



NCC Bank

नेपाल क्रेडिट एण्ड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.

अनुसूची- १

बैठक नं. ५३७ को निर्णय नं. १ संग सम्बन्धित

Credit Procedural Manual Part -II (Trade Finance Manual)

(मिति २०७२/१२/०८ गते, (मार्च २१, २०१६) सोमवारको
बैठक नं. ५३७ बाट पारित)

Contents	Page
Part A - Introduction	9
1. Trade Operation.....	9
1.1 Introduction	9
1.2 Objectives	9
2. Letter of Credit	9
2.1 Introduction	9
2.2 Letter of Credit Defined	10
2.3 Types of Letter of Credit.....	10
a) Security Wise.....	10
i) Revocable LC	10
ii) Irrevocable LC.....	10
iii) Confirmed/Unconfirmed LC	11
iv) Sight LC (Payment LC).....	11
v) Usance LC (Time LC/ Acceptance LC).....	11
vi) Negotiation LC.....	11
vii) Deferred Payment LC.....	11
viii) Installment LC	12
ix) Red Clause LC	12
x) Back to Back LC	13
xi) Reimbursement LC.....	13
xii) Transferable LC	14
xiii) Revolving LC.....	14
2.4 Parties Involved in Letter of Credit	14
2.5 Standard Process of LC Transaction.....	16
2.6 Standard Documents, Terms & Conditions of LC	17
2.6.1 Standard Documents.....	17
a) Proforma Invoice.....	19
b) Commercial Invoice	19
c) Packing List.....	19
d) Certificate of Origin	20

3. Transport Documents.....	20
a) Bill of Lading (B/L).....	20
b) Air Way Bill	22
c) Truck/Lorry/Rail Consignment Note	22
d) Multimodal Transport Document (MTD) & Combine Transport Document (CTD)	22
4. Risk Covering Documents.....	23
2.6.2 Common Terms & Conditions of LC.....	24
2.7 UCPDC	27
2.8 ISBP.....	27
2.9 Incoterms.....	27
2.10 SWIFT.....	28
Part B – Import and Export.....	30
3. Import by LC	30
3.1 Parties Eligible to Open LC	30
3.2 Products Eligible to Import	30
3.3 Prohibited Products to Import.....	30
3.4 Opening of LC Requiring Prior Approval	31
3.5 General Process of Opening LC.....	31
3.5.1 Basic Requirement.....	31
3.5.2 Documents Required	31
3.5.3 Scrutiny of Documents & General Guidelines to Check the Documents	32
3.5.4 Approval Process	33
3.5.5 Opening the LC and Accounting Entries.....	34
3.5.6 Drafting and Approving the LC Copy – providing LC copy to client.....	35
3.5.7 Transmission and Filing the LC Copy	35
3.5.8 Acknowledgement, Correspondence.....	35
3.5.9 Reporting of LC Opening.....	36
3.6 Amendment.....	36
3.6.1 Documents Required and Scrutiny	36
3.6.2 Approval Process	37
3.6.3 Effecting the Amendment.....	37
3.6.4 Accounting Entries	39
3.6.5 Specific NRB Provisions Related to Amendment.....	39

3.7 Import Documents Examination	39
3.7.1 General Procedures	39
3.7.2 Discrepancies	42
3.8 Document Retirement	43
3.8.1 Retirement against Original Documents	45
3.8.1.1 Sight LC	45
3.8.1.2 Usance LC	46
3.8.2 Retirement against Copy Documents	47
3.8.2.1 Sight LC	47
3.8.2.1 Usance LC	47
3.8.3 Retirement of Documents of Back-to-Back L/C	48
3.9 Settlement of LC and Close the File	48
3.10 Cancellation of Import LC	49
3.11 Refund of Customs Margin	50
3.12 Back to Back LC	50
3.13 Forward Booking	51
3.14 Import from India by LC against Payment of Convertible Foreign Currency	51
4. Import by Documentary Bill Collection	52
5. Import by Advance Payment (DD/TT In FCY)	52
6. Import from India by Advance Payment and in Credit other than LC (DD/TT India)	53
7. Import from Tibet through Tatopani Customs Point	54
7.1 Import of Raw Wool from Tibet (without LC)	55
8. Export by LC	56
8.1 General Process of Export	56
8.1.1 Receiving Export LC	56
8.1.2 Authenticity of Export LC	56
8.1.3 Examination of Clauses and Amendments	56
8.1.4 Advising the LC	57
8.1.5 Issuance of Customs Covering	57
8.1.6 Record of Facilities Provided against the Export L/C	58
8.1.7 Shipment and Examination of Documents	58
8.1.7.1 Documents Required	58
8.1.7.2 Documents Examination Guidelines	58

