

Letter of credit related knowledge

--by wanzhi business school

(1) Kinds of L/C

1. revocable L/C/irrevocable L/C
2. confirmed L/C/unconfirmed L/C
3. sight L/C/usance L/C
4. transferable L/C(or)assignable L/C(or)transmissible L/C /untransferable L/C
5. divisible L/C/undivisible L/C
6. revolving L/C
7. L/C with T/T reimbursement clause
8. without recourse L/C/with recourse
9. documentary L/C/clean L/C
10. deferred payment L/C/anticipatory
11. back to back L/Creciprocal L/C
12. traveller's L/C(or:circular L/C)

(2) L/C Parties Concerned

1. opener

- (1) applicant
- (2) principal
- (3) accountee
- (4) accreditor
- (5) opener
- (6) for account of Messrs
- (7) at the request of Messrs
- (8) on behalf of Messrs
- (9) by order of Messrs
- (10) by order of and for account of Messrs
- (11) at the request of and for account of Messrs
- (12) in accordance with instruction received from accreditors

2. beneficiary

- (1) beneficiary
- (2) in favour of
- (3) in one's favour
- (4) favouring yourselves

3. drawee

- (1) to drawn on (or :upon)
- (2) to value on
- (3) to issued on

4. drawer

5. advising bank

- (1) advising bank
- (2) the notifying bank
- (3) advised through...bank
- (4) advised by airmail/cable through...bank

6. opening bank

- (1) opening bank
- (2) issuing bank
- (3) establishing bank

7. negotiation bank

- (1) negotiating bank
- (2) negotiation bank

8. paying bank

9. reimbursing bank

10. the confirming bank

(3) Amount of the

1. amount RMB ¥
2. up to an aggregate amount of Hongkong Dollars...
3. for a sum (or :sums) not exceeding a total of GBP...
4. to the extent of HKD...
5. for the amount of USD...
6. for an amount not exceeding total of JPY

(4) The Stipulations for the shipping Documents

1. available against surrender of the following documents bearing our credit number and the full name and address of the opener
2. drafts to be accompanied by the documents marked (? below
3. accompanied against to documents hereinafter
4. accompanied by following documents
5. documents required
6. accompanied by the following documents marked (? in duplicate
7. drafts are to be accompanied by...

(5) Draft (Bill of Exchange)

1. the kinds of drafts

- (1) available by drafts at sight
- (2) draft(s) to be drawn at 30 days sight
- (3) sight drafts
- (4) time drafts

2. drawn clauses

- (1) all drafts drawn under this credit must contain the clause "Drafts drawn Under Bank of...credit No....dated..."
- (2) drafts are to be drawn in duplicate to our order bearing the clause "Drawn under United Malayan Banking Corp.Bhd.Irrevocable Letter of Credit No....dated July 12, 1978"
- (3) draft(s) drawn under this credit to be marked: "Drawn under...Bank L/C No..... Dated (issuing date of credit)"
- (4) drafts in duplicate at sight bearing the clauses "Drawn under...L/C No.... dated..."
- (5) draft(s) so drawn must be inscribed with the number and date of this L/C
- (6) draft(s) bearing the clause: "Drawn under documentary credit No...(shown above) of...Bank"

(6) Invoice

1. signed commercial invoice
in duplicate
in triplicate
in quadruplicate
in quintuplicate

in sextuplicate

in septuplicate

in octuplicate

in nonuplicate

in decuplicate

2. beneficiary's original signed commercial invoices at least in 8 copies issued in the name of the buyer indicating (showing/evidencing/specifying/declaration of) the merchandise, country of origin and any other relevant information.

3. Signed attested invoice combined with certificate of origin and value in 6 copies as required for imports into Nigeria.

4. beneficiary must certify on the invoice...have been sent to the accountee

5. 4% discount should be deducted from total amount of the commercial invoice

6. invoice must be shown: under A/P No.... date of expiry 19th Jan. 1981 发 7.

documents in combined form are not acceptable

8. combined invoice is not acceptable

(7) Bill of Lading

1. full set shipping (company's) clean on board bill(s) of lading marked "Freight Prepaid" to order of shipper endorsed to ... Bank, notifying buyers

2. bills of lading made out in negotiable form

3. clean shipped on board ocean bills of lading to order and endorsed in blank marked "Freight Prepaid" notify: importer(openers,accountee)

4. full set of clean "on board" bills of lading/cargo receipt made out to our order/to order and endorsed in blank notify buyers M/S ... Co. calling for shipment from China to Hamburg marked "Freight prepaid" / "Freight Payable at Destination"

5. bills of lading issued in the name of...

