

Letter of Credit – Check List

When the exporter receives a letter of credit (L/C) directly from an issuing bank in the importing country, he/she must be very careful if the integrity of the issuing bank is unknown and the authenticity of the credit is in question.

Errors in the terms and conditions of a letter of credit may occur as a result of the applicant's error in preparing the L/C application and/or the issuing bank's error in preparing the L/C. The exporter must check the L/C immediately and thoroughly upon receipt from the bank, to ensure that the terms and conditions stipulated in the L/C are correct and conform to the sales contract, and that he/she can comply exactly to the L/C requirements. Otherwise, the exporter must immediately ask the importer to amend the L/C. If any terms and conditions of the letter of credit are not complied with, no matter how small, a discrepancy is said to occur and it can delay or prevent the payment.

The exporter should check the details of letter of credit, including the following:

- 1 The names and addresses are complete and spelled correctly.
- 2 The L/C is irrevocable and confirmed by the advising bank, conforming to sales contract.
- 3 The amount is sufficient to cover the consignment.
- 4 The description of goods is correct.
- 5 The quantity is correct.
- 6 The unit price of goods, if stated in the L/C, conforms to the contract price.
- 7 The latest date for shipment or the shipping date is sufficient to dispatch the consignment.
- 8 The latest date for negotiation or the expiry date is sufficient to present the documents and draft(s) to the bank.
- 9 The port (or point) of shipment and the port (or point) of destination are correct.
- 10 The partial shipment/drawing is permitted or prohibited.
- 11 The transshipment is permitted or prohibited.
- 12 The L/C is transferable or non-transferable.
- 13 The type of risk and the amount of insurance coverage, if required.
- 14 The documents required are obtainable.
- 15 The following words, or similar, are present in the L/C:

"Unless otherwise expressly stated, this Credit is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500."

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