8.1.7.3 Scrutiny of Documents	58
8.1.8 Documents on Negotiation/Collection.....	60
8.1.8.1 Approval Process	60
8.1.9 Sending the Documents for Realization	61
8.1.10 Follow-up for Payment	61
8.1.11 Settlement of Export LC and Close the File.....	61
8.2 NRB Provisions on Export LC	62
9. Export by Advance Payment	63
10. Export by Documentary Bill Collection/Cash against Document (CAD)	64
11. Trade between Nepal and Bhutan.....	64
12. Inland Letter of Credit.....	64
Part C – Import and Export Finances.....	65
13. Import Financing	65
13.1 Trust Receipt (TR) Loan.....	65
13.2 Payment Against Documents (PAD) Loan and Force Loan (FL).....	67
13.2.1 How it originates.....	67
13.2.2 Creation of Payment Against Documents (PAD) Loan.....	67
13.2.3 Creation of Force Loan (FL)	68
13.2.3 Account Type of PAD and FL	68
13.3 Calcutta Transit (CT) Loan	70
13.4 Settlement of Loan	72
14. Export Financing	73
14.1 Funded and Non Funded Financing	73
14.2 Packing Credit (PC)	73
14.3 Documentary Bill Negotiation (DP/NP)	75
14.4 Post Shipment (PS) Loan.....	77
Part D – Guarantee.....	80
15. Guarantee.....	80
15.1. Definition	80
15.2. Parties Involved In Guarantee	80
15.2.1. Beneficiary	80
15.2.2. Principal	80
15.2.2. Guarantor	80

15.3. Classification of Guarantee	80
15.3.1. Local	80
15.3.2. International	81
15.4. Types of Guarantees.....	81
15.4.1. Tender Guarantee/Bid Bond.....	81
15.4.2. Performance Guarantee.....	81
15.4.3. Advance Payment Guarantee	81
15.4.4. Financial Guarantee	81
15.4.5. Retention Guarantee	81
15.4.6. Bonded Warehouse.....	82
15.4.7. Standby Letter of Credit	82
15.5. Issuance of Guarantee	82
15.5.1. Limit	82
15.5.2. Terms and Conditions of a Guarantee.....	83
15.6. Procedures.....	84
15.6.1. Issuance of Guarantee (Local)	84
15.6.2. Amendment of Local Guarantee.....	85
15.6.3. Issuance of International Guarantee.....	86
15.6.4. Amendment of International Guarantee.....	87
15.6.5. Guarantee Authentication.....	88
15.6.6. Request to Correspondent Bank to issue guarantee against our counter guarantee	89
15.6.7. Cancellation/Expiry of Guarantee	89
15.6.8. Claim under Guarantee	90
Part E – NRB Returns	91
16. NRB Returns.....	91
16.1 Regular Returns - BBN Forms.....	91
16.2 On-line email reporting on opening, amendment, and payment of L/Cs.....	92
16.3 Special Returns-other returns.....	93
16.4 Returns to Other Agencies	93
17. Key Words	94
Part F - Annexure.....	96
18. Annexure	96
18.1 Annex 1: Checklist for Letter of Credit Issuance / Amendment.....	96

18.2 Annex 2: Checklist for Import Documents Acceptance / Payment	97
18.3 Annex 3: Checklist for Export Documents Negotiation / Collection	99
18.4 Annex 4: Checklist for Bank Guarantee Issuance / Amendment.....	100
18.5 Annex 5: Incoterms 2010	101
18.8 Annex 8: Specimen of SWIFT LC Amendment (MT707)	118
18.10 Annex 10: Specimen of SWIFT LC Payment (MT202).....	122
18.11 Annex 11: Specimen of SWIFT TT Payment (MT103).....	123
18.12 Annex 12: Specimen of SWIFT Reimbursement Authority (MT740)	124
18.13 Annex 13: Specimen of SWIFT Amendment to an Authorisation to Reimburse (MT747)	125
18.14 Annex 14: Specimen of SWIFT Advice of Discrepancy (MT750)	126
18.15 Annex 15: Specimen of SWIFT Advice of Discrepancy (MT999).....	127
18.16 Annex 16: Specimen of SWIFT Advice of Acceptance (MT412).....	130
18.18 Annex 18: Specimen of SWIFT Advice of Discharge (MT732).....	131
18.19 Annex 19: Specimen of Documentary Bill Schedule	132
18.20 Annex 20: Specimen of Export LC Customs Covering.....	134
18.21 Annex 21: Specimen of Export LC Advising Covering	135
18.22 Annex 22: Specimen of Advance Payment Certificate.....	136
18.23 Annex 23: Application for Acceptance and Retirement of Import Documents	137
18.24 Annex 24: Application for Collecton / Negotiation of Export Documents	138
18.25 Annex 25: Application for Pre-Shipment / Post-Shipment Loan	139
18.26 Annex 26: Application for Validity Extension / Amendment of Bank Guarantee ...	140
19. Procedural for Centralization Process of Trade Operation.....	141
19.1 Issuance of Import Letter of Credit and its amendment:	141
19.2 Forward Booking.....	142
19.3 Documents checking and settlement.....	142
19.4 Settlement by copy documents	143
19.5 Rejection of Discrepant Documents by the customer	144
19.6 Guarantee	144
19.7 Invocation.....	145
19.8 RELEASE	145
19.9 Issuance/amendment of Counter Gtee.....	145
19.10 Export LC Advising.....	145
19.11 Document Negotiation/Collection	146