6. bills of lading must be dated not before the date of this credit and not later than Aug. 15, 1977

7. bill of lading marked notify: buyer, "Freight Prepaid" "Liner terms" "received for shipment" B/L not acceptable

8. non-negotiable copy of bills of lading

(8) Insurance Policy (or Certificate)

1. Risks & Coverage

- (1) free from particular average (F.P.A.)
- (2) with particular average (W.A.)
- (3) all risk
- (4) total loss only (T.L.O.)
- (5) war risk
- (6) cargo(extended cover)clauses
- (7) additional risk
- (8) from warehouse to warehouse clauses
- (9) theft, pilferage and nondelivery (T.P.N.D.)
- (10) rain fresh water damage
- (11) risk of shortage
- (12) risk of contamination
- (13) risk of leakage
- (14) risk of clashing & breakage
- (15) risk of odour
- (16) damage caused by sweating and/or heating
- (17) hook damage
- (18) loss and/or damage caused by breakage of packing
- (19) risk of rusting
- (20) risk of mould
- (21) strike, riots and civil commotion (S.R.C.C.)
- (22) risk of spontaneous combustion
- (23) deterioration risk
- (24) inherent vice risk
- (25) risk of natural loss or normal loss
- (26) special additional risk
- (27) failure to delivery
- (28) import duty
- (29) on deck
- (30) rejection
- (31) aflatoxin
- (32) fire risk extension clause-for storage of cargo at destination Hongkong, including Kowloon, or Macao
- (33) survey in customs risk
- (34) survey at jetty risk

- (35) institute war risk
- (36) overland transportation risks
- (37) overland transportation all risks
- (38) air transportation risk
- (39) air transportation all risk
- (40) air transportation war risk
- (41) parcel post risk
- (42) parcel post all risk
- (43) parcel post war risk
- (44) investment insurance(political risks)
- (45) property insurance
- (46) erection all risks
- (47) contractors all risks

2.the stipulations for insurance

- (1) marine insurance policy
- (2) specific policy
- (3) voyage policy
- (4) time policy
- (5) floating policy (or open policy)
- (6) ocean marine cargo clauses
- (7) ocean marine insurance clauses (frozen products)
- (8) ocean marine cargo war clauses
- (9) ocean marine insurance clauses (woodoil in bulk)
- (10) overland transportation insurance clauses (train, trucks) (11)overland transportation insurance clauses (frozen products)
- (12) air transportation cargo insurance clauses
- (13) air transportation cargo war risk clauses
- (14) parcel post insurance clauses
- (15) parcel post war risk insurance clauses
- (16) livestock & poultry insurance clauses (by sea, land or air)
- (17) ...risks clauses of the P.I.C.C. subject to C.I.C.
- (18) marine insurance policies or certificates in negotiable form, for 110% full CIF invoice covering the risks of War & W.A. as per the People's Insurance Co. of China dated 1/1/1976. with extended cover up to Kuala Lumpur with claims payable in (at) Kuala Lumpur in the currency of draft (irrespective of percentage)

