



## Documentary Letter of Credit Checklist

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- 1 Is the letter of credit Irrevocable?
- 2 Who is issuing bank? Are you comfortable with bank and country?
- 3 Did you receive the letter of credit from a United States advising bank?
- 4 Does the letter of credit restrict negotiation or is it freely negotiable?
- 5 Is letter of credit issued in acceptable currency?
- 6 Who are drafts drawn on? Are drafts to be drawn at sight or with terms? (i.e. 60-90 days)
- 7 Is your name and address as well as that of the buyer complete and spelled correctly?
- 8 Is the amount of the letter of credit sufficient to cover the shipment and to cover agreed upon terms (i.e. FOB, CIF)
- 9 Is there sufficient tolerance allowed on the quantity to be shipped and dollar amount of letter of credit? (If not, have the quantity amount preceded by the word "about" which will give you a 10% + or - leeway. You may also define tolerance as 2%, 5%, etc.)
- 10 Does the letter of credit describe the merchandise correctly, as well as the basis of delivery (FOB, CFR, etc.) and to the correct point of destination?
- 11 Can you ship from the port/airport indicated in the letter of credit?
- 12 Is the port of destination as agreed?
- 13 Do the expiration and shipping dates give sufficient time to effect shipment, prepare documents, and get documents to the negotiating bank.
- 14 Are partial shipments permitted, if required?
- 15 Is transshipment permitted, if required?
- 16 If the letter of credit stipulates shipment to be effected on a named vessel or vessels of a named steamship company, can you comply with the requirements? (Keeping within proper costs and time frames allowed in the letter of credit?)
- 17 Can you obtain properly executed shipping, consular and other documents to conform to the letter of credit terms within time frames allowed in the letter of credit?
- 18 How many days are allowed for presentation of documents and where must documents be presented?
- 19 Is there any document requirement that is unknown or unclear in definition?
- 20 Is there any language in the letter of credit that is or could be subject to interpretation that you will want to have clarified or deleted? (boycott language)
- 21 Can you comply with the insurance conditions required in the letter of credit. Does the letter of credit request an insurance policy or certificate? Must it be "negotiable"?
- 22 If you requested the letter of credit to be confirmed, which bank confirmed it? Are you comfortable with the confirming bank?
- 23 Who will pay for the banking charges: issuing banks? negotiating banks? confirming banks?
- 24 If, as an exporter, you are inexperienced at preparing documents, or you find any of the requirements unusual, contract with a reputable freight forwarding agent for professional assistance.
- 25 Provide a photocopy of the letter of credit to all applicable departments within your company (i.e. sales, credit, logistics) and your freight forwarder. Does the letter of credit require any changes? Consolidate input from all parties and request an amendment from the buyer.

### Common Discrepancies in Letters of Credit

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#### General Discrepancies

- Expired Letter of Credit
- Letter of Credit overdrawn
- Original Letter of Credit not presented

#### Draft

- Draft not drawn on proper party
- Tenor of draft incorrect
- Draft not signed/endorsed

- Draft amount different than invoice amount
- Draft does not mention issuing bank's name and Letter of Credit number
- Draft does not indicate bill of lading date when tenor is XXX days bill of lading date
- Amount in words on draft different than amount in numbers

### **Commercial Invoice**

- Invoice not signed/legalized
- Invoice does not indicate the shipping terms
- Merchandise description is not exact to that of the Letter of Credit
- Merchandise description not in language of the Letter of Credit
- Partial shipment or documents indicate that a partial shipment may have been effected
- Additional merchandise shipped that is not called for in the credit
- Calculations, extensions, and additions do not compute
- All certifications are not signed and/or worded as indicated in the LC
- Invoice not made out in the name of the applicant
- Invoice does not break down costs/prices as called for in the LC

### **Transportation Documents**

- Documents not presented within days allowed for presentation
- Bills of Lading not marked, initialed or dated on board Freight not marked prepaid or collect
- Negotiable Bill of Lading not endorsed
- Consignment on Bill of Lading not as per Letter of Credit
- Bill of Lading not signed by carrier or agent for "named" carrier
- Bill of Lading indicates: Defects in the merchandise/packing
- Merchandise is loaded on deck
- Charter Party Bill of Lading presented
- Late shipment
- Alterations/Changes not approved on Bill of Lading
- Transshipment
- Description of merchandise not consistent with Letter of Credit or commercial invoice
- Excess charges on the Bill of Lading not allowed per shipping terms

### **Packing List /Weight List**

- Weights do not agree with Bills of Lading, Commercial Invoice, or other documents
- Shipping marks inconsistent with other documents

### **Insurance documents**

- Amount of insurance insufficient
- Insurance does not cover risks as indicated in the Letter of Credit
- Insurance dated or effective after shipment date
- If insurance issued in duplicate, only one original presented
- Certificate of insurance presented when Letter of Credit calls for an insurance policy
- Insurance document not countersigned
- Insurance policy/certificate not in the same currency as the Letter of Credit

### **Other Documents**

- Documents not titled as indicated in the Letter of Credit
- Documents not presented as indicated in the Letter of Credit
- Documents not stamped, legalized or signed as called for in the Letter of Credit