19.12 Realization of Export Bills.....	147
19.13 Rejection of Export Bills	147
19.14 Outward Documentary Collection/Purchase (without LC)	147
19.15 Realization of Export Bills (without LC).....	148
19.16 Rejection of Export Bills (without LC)	148
19.17 Inward Documentary Collection (without LC).....	148
19.18 Rejection of Documents	149
19.19 Reporting/Follow ups.....	149
19.20 Responsibilities of the Branch Manager/RM/RO at the respective branch	149

Part A - Introduction

1. Trade Operation

1.1 Introduction

The goods manufactured in one country can be sold to the market of another country either for consumption or for resale purpose. This purchase-sale relationship between two or more countries is the basic feature of foreign trade.

Trade in general is the business activities or exchanging goods and services between two or more different countries and is termed as International Trade. Most of the trade, especially international trade is carried out with the cooperation of the commercial bank. Therefore facilitating in such ventures is generally called as Trade Operation and financing in such ventures is generally called as Trade Finance.

Trade finance is a short-term credit availed by a bank to their borrower for importing and exporting activities. It includes various kinds of loans, advances and facilities required for imports and exports deals. Since such deals are made on foreign trade, it involves transactions of foreign exchange. The economics of these trade finance facilities depends on local currency (LCY) and foreign currency (FCY) interest rates, the ruling forward terms, exchange rate movement outlook, Central Bank's (NRB's) regulations etc.

1.2 Objectives

- To meet the requirement of sales and purchase of goods/services between the countries.
- Market participation to buy or to sell at various prices with a view to make profit.
- To enhance the Socio economic growth.
- To reduce the cost of goods.
- To balance the trade of the country i.e. Trade Balance = Export – Import.
- To increase consumption and production possibilities.

2. Letter of Credit

2.1 Introduction

Though establishment of both import and export Letter of Credit is not solely considered as trade-finance (funded trade finance), Letter of Credit is the gateway of all trade-finances. Almost all foreign trade in Nepal is carried out through Letter of Credit but other methods, such as Documentary Collection (Document Against Payment (DAP), Document Against Acceptance (DAA)), Advance Payment, Cash Against Document (CAD) etc. are also popular in foreign trade. Letter of Credit is widely accepted instrument in international trade. The main importance of L/C is to ensure safety in international trade. Since exporter and importer have to affect the trade from two different countries, the probability of default of other party is always there. Therefore carrying out foreign trade through Letter of Credit releases such risks and helps in establishing trust and creditworthiness between the seller and the buyer. In short a letter of credit provides an assured means of payment, and is widely used particularly in international trade. It is established beyond doubt that banks must honor its undertaking strictly in accordance with its terms. Any dispute among the parties should not be allowed to interfere with those obligations.

2.2 Letter of Credit Defined

Letter of credit is a commitment/undertaking in the form of written instrument by a bank on behalf of its customer (known as buyer/importer) to pay the "counter value" of goods/services within a given date to its supplier (known as seller/exporter) according to agreed stipulations and against presentation of specified documents as specified in the instrument. A "Letter of Credit" is used as an instrument for settlement of payment arising out of commercial transactions like sales/purchases. In such credit, payment obligation arises only upon fulfillment of specified conditions. Letter of Credit (LC) is also called Documentary Credit (DC) and Documentary Letter of Credit. As per UCP 600 it is called Credit and Credit means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation.

A letter of credit is normally established by the bank of importer not the exporter. Hence it is known as import letter of credit. However, the same import L/C is known as export L/C for the bank of exporter and the exporter himself. This should be understood that importer as well as exporter both do not open separate L/Cs for one particular deal.

Operation of LC is governed by UCPDC 600 (Uniform Customs and Practices for Documentary Credit) and URR (Uniform Rules for Bank to Bank Reimbursement under Documentary Credit) on force published by ICC (International Chamber of Commerce).

2.3 Types of Letter of Credit

To suit the nature of requirement of the involved parties, documentary letter of credits are classified into various categories depending upon their nature, features and functions. The broad classifications of documentary letters of credit are as follows:

a) Security Wise

i) Revocable LC

LC, which can be cancelled or amended by the applicant at any time within the validity without prior consent of the beneficiary, is called Revocable LC. In normal course any amendment to or cancellation of letter of credit is done only with the consent of the parties of letter of credit, i.e., issuing bank, applicant, and beneficiary. However, under a revocable LC the applicant or issuing bank can amend or cancel the same without the consent of other parties or notice because the issuing bank reserves the right to revoke the same without notice to other parties. Revocable LCs is very rarely used. A revocable LC must indicate so in the Letter of Credit itself, in absence of which LC will be deemed as irrevocable as per UCPDC 500.

i) Irrevocable LC

As per UCP 600, all credits are irrevocable hence revocable credits does not exist. LCs cannot be amended or cancelled without the consent of the parties to the credit i.e. issuing Bank, confirming Bank, Advising Bank and especially Beneficiary, hence it is called irrevocable LC.