- (19) insurance policy or certificate settling agent's name is to be indicated, any additional premium to cover uplift between 10 and 17% may be drawn in excess of the credit value
- (20) insurance policy (certificate) ... Name of Assured to be showed: A.B.C.Co. Ltd.
- (21) insurance policy or certificate covering W.A. (or F.P.A.) and war risks as per ocean marine cargo clause and ocean marine cargo war risk clauses of the People's Insurance Company of China dated 1/1/1981
- (22) insurance policy/certificate covering all war mines risks
- (23) W.A. this insurance must be valid for period of 60 days after the discharge of
- (24) in triplicate covering all risks and war risks including W.A. and breakage in excess of five per cent on the whole consignment and including W/W up to buyer's godown in Penang
- (25) insurance policy issued of endorsed to order ... for the face value of invoice plus 10% covering including war with 15 days after arrival of goods at destination, only against FPA and T.P.N.D.
- (26) insurance policy or certificate issued by an insurance Co. with W.P.A. clause covering the merchandise for about 10% above the full invoice value including unlimited transshipment with claims payable at Singapore
- (27) covering all eventual risks
- (28) covering all marine risks
- (29) marine insurance policy including "both ot blame" collision clauses and fully covering the shipment
- (30) insurance ... including deviation clauses
- (31) covering overland transportation all risks as per overland transportation cargo insurance clauses (train, trucks) of the People's Insurance Company of China dated...
- (32) covering air transportation all risk as per air transportation cargo insurance clauses of P.I.C.C.
- (33) insurance policy or certificate covering parcel post all risks including war risks as per parcel post insurance clauses and parcel post war risk insuracne clauses of the People's Insurance Company of China dated...
- (34) covering all risks including war risks as per ocean marine cargo clauses and air transportation cargo insurance clauses and ocean marine cargo war risk clauses and air transportation cargo war risk clauses of the People's Insurance Company of China dated...

- (35) covering all risks as per ocean marine cargo clauses and overland transportation cargo insurance clause (train, truck) of P.I.C.C. dated...
- (36) covering all risks including war risks as per overland transportation cargo insurance clauses (train, truck) and air transportation cargo insurance clauses and air transportation cargo war risk clause and war clauses (for cargo transportation by rail) of the People's Insurance Company of China dated...
- (37) including shortage in weight in excess of 0.5% (with 0.5% franchise) on the whole consignment
- (38) including risk of breakage and clashing
- (39) including risk of chipping & denting
- (40) including risk of bad odour
- (41) including damage by hooks, oils, muds and contact with other cargo (insured value)
- (42) including damage caused by rain fresh and/or water, internal combustion (total or partial loss)
- (43) including loss and/or damage caused by sea water, fresh-water, acid, grease
- (44) including T.P.N.D. loss and/or damage caused by heat, ship's sweat and odour, hoop-rust, breakage of packing
- (45) including damage caused by infestation mould
- (46) including damage due to rough handling during transit subject to C.T.C.
- (47) including loss and/or damage from any external cause as per CIC
- (48) including damage by slings, stains, grease, acids
- (49) excluding risk of breakage
- (50) including the breakage does not cover the goods remarked in the invoice as originally damaged
- (51) excluding natural loss in weight
- (52) including 60 days after discharge of the goods at port of destination (or at station of destination) subject to C.T.C.
- (53) including W.A. & risk of fire for 60 days in customs warehouse after discharge of the goods at port of destination subject to CIC
- (54) this insurance must be valid for a period of 60 days after arrival of merchandise at inland destination
- (55) insurance policy or certificate covering F.P.A. including the risk of war and risks of S.R.C.C. as per I.C.C. dated... and institute war clauses dated... and institute S.R.C.C. clauses dated...

(56) the People's Insurance Company of China investment insurance (political risks) clauses

(57) property insurance clauses

(58) the People's Insurance Company of China Erection all risks clauses

(59) the People's Insurance Company of China contractors all risks clauses

(9) Certificate of Origin

1. certificate of origin of China showing
stating
evidencing
specifying
indicating
declaration of
2. certificate of Chinese origin
3. certificate of origin shipment of goods of ... origin prohibited
4. declaration of origin
5. certificate of origin separated
6. certificate of origin "form A"
7. generalised system of preference certificate of origin form "A"

(10) Packing List and Weight List

1. packing list detailing the complete inner packing specification and contents of each package
2. packing list detailing...
3. packing list showing in detail...
4. weight list
5. weight notes
6. detailed weight list
7. weight and measurement list

(11) Inspection Certificate

1. certificate of weight
2. certificate of inspection certifying quality & quantity in triplicate issued by C.I.B.C.
3. phytosanitary certificate

4. plant quarantine certificate
5. fumigation certificate
6. certificate stating that the goods are free from live weevil
7. sanitary certificate
8. health certificate
9. analysis certificate
10. tank inspection certificate
11. record of ullage and oil temperature
12. certificate of aflatoxin negative
13. non-aflatoxin certificate
14. survey report on weight issued by C.I.B.C.
15. inspection certificate
16. inspection and testing certificate issued by C.I.B.C.

