent with that of the other documents
- if any alteration is noted in the document it is properly authenticated

***Document:* TRANSPORT DOCUMENT**

(A document which provides the terms of the contract between the shipper and the transportation company to move freight between stated points at a specified charge.)

Ensure:

- full set of originals issued is presented, unless otherwise stated in the letter of credit
- it is not a “charter party” transport document unless it is authorized in the letter of credit under UCP 500 Article 30
- name of the consignee is as required in the letter of credit
- if the transport document requires endorsement it is appropriately endorsed
- it bears the name of the shipper or his agent
- the name and address, if any, of the notifying party is as required in the letter of credit
- the description of the goods generally corresponds to the description of the goods as stated in the letter of credit, and that the marks and numbers as well as other specification, if any, are identical to those appearing on the other documents
- the indication of freight prepaid or freight collect costs, as required by the terms of the letter of credit, appears on it
- there are no clauses on the transport document that may render it “foul” or “unclean”

OTHER MISCELLANEOUS DOCUMENTS

Please note:

- that when documents other than transport documents, insurance documents and commercial invoices are called for, the letter of credit should stipulate by whom such documents are to be issued and their wording or data content. In the absence of this information, banks will accept such documents as presented, provided that their data content is not inconsistent with any other stipulated document presented;
- that when Letters of Credit require a document to issued as a “certificate,” the document must be signed.

Please note that this list is not exhaustive, but is offered as a general guide to help in the preparation and examination of documents that could be required by a letter of credit. This list is not to be construed as being other than solely for guidance and therefore, we highly recommend that you contact a KeyBank international banking product specialist or KeyBank's International Client Services department for further assistance and interpretation.

3. Avoiding Discrepancies

Below are some suggestions which may be helpful in eliminating delays and problems in the processing of letter of credit transactions:

DISCREPANCY CHECKLIST

Upon receipt of a letter of credit advice, please ascertain whether:

- ◆ The type of credit and all terms and conditions correspond to the sales contract
- ◆ There are any unacceptable conditions
- ◆ The documents can be prepared in the form required
- ◆ The merchandise description and unit price conform to the sales contract
- ◆ The amount of the credit is sufficient to cover all costs to be borne by the shipper under the terms of the contract

The latest permissible shipping and expiration dates allow sufficient time for shipment and presentation of documents to the bank.

- ◆ The points of shipment and destination conform to the sales contract
- ◆ The insurance coverage corresponds to the terms of the sale
- ◆ All names and addresses are shown correctly

Some of the most common documentary discrepancies to avoid when presenting documents under a letter of credit are listed below:

- ◆ LETTER OF CREDIT expired--documents presented after expiration date of the letter of credit
- ◆ Late shipment--shipment made after latest allowable shipping date
- ◆ Late presentation--documents presented more than 21 days after shipment (or as specified in the LETTER OF CREDIT)
- ◆ LETTER OF CREDIT overdrawn--amount of drawing exceeds amount available under the letter of credit

- ◆ Short shipment
- ◆ Bill of exchanges (draft) drawn on incorrect party
- ◆ Bill of exchanges (draft) payable on an indeterminable date
- ◆ Merchandise description in invoice differs from that in the credit
- ◆ “On board” notation on bill of lading not dated
- ◆ Bill of lading showing incorrect consignee
- ◆ Bill of lading shows port of loading and/or discharge other than ports specified in LETTER OF CREDIT
- ◆ Bill of lading does not indicate whether freight is prepaid or payable at destination/collect
- ◆ Documents inconsistent with each other
- ◆ Bill of lading, insurance certificate/policy and/or bill of exchange (draft) are not properly endorsed
- ◆ Absence of signature, where required, on documents presented
- ◆ Shipping terms (Ex-Factory, FAS, FOB, C&I, C&F, CIF) on invoices differ from those specified in the letter of credit
- ◆ Set of documents presented under LETTER OF CREDIT incomplete
- ◆ Bill of exchange (draft) drawn with incorrect tenor
- ◆ Corrections on bill of lading or insurance certificate/policy not initialed

Please keep in mind that the negotiating bank’s ability to pay against documents submitted under a letter of credit depends entirely on the strict compliance of these documents with the terms and conditions of the credit and the provisions of the Uniform Customs and Practice for Documentary Credits.