ii) Confirmed/Unconfirmed LC

When the LC is guaranteed by adding payment confirmation by the advising bank or any third bank (confirming Bank) on behalf of the opening bank, it is termed as a confirmed LC otherwise it is an unconfirmed LC. The confirming bank also becomes a party to the contract of LC after confirming it. Generally the confirmation to a credit is desired by beneficiary from a bank known to him preferably the one located in his country so that his risk becomes localized and he can deal easily with a local bank rather than dealing with a bank abroad which has issued the LC. A confirmed LC is preferred when the beneficiary is not able to ensure payment surely from the issuing bank and/or have less faith on it. Where, adding confirmation ensures 100% security to the beneficiary, it somehow enhances the risk and cost on the part of the applicant. Risk, because a confirmed LC normally requires direct reimbursement clause in the LC and enables the beneficiary to draw payment against the LC, which normally occurs prior to receipt and release of document and goods by the applicant. Confirmed LC is also costly since it includes the confirmation charge from the confirming bank. The LC is confirmed by another bank only when it is advised to do so by the issuing bank.

b) Payment Wise

i) Sight LC (Payment LC)

The LC against which payment is made at first sight of credit confirmed import documents asked in the credit is called sight LC. Beneficiary may or may not be called upon to draw a draft under sight LC. In many countries, it has become increasingly customary not to call for drafts under credits available at sight payment because of stamp duties even on sight drafts.

ii) Usance LC (Time LC/ Acceptance LC)

Usance credit calls for drawing of drafts at a stated usance period requiring acceptance and/or payment by drawee at the end of such usance period. For example, a 60 days usance credit requires payment after 60 days.

iii) Negotiation LC

In a negotiation credit, the negotiation can be restricted to a specific bank or it may allow free negotiation, which is called as 'freely negotiable credit' wherein any bank willing to negotiate can do so. A draft is usually drawn in negotiation credit. It can be a sight credit or a usance credit. If the bank nominated as a negotiating bank refuses to negotiate, then the responsibility of issuing bank would be to pay as per terms of that credit. If the draft is drawn at a tenor, the issuing bank can pay less by discounting the value by the tenor period. In other words, in all circumstances, under a negotiation LC, responsibility of the issuing bank is to pay (by discounting in case of usance LC) and it cannot refuse it for negotiating bank.

iv) Deferred Payment LC

LC in which payment is made after agreed time period in installment basis or in a lump-sum as in usance LC is known as Deferred Payment LC. This type of LCs is normally

used where a payment is required to make by LC for availing (buying) services rather than goods itself. Payment of the services availed is made in certain agreed installment basis. A deferred payment LC is also used where in a portion of the value of goods is paid, and rest is paid after verification of goods by buyer or after assessing the value of goods taking into account the quality, shortages etc. The purpose that is achieved by a deferred credit can be achieved by a usance LC also. A usance document however, can be discounted in the money market as well.

v) Installment LC

Installment LC calls for shipment of goods in specified quantity on stated dates or periods. Since this credit is for shipment in specifically stated installments, it is called installment credit. An installment LC is similar to any simple LC with partial shipments. However, a simple LC with partial shipments doesn't specify quantities and dates of such partial shipments.

vi) Red Clause LC

Also known as 'Anticipatory Letter of Credit', a red clause LC allows the beneficiary to avail finances in advance to execute the required order in the LC. Normally, payment against a LC to the beneficiary is effected on post shipment stage, i.e., against the shipping documents. In some cases, it may be possible for the exporter to enter into an arrangement with its importer to provide the former with pre-shipment finance, for the procurement of raw materials, processing and packing the goods, by establishing a red clause LC. Such a letter of credit provides for either an immediate payment to the beneficiary of full or part amount of the credit or payment to the beneficiary of part amounts from time to time, as per the terms indicated in the credit, against delivery of specified documents. These payments are made in anticipation of the exporter shipping the goods and submitting the relative documents under the credit, at a later date. The advance payments made are adjusted at the time of negotiation of the bill or final payment against the credit. If the exporter makes no presentation of final documents to its bank for settlement of such advance loan, the lending bank would make the recovery from the LC issuing bank itself.

The credit contains a special clause authorizing the bank to make advances to the beneficiary. Since the clause giving such authority by the opening bank is usually printed in red (in earlier days), such a letter of credit is known as 'Red Clause LC'. In some cases, the beneficiary can draw an advance against the LC not only towards purchases, processing and packaging, but also for warehousing and insurance charges at port when the goods are stored pending availability of shipment. A letter of credit having such a drawing facility is known as 'Green Clause LC'. Generally such advances are provided once the goods are put in the bonded warehouse up to the period of shipping space is available. In such case, warehouse warrants are given as security.

