



# LETTER OF CREDIT REFERENCE

<b>Type of LC:</b>	Irrevocable Documentary LC. SWIFT or tested telex only SAMPLES: A. Advised through Wells Fargo HSBC Trade Bank B. Adv. & Confirmed by Wells Fargo HSBC Trade Bank	Electronic issuance is much preferable to hard copy (faster and less liable to problems with fraud). Always get irrevocable LC's. Always nominate your preferred bank as advising (and as needed) confirming bank.
<b>Issuing Bank:</b>	LC must be issued by a bank acceptable to the exporter. Buyer should provide Seller with a list of banks that might open the LC.	Having a list of issuing banks will make it easier for the exporter to get confirmation pricing and to make sure that the LC can be confirmed by a US or other bank acceptable to the exporter.
<b>Advising Bank: Or Advising/Confirming Bank</b>	LC must be advised through (preferred bank name). If LC cannot be advised through this bank, then exporter approval of an alternate bank is required. LC must be advised/confirmed through (preferred bank name). If LC cannot be advised/confirmed through this bank, the exporter approval of an alternate bank is required.	Preferred Bank Name should include name, city, stat + SWIFT address if LC is coming from a difficult country, and you might want to include 2-3 other acceptable bank names in the instructions. Avoid vague terms such as prime US bank, since exporter could lose some control over pricing and may incur more credit risk than anticipated. <b>Use relationship banks.</b>
<b>Credit Must be Issued by (date):</b>	Ensures that LC is received by you the export in a timely manner. Show date as Jan. 15, 2003 to avoid confusion – several countries use DDMMYY formats instead of MMDDYY.	Don't cut yourself short on time. Allow some room for the potential need of amendments, clarification, etc. These may take time.
<b>Expiration Date of LC:</b>	Should be latest shipment date plus at least 21 days	This allows the export time to create & revise documents as well as gather any potential 3 <sup>rd</sup> party documents (i.e. B/L, Inc. Cert.)
<b>Place of Expiration:</b>	At the counters of: A. Negotiating bank B. Confirming bank (if LC is to be confirmed)	This allows the exporter more time to make corrections if needed. Allowing expiration at the opening bank's counters reduces you time to present complying documentation.
<b>Application (Buyer) Name:</b>	Full name and address of seller as per contract terms	
<b>Beneficiary (Seller) Name:</b>	Full name and address of seller as per contract terms	
<b>Amount and Currency:</b>	In both figures and words in the same currency as stated on the contact/sales agreement	If shipping commodities/bulk goods, include appropriate variance, shown as +/- ____% (+/- 10%)
<b>LC is available with:</b>	PICK ONE: A. The advising bank B. Any bank by negotiation/acceptance C. (Preferred bank name) by negotiation/acceptance D. The confirming bank	Never allow the importer's opening bank to be the negotiating bank. They work for the importer and have the importer's best interest at heart. This also causes payments delays, since the documents have to go offshore.



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<b>Payable by (payment terms)</b>	Sample: drafts at sight, drafts at 90 days B/L date, by deferred pmt.	
<b>Drafts to be drawn on</b>	PICK ONE: A. Issuing Bank B. Negotiating Bank C. Confirming Bank D. Reimbursing Bank	Never allow drafts to be drawn on the importer. You would then be relying on the credit worthiness of the importer, not the issuing or confirming bank.
<b>Partial Shipments</b>	Allowed or Prohibited	
<b>Transshipments</b>	Allowed or Prohibited. Container shipments and shipments by Air must always specify Allowed. Check with Gateway for other types of carriage.	Container shipments and shipments by Air must <u>always</u> specify "allowed". Check with Gateway for other available types of carriage.
<b>Shipment from (departure point)</b>	Samples: Houston, TX USA or any USA port	Use generic terms (shipment from USA port) instead of named cities to give you more flexibility in shipping arrangements.
<b>Shipment to (destination point)</b>	Samples: Seoul, Korea or any Korean port (confirm costs)	
<b>Latest Shipment Date</b>	The latest allowable on board date shown on the transport document.	Be aware of possible production, transportation and document delays. Allow some breathing room for yourself and operation.
<b>Shipment of (merchandise description)</b>	Recommend short concise description of goods, such as "widget model 1234 as per contract no. ABC-123B"	Avoid excessive detail. The description should be consistent, but not necessarily exactly per the contract. The LC description should never contradict that on the contract.
<b>Incoterms</b>	Select appropriate Incoterm: FOB, FCA, CIP, CIF, etc. INCLUDE FINAL DESTINATION CIF Singapore, DDP Houston warehouse, 1234 Main Street	Make sure your Incoterm is correct for the type of carriage you are using. Some Incoterms are only for ocean freight or other special purposes. Recommend adding "per Incoterms 2000"
<b>Packing List</b>	Packing List/Weight List in _____ original + _____ copies (other details as needed)	



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<p><b>Additional Documents (Deal Specific)</b></p> <p>Insurance Certificate</p> <p>Other documents (as needed)</p> <p>Beneficiary Certification (s)</p> <p>Copies of Faxes/Dispatches</p> <p>Inspection Certificate</p> <p>Other documents/special conditions</p>	<p>Insurance Certificate in original + _____copies issued or endorsed to the order of _____ for 110% of invoice value in the credit currency covering (list risk coverage)</p> <p>Beneficiary’s certificate stating that (details of condition to have been complied with)</p> <p>Copy of fax to applicant with all shipment details including name of vessel, departure date, (other details as needed)</p> <p>Inspection certificate issued by (name of inspection agency)</p> <p>Certificate of Quality issued by (party)</p> <p>Certificate of Quantity issued by (party)</p> <p>Phytosanitary Certificate</p> <p>FDA Certificate</p> <p>Other documents to comply with import or export regulations</p>	<p>Insurance certificate needed only when Seller is responsible for insuring merchandise. Make sure you insurer sees the insurance language in the LC when you receive it before you agree to it with the importer.</p> <p>Sample: Beneficiary’s certificates stating that 1 non-negotiable copy of all documents have been sent via courier to applicant within 3 days of shipment. Copy of courier receipt required. Certificates such as these should be issued by either the beneficiary or a mutually agreeable independent party. Try to avoid buyer-issued or approved documents .</p> <p>As required by buyer, seller, or country.</p>
<p><b>LC Charges</b></p>	<p>Charges in buyer’s country are for account of buyer</p> <p>Confirmation charges are for account of _____</p> <p>All other charges are for account of beneficiary</p>	<p>Match this to contract especially who is paying the confirmation, acceptance and discount charges (if applicable) and other large \$\$ amounts.</p>
<p><b>Period for Presentation of Documents</b></p>	<p>Documents to be presented within 21 days after shipment date</p>	<p>May be shorter, but be sure to allow plenty of time to collect/prepare docs for presentation to bank. Can also be made longer by stating “documents presented more than 21 days after B/L date but within expiry of LC acceptable.”</p>
<p><b>Reimbursement</b></p>	<p>Reimbursement via SWIFT/Tested telex on a US Bank</p>	<p>Reimbursement on a US Bank will get seller paid faster. SWIFT/Tested Telex is also faster than a paper claim for funds.</p>