(12) Other Documents

1. full set of forwarding agents' cargo receipt
2. air way bill for goods consigned to...quoting our credit number
3. parcel post receipt
4. Parcel post receipt showing parcels addressed to...a/c accountee
5. parcel post receipt evidencing goods condigned to...and quoting our credit number
6. certificate customs invoice on form 59A combined certificate of value and origin for developing countries
7. pure foods certificate
8. combined certificate of value and Chinese origin
9. a declaration in terms of FORM 5 of New Zealand forest produce import and export and regultions 1966 or a declaration FORM the exporter to the effect that no timber has been used in the packing of the goods, either declaration may be included on certified customs invoice
10. Canadian custtoms invoice(revised form)all signed in ink showing fair market value in currency of country of export
11. Canadian import declaration form 111 fully signed and completed

(13) The Stipulation for Shipping Terms

1. loading port and destinaltion

- (1) despatch/shipment from Chinese port to...
- (2) evidencing shipment from China to...CFR by steamer in transit Saudi Arabia not later than 15th July, 1987 of the goods specified below

2. date of shipment

- (1) bills of lading must be dated not later than August 15, 1987
- (2) shipment must be effected not later than(or on)July 30,1987
- (3) shipment latest date...
- (4) evidencing shipment/despatch on or before...
- (5) from China port to ... not later than 31st August, 1987

3. partial shipments and transshipment

- (1) partial shipments are (not) permitted
- (2) partial shipments (are) allowed (prohibited)
- (3) without transshipment
- (4) transshipment at Hongkong allowed
- (5) partial shipments are permissible, transshipment is allowed except at...
- (6) partial/prorate shipments are permitted
- (7) transshipment are permitted at any port against, through B/lading

(14) Date & Address of Expiry

1. valid in...for negotiation until...
2. draft(s) must be presented to the negotiating(or drawee)bank not later than...
3. expiry date for presentation of documents...
4. draft(s) must be negotiated not later than...
5. this L/C is valid for negotiation in China (or your port) until 15th, July 1977
6. bills of exchange must be negotiated within 15 days from the date of bills of lading but not later than August 8, 1977
7. this credit remains valid in China until 23rd May, 1977(inclusive)
8. expiry date August 15, 1977 in country of beneficiary for negotiation
9. draft(s) drawn under this credit must be presented for negotiation in China on or before 30th August, 1977
10. this credit shall cease to be available for negotiation of beneficiary's drafts after 15th August, 1977
11. expiry date 15th August, 1977 in the country of the beneficiary unless otherwise

12. draft(s) drawn under this credit must be negotiation in China on or before August 12, 1977 after which date this credit expires
13. expiry (expiring) date...
14. ...if negotiation on or before...
15. negoation must be on or before the 15th day of shipment
16. this credit shall remain in force until 15th August 197 in China
17. the credit is available for negotiation or payment abroad until...
18. documents to be presented to negotiation bank within 15 days after shipment
19. documents must be presented for negotiation within...days after the on board date of bill of lading/after the date of issuance of forwarding agents' cargo receipts

(15) The Guarantee of the Opening Bank

1. we hereby engage with you that all drafts drawn under and in compliance with the terms of this credit will be duly honored
2. we undertake that drafts drawn and presented in conformity with the terms of this credit will be duly honoured
3. we hereby engage with the drawers, endorsers and bona-fide holders of draft(s) drawn under and in compliance with the terms of the credit that such draft(s) shall be duly honoured on due presentation and delivery of documents as specified (if drawn and negotiated with in the validity date of this credit)
4. provided such drafts are drawn and presented in accordance with the terms of this credit, we hereby engage with the drawers, endorsers and bona-fide holders that the said drafts shall be duly honoured on presentation
5. we hereby undertake to honour all drafts drawn in accordance with the terms of this credit

(16) Special Conditions

1. for special instructions please see overleaf
2. at the time of negotiations you will be paid the draft amount less 5% due to...
3. which amount the negotiation bank must authorise us to pay
4. if the terms and conditions of this credit are not acceptable to you please contact the openers for necessary amendments
5. negotiations unrestricted/restricted to advising bank
7. all documents must be separated