Where a Nepali exporter can entertain a red clause Export LC or similar of that, NRB has special regulations for a red clause import LC. NRB Forex Circular in force has elaborated opening of a red clause import L/C and import L/C with similar character as below:

"Generally import letter of credit cannot be opened with Red Clause. However, in respect of releasing advance payment through import letter of credit, such import letter of credit with the clause of advance payment may be opened where the payment is to be made debiting to the importers' own convertible foreign currency account. However, in such cases, the bank shall compulsorily monitor the import of the merchandise/ services as per the payment released by the bank and where import of merchandise/ services is not found

to have been made within stipulated period, the same shall compulsorily be notified to Nepal Rastra Bank."

Further NRB Forex Circular in force, an advance payment can be released against an import LC by obtaining a bank guarantee (in the name of Nepalese Bank) equivalent to the advance amount has to be obtained from the beneficiary. If such bank guarantee could not be obtained, security deposit at 10% of the advance payment shall be placed with the bank. Such deposit shall be refunded only after approval in writing by Nepal Rastra Bank. In respect of releasing advance payment through import letter of credit in Indian currency, such exchange may be provided under the existing arrangements.

vii) Back to Back LC

A back to back LC is also called as 'Countervailing Credit'. The beneficiary of an irrevocable export LC may have to purchase goods from another party to enable him to execute the export. He may require necessary finance to purchase the relative goods. For that purpose, he may approach his bank by exhibiting and lodging the said export LC to establish another import LC in favour of another party to import raw materials required to execute the export. Such an import LC is known as Back to Back LC as it has the backing of export LC received in favour of the exporter. The Payment of back to back LC is made only after the realization of proceeds of the Export LC in full amount which is incorporated as an additional condition in such back to back import LC. These types of Back to back import LCs are quite popular in Nepalese garment exporters who require to import fabrics from back to back import LC to execute their export order of ready made garments.

However, internationally accepted back to back LC is somehow different. A LC is opened by an ultimate buyer in favor of a particular beneficiary who may not be the actual supplier or manufacturer. This beneficiary will further open another credit with nearly identical terms in favor of the actual supplier/ manufacturer offering the main credit opened in his favor as security and will be able to obtain reimbursement by presenting the documents received under back to back credit under the main LC. Thus, it is basically a credit opened by a middleman in favor of the actual manufacturer/ suppliers. Back to back credits serve the same practical purpose as that of transferable credits. Beneficiary can thus open multiple back to back LCs to different suppliers/ manufacturers to meet his total exports. The need for such credits arises mainly when:

- a) The ultimate buyer is not prepared to open a transferable credit.
- b) The beneficiary is not willing to disclose or divulge the source of supply to the openers.
- c) The actual manufacturers/ suppliers insist on payment against documents for goods but the beneficiary of credit is short of funds.

viii) Reimbursement LC

Any standard LC having special payment conditions that, the negotiating bank is authorized to claim and get the payment against the LC directly from the opening bank's nominated agency bank after presentation of credit confirmed documents is known as reimbursement LC or direct reimbursement LC. Standard settlement of payment under a credit is made by the issuing bank upon receipt of credit confirm documents by it at its own counter. However, under direct reimbursement LC, the beneficiary is able to receive the payment upon submission of the documents to its negotiating bank. In most of the

cases, payment of the import thus is already effected prior to receipt of the documents and consignment by the importer. Where a direct reimbursement LC ensures more security and faster payment for the exporter, it is always at the cost of the importer as the risk and cost of the fund is higher to him.

c) Others

i) Transferable LC

A transferable credit is the one that can be transferred partially or fully by the original beneficiary (known as first beneficiary) to one or multiple other parties (known as second beneficiary). It is normally used when the first beneficiary does not supply the merchandise himself, but is a middleman and thus wishes to transfer part, or all, of his rights and obligations to the actual supplier as second beneficiary. A transferable credit is also used when the first beneficiary is not able to export the entire order, thus transfers rest to others. But passing on of the credit to the third beneficiary by the second beneficiary is prohibited. A credit is transferable only when a credit specifically states as 'Transferable'.

ii) Revolving LC

This LC allows to make the shipment of the goods in prescribed times and value as mentioned in the LC on revolving basis and payment is made accordingly. After drawing is made the credit reverts to its original amount for re-use by beneficiary without requiring specific amendment to the credit. There are two types of revolving credit. In the first type of revolving credit, credit gets reinstated immediately after a drawing is made. For example, if a credit is opened for Rs. 100,000.00 and beneficiary draws a bill for Rs. 100,000.00, immediately after the drawing, the credit reverts to its original value of Rs. 100,000.00 allowing beneficiary to draw again and so on. In the second type of revolving credit, the credit reverts to original amount only after it is confirmed by the issuing bank which normally occurs after the documents reach the issuing bank.

iii) Stand By LC

A stand by LC is not an ordinary letter of credit but it is a sort of standby or back up credit. These credits are generally used as a substitute for performance guarantee or for securing loans. A drawing under a stand by credit is made only when the beneficiary requires claiming the sum for the non-performance of the job or as stipulated in the credit or contract between the applicant and beneficiary. The documents generally called for under such credits are simple statement of claim or proof of delivery of goods or certificate of non-performance. This type of letter of credit is opened mostly by banks in countries where, by law they are precluded from issuing guarantees and in such cases this type of credit issued as substitute for performance or other financial guarantees. Even though stand by credit is mere substitute for guarantee, it has been developed as an all purpose financial support instrument. No transport document is demanded under this credit.

2.4 Parties Involved in Letter of Credit

a. Applicant:

The buyer (Importer) applies to its bank for issuance of the L/C and hence, is called Applicant or Opener. The L/C is opened on account of the Applicant and hence the Applicant is also called Accountee.

b. Beneficiary:

The seller (Exporter) being the drawer of the draft (Bill of Exchange) is the ultimate receiver of the payment and is called Beneficiary.

c. Issuing Bank:

The importer's bank issues the L/C and is called the Issuing Bank or Opening Bank.

d. Advising Bank:

The issuing Bank's correspondent bank in the exporter's country/city, which advises the L/C to the Beneficiary, is called Advising Bank. Where an issuing bank routes its LC to its correspondent by further asking to advise the LC through yet another bank, normally with whom the beneficiary maintains its account, LC receiving bank is known as First Advising Bank and beneficiary's bank is known as Second Advising Bank.

e. Negotiating Bank:

The beneficiary's bank where the beneficiary presents the documents for negotiation/ payment is called the Negotiating Bank. An advising bank and negotiating bank can be same or different.

f. Confirming Bank:

The bank, which adds confirmation on the L/C issued by the Issuing Bank, is called Confirming Bank. The Confirming Bank and Advising Bank may be the same or different. A confirming bank undertakes the risk of the issuing bank for the payment to beneficiary.

g. Reimbursing Bank:

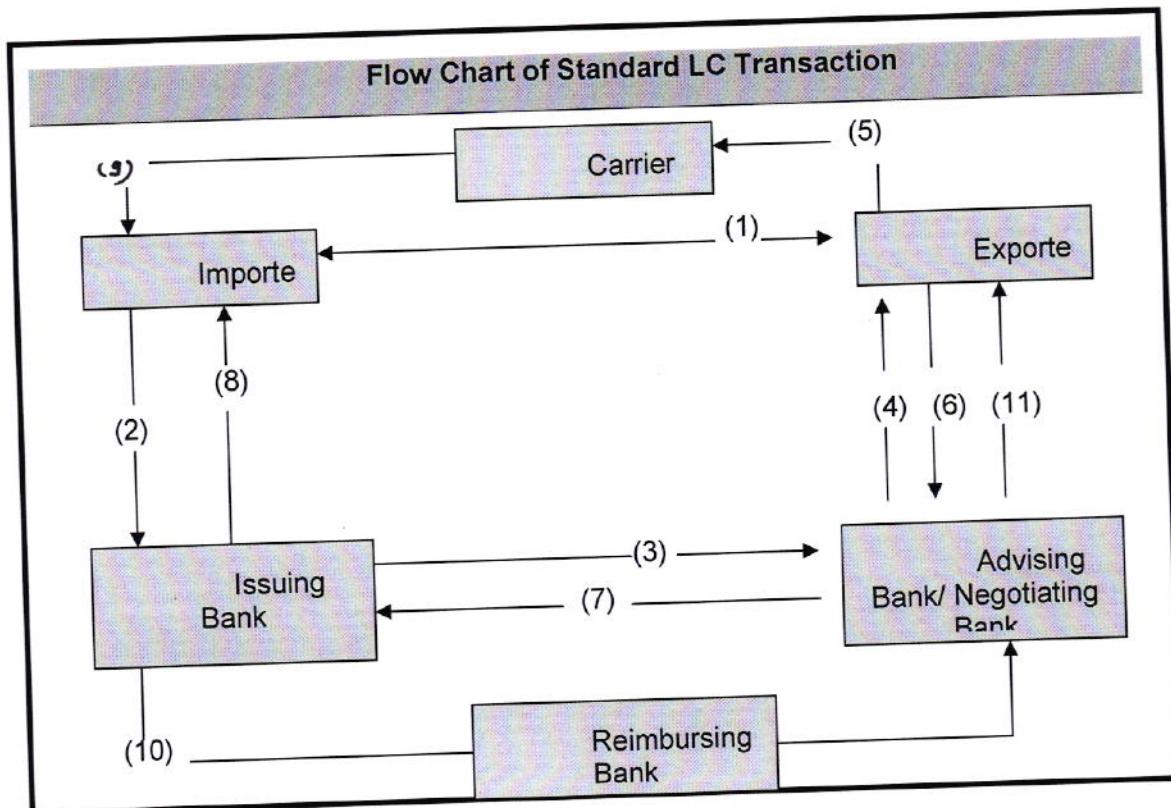
The bank, which effects the payment under the credit as per the instruction and authorization of the issuing bank, is called reimbursing bank. Sometimes the L/C issuing Bank instructs the Negotiating Bank to claim payment against the documents with a third bank (Agency of the Issuing Bank), and authorizes the third bank to honor such claims. This type of claim is called 'Reimbursement' claim and the bank honoring such claims is also called 'Reimbursing Bank'. A reimbursing bank is thus involved in effecting the payment between issuing bank and negotiating bank.

h. Carriers:

The goods from the seller's place needs to be carried to the buyer's place. The job is taken care of by a third party called 'Carrier'. Carriers provide service of delivering the goods from one place to another as a profession with certain amount of charges. After receiving the goods from the shipper, they issue transport documents (Bill of Lading, Air Way Bill, Truck Receipt etc.) and upon presentation of such documents at the destination, they release the goods to the consignee (the owner of the goods as declared in the documents).

