




 TRADE ACCEPTANCE GROUP, LTD. 

### International Credit Executives Commercial Letters of Credit Advanced Workshop

**Bruce Glaub, Principal**  
Trade Acceptance Group, Ltd.  
November 2019



 President's "E" Award for Export Service 2015  
 IFA Strategic Partner 2015  
 Ex-Im Bank Broker of the Year 2012, 2008, 2002

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### Agenda

- Commercial LC Defined
- Structuring LC
- LC Rules – UCP & ISBP
  - Fraud & Boycott
- Incoterms – 2010-2020
- Confirmation
- Transferable & Revolving LC's & Assignment of Proceeds
- Goal
  - Best Practice Adoption
  - Tools Utilized



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### Commercial LC

- Definition Reminder
  - Written undertaking of a bank on behalf of the buyer to pay the seller
    - Up to a specified amount
    - Against presentation of specified documents which comply with LC terms & conditions
    - Within specified timeframe



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## Commercial LC

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- Recommendations / Structuring
  - Should reflect the terms of the sales contract
    - What is being shipped?
    - By whom and to whom?
    - From where to where?
    - When
    - What documents are required to prove the above?
    - Pro-Forma Invoice & LOI



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## Commercial LC

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- LC Rules
  - UCP 600
  - ISBP



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## Incoterms 2010

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- Overview
- 2020 changes
- UCC and Incoterms
  - FCA Factory
    - Forwarder's Cargo Receipt
    - State: Date of FCR is to be considered the Shipment Date
  - FCA US Port
    - Cannot deliver to port/enter Terminal if Applicant has not made a Booking
    - Use FCA City
  - FOB US Port



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## Commercial LC

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- Confirmation
  - Defined
  - Challenges
    - Smaller, unknown issuing banks
    - Country risk
    - Confirmed, but confirming bank gets credit insurance
    - Confirmed, but Acceptance by Applicant required
  - Options
    - Advised, with credit insurance
      - Available with ?
      - Available by ?
      - Reimbursement instructions
    - Purchase of documents without recourse



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## Commercial LC

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- Sight versus Usance
  - Acceptance versus Deferred Payment
    - Draft required to discount Deferred Payment
    - Date of Draft
      - Use Invoice or B/L Date and state "60 days date"
  - Acceptance and Discount charges for Beneficiary unless specifically state Applicant
  - Applicant may pay as US interest rates less than own country's
  - Can be used after shipment to extend credit with copies of shipping documents
  - If available with Issuing Bank, Issuing Bank accepts and Advising Bank discounts after maturity date advised



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## Commercial LC

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- Issues / Challenges
  - Fraud & KYC
    - Banks may not handle doc presentation under LC if no relationship
    - Questionnaires
  - AntiBoycott
    - Reportable but Acceptable
    - Not Acceptable
      - Must change



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### Commercial LC's



- Transferable
  - Defined
  - Process
- LC issued by End User in favor of Distributor who then transfers to Supplier
  - Distributor is 1<sup>st</sup> Beneficiary and Supplier is 2<sup>nd</sup> Beneficiary
  - Can change the Amount, Expiry, Shipment Date, Insurance %
  - Define the appropriate party issuing a required document
  - Challenges



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### Commercial LC's



- Assignment
  - Defined
  - Process
  - Challenges
    - Revocable



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### Commercial LC



- Revolving LC
- LC can be issued for lesser amount if pre-determined partial shipments
  - \$300,000 Contract Amount with 3 equal shipments of \$100,000 each. LC issued for \$100,000
- Confirming Bank may still look at total commitment amount
- Increase automatically or by Amendment



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## Commercial LC



- Other Issues / Concerns / Question
  - Payments made outside the LC
  - Parts shipping but not in description
  - Some parts shipping from suppliers outside the United States
  - Multiple HTS codes
  - Milestone payments



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## Commercial LC



- References
  - Basic Presentations
    - LC Fundamentals
    - Incoterms
  - Trade Finance Banker
  - ICE



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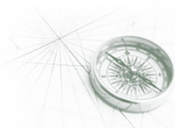
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## Summary



- Final Words of Wisdom
  - Nancy
  - Tom
  - Beth



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