

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.