2.5 Standard Process of LC Transaction

Establishment of a LC always takes place at a Bank. However, establishment of LC is made only upon due acceptance and negotiations between the buyer and seller. A standard process of LC transaction can be outlined as below:



1. Negotiations between buyer and seller and thus finalization of deal.
2. Buyer approaches its bank to open import LC.
3. Issuing bank issues the LC through its advising bank.
4. Advising bank informs and advises the LC to the exporter.
5. Exporter prepares the goods and makes the shipment through the carrier.
6. Exporter prepares the documents demanded in the credit and furnishes to its negotiating bank.
7. Negotiating bank forwards the documents to issuing bank for payment.

8. Issuing bank obtains payment from importer and provides the documents.
9. Importer obtains the goods shipped by exporter through carrier (or its agent).
10. Issuing bank releases the payment to negotiating bank through reimbursing bank.
11. Exporter receives payment through negotiating bank.

2.6 Standard Documents, Terms & Conditions of LC

2.6.1 Standard Documents

In any trade, documents are used to record a written evidence of having carried out a transaction. International trade is no exception. In fact, it calls for execution of more documents than in local trade. Normally documents are required to satisfy two basic requirements, namely:

- a) Regulatory Requirement
- b) Operational Requirement

Documents used or executed to satisfy the statutory requirements or requirements of any trade and regulatory authorities are called regulatory documents. For example, in international trade the commercial parties need to execute documents to satisfy the requirements of Trade Control Authorities, Exchange Control Authorities, and Banking Authorities etc.

Documents used or executed to satisfy the normal commercial requirements of the parties to the transactions are referred to as operational or commercial documents.

Classification of Documents used in International Trade Transactions

Documents used in international Trade Transactions are classified into five categories, namely:

1. Financial Documents
2. Commercial Documents
3. Transport Documents
4. Risk Covering Documents
5. Official/ Regulatory Documents

The above classifications are based on functional aspects of the documents. Sometimes, a document may perform more than one function. In such cases it can be classified into more than one category. For example, a commercial invoice may contain declaration regarding origin on goods, which is duly attested by a competent authority. In such case it is an invoice-cum-certificate of origin and fulfills the functions of commercial as well as regulatory requirements.

1. Financial Documents:

As the name indicates financial documents are those documents, which perform the function of obtaining finance, collection of payment etc. The most common financial document used, is a "Bill of Exchange". A Bill of Exchange (or B/E shortly) is also referred to as "Draft" or "Hundi". In many countries, a Bill of Exchange is recognized as a legal document.

Bill of Exchange has three basic parties namely Drawer, Drawee & Payee.

1. The person who draws the bill is called the Drawer.
2. The person to whom the bill is addressed (on whom the bill is drawn) is called the Drawee.
3. The person to whom the payment is to be made is called the payee.

The Bill of Exchange has following Important characteristics:

- It is an instrument in writing.
- It is an unconditional order signed by the maker (drawer).
- It is an instruction given to a specific person (drawee).
- It is an instruction to make payment of a specific or fixed amount.
- It is made payable to a certain person or to his order or bearer.
- It must be specified as payable at a fixed or determinable future time.

A Bill of Exchange performs the following five basic functions:

- a) Means for collecting payment: It is a well known fact that the basic function of a B/E is to show that there is a commercial or trade transaction underlying the B/E drawn and is a means for collecting payment arising out of such a transaction.
- b) Means for demanding payment: When a payment is due from a person generally a demand has to be made on him. A B/E is drawn for demanding such payment. When B/E is drawn and presented to the drawee for payment, it amounts to having a demand on the drawee to pay the amount. Thus, a B/E serves as a means for demanding payment.
- c) Means for extending Credit: A B/E can be drawn in such a way that it can be made payable at sight or future date (tenor). When it is drawn for a particular tenor it means that the drawer is allowing the drawee (or buyer) to make payment at a future date. In effect he is extending his buyer a credit. Thus, a B/E is a means for extending credit.
- d) It is a promise of payment : Certain B/Es are drawn on acceptance basis i.e. the drawee will be given the documents upon his acceptance to pay the bill at a specified tenor. Such an accepted B/E is sufficient evidence of promise of payment by the drawee at specified tenor.
- e) It is a receipt for payment: When the amount shown on a B/E is paid by the drawee, the payee endorses the bill of exchange as "Received Payment" and hands it over to the drawee. Such a discharged B/E acts as a receipt for having paid the amount stated thereon. Thus, B/E also acts as a receipt for payment.