8. beneficiary's drafts are to be made out for 95% of invoice value, being 5% commission payable to credit opener
9. drafts to be drawn for full CIF value less 5% commission, invoice to show full CIF value
10. 5% commission to be remitted to credit openers by way of bank drafts in sterling pounds drawn on...this commission not to be showed on the invoice 5%
11. freight and charges to be showed on bill of lading etc.
12. cable copy of shipping advice despatched to the accountee immediately after shipment
13. one copy of commercial invoice and packing list should be sent to the credit openers 15 days before shipment
14. the beneficiary is to cable Mr....stating L/C No., quantity shipped name & ETD of vessel within 5 days after shipment, a copy of this cable must accompany the documents for negotiation
15. all documents except bills of exchange and B/Lading to be made out in name of A.B.C.Co. Ltd. and which name is to be shown in B/Lading as joint notifying party with the applicant
16. signed carbon copy of cable required
17. both shipment and validity dates of this credit shall be automatically extended for 15 days at the date of expiry
18. amount of credit and quantity of merchandise...% more or less acceptable
19. credit amount and shipment quantity...% more or less allowed
20. shipment samples to be sent direct by airmail to buyer before shipment
21. cable accountee name of steamer/carriage number, quantity of goods and shipment date(or E.T.A.)
22. all banking charges outside Hongkong are for account of accountee
23. drawee Bank's charges and acceptance commission are for buyer's account
24. port congestion surcharge, if any, is payable by openers in excess of this documentary credit amount against evidence
25. amount of this credit may be exceeded by cost of insurance
26. this letter of credit is transferable in China only, in the event of a transfer, a letter from the first beneficiary must accompany the documents for negotiation
27. letter of guarantee and discrepancies are not acceptable
28. admixture 5% max. including organic matter such as weed and inorganic

29. include this symbol “丹” in the shipping marks on each side of the carton(that is four markings in one carton)

(17) In Reimbursement

1. instruction to the negotiation bank

- (1) the amount and date of negotiation of each draft must be endorsed on reverse hereof by the negotiation bank
- (2) this copy of credit is for your own file, please deliver the attached original to the beneficiaries
- (3) without you confirmation thereon
- (4) documents must be sent by consecutive airmails
- (5) all original documents are to be forwarded to us by air mail and duplicate documents by sea-mail
- (6) please despatch the first set of documents including three copies of commercial invoices direct to us by registered airmail and the second set by following airmail
- (7) original documents must be sent by Registered airmail, and duplicate by subsequent airmail
- (8) documents must be sent by successive (or succeeding) airmails
- (9) all documents made out in English must be sent to our bank in one lot

2. method of reimbursement

- (1) in reimbursement, we shall authorize your Beijing Bank of China Head Office to debit our Head Office RMB Yuan account with them, upon receipt of relative documents
- (2) in reimbursement draw your own sight drafts in sterling on...Bank and forward them to our London Office, accompanied by your certificate that all terms of this letter of credit have been complied with
- (3) available by your draft at sight payable by us in London on the basis to sight draft on New York
- (4) in reimbursement, please claim from our RMB ¥ account held with your banking department Bank of China Head Office Beijing with the amount of your negotiation
- (5) upon presentation of the documents to us, we shall authorize your head office banking department by airmail to debit the proceeds to our foreign business department account

(6) after negotiation, you may reimburse yourselves by debiting our RMB ¥ account with you, please forward all relative documents in one lot to us by airmail

(7) all bank charges outside U.K. are for our principals account, but must claimed at the time of presentation of documents

(8) negotiating bank may claim reimbursement by T.T. on the...bank certifying that the credit terms have been complied with

(9) negotiating bank are authorized to reimburse themselves to amount of their negotiation by redrawing by airmail at sight on...bank attaching to the reimbursement draft their certificate stating that all terms of the credit have been complied with and that the original and duplicate drafts and documents have been forwarded to us by consecutive airmail

(18) The Stipulations of “Uniform customs and Practice for Documentary Credits”

1. except as otherwise stated herein
2. except so far as otherwise expressly stated
3. this credit is subject to...
4. uniform customs and practice for documentary credits
5. International Chamber of Commerce Brochure No.400
6. 1983 revision 1983 年