Bill of exchange can be classified into two categories depending upon the time of payment ordered there under.

- a) Sight Bill of Exchange: It is also known as on demand bill of exchange. Under such bill of exchange the drawee has to make payment on presentation/sight/demand.

- b) Usance Bill of Exchange : They are also known as 'TENOR' or 'TIME' Bill of Exchange. The Drawee is directed to make payment after a stated number of days or a period from a particular date or event. In international trade Usance bill of exchange are normally drawn in two ways namely:
- DP Basis- Documents against Payment basis.
 - DA-Basis-Documents against Acceptance basis.

2. Commercial Documents

The documents, which are needed by the buyer and seller for their normal commercial (business) transactions are termed as commercial documents. Some of the commercial documents are as follows:

a) Proforma Invoice

Proforma Invoice is basically a form of quotation by the seller to a potential buyer. It is a sort of invitation to the buyer from seller to place a firm order on him. Normally, a proforma invoice is similar to an ordinary commercial invoice; except for the fact that the word "Proforma Invoice" appears on it. The proforma invoice normally shows the terms of trade and prices in addition to the description of goods so that once the buyer has accepted the order, there is a firm contract to be performed as per terms and conditions mentioned on it. The proforma invoice normally forms the basis of all trade transactions.

b) Commercial Invoice

Commercial Invoice is the base document in any trade. It is also called a "Document of Contents" because it generally contains all the information required for the preparation of all other documents. A commercial invoice is the seller's bill of merchandise. It is accounting document for seller's claim on the buyer for goods sold to the buyer. There is no standard format for commercial invoice but it normally contains the following:

- I. Date
- II. Name and address of the seller and the buyer
- III. Order number/ control number, proforma invoice number or details of letter of credit.
- IV. Description, Quantity of goods
- V. Terms of sale
- VI. Port of shipment and port of destination
- VII. Value of goods, unit prices
- VIII. Shipping marks or number of packages

The main use of commercial invoice is to check whether the proper merchandise is shipped at an agreed price.

c) Packing List

As the name indicates, it is a document, which shows the nature and number of goods etc., put in each packet/container etc., with distinctive numbers or marks. This is generally

needed by the importer when he is importing different types and sizes of merchandise so that he may identify the nature of goods in each package. This may also be used when an importer is importing goods for ultimate direct distribution to various suppliers. It is also used by customers for checking the goods on random basis or otherwise. Thus, packing list is mainly to facilitate easy identification of goods in each package/container by the importer custom etc.

d) Certificate of Origin

A certificate of origin is generally issued by a Chamber of Commerce. It specifies the country of manufacture or growth of goods. In some countries the customs law requires this certificate to be produced before clearance of goods and assessment of duty. The implications of such a specifications in the law may be economic or political. Country of origin of goods should be stated in the certificate of origin.

3. Transport Documents

In international trade the goods move from the warehouse of the exporter to the warehouse of the importer. The goods may move by land, sea or air or a combination of one or more of these modes. In international trade such transport documents are more in number and it is very important to know the significance of each type of document and its classification. One of the important aspects to be remembered with regard to any transport documents is that it must show the name of the carrier.

a) Bill of Lading (B/L)

This is a transport document representing movement of goods by sea. A Bill of Lading is a format receipt given by the ship owners or their authorized agents stating that the goods mentioned there in (quantity, quality, description etc) are shipped on specified date and vessel and is deliverable to the person mentioned therein or to his order after payment of all dues of shipping company. There are three main functions of bill of lading:

- i) It is an evidence of contract of freight.
- ii) It is a receipt for the goods.
- iii) It is a document of title to goods.

A Bill of Lading is a memorandum of contract of carriage because it contains detailed terms and conditions on which the carrier has accepted the goods for shipment (carriage) from the shipper.

A bill of lading is a receipt of title to goods because the ship owner or their agents who have issued it declare that the goods described therein are received from the specified person for shipment to a named port. Thus, it is an evidence of receipt of goods by the carrier.

A Bill of Lading is a receipt and a document of title to goods because it states that the goods received for shipments by the carrier are deliverable to the named person or his order.

A unique feature of the Bill of Lading is that it belongs to the restricted class of documents, which poses some of the qualities of negotiable instruments. Hence, it is called a "Quasi Negotiable" instruments. Though the title to the goods covered by a bill of lading can be

transferred by endorsement and delivery of the instrument, it is still not fully negotiable instruments like a bill of exchange, the simple reason being that it represents the title to money and is governed by a Sale of Goods Act, whereas a bill of exchange represents title to money and is governed by the Negotiable Instruments Act. As per sale of goods act, when goods are transferred from one person to another, the transferred gets no title to the goods than that of the transferor, whereas under negotiable instruments act the transferee gets a better title than the transferor has, provided he takes it in good faith and due consideration.

Types of Bill of Lading

There are different types of Bill of Lading. Some of them are enumerated as follows:

1. Clean Bill of Lading

A bill of lading which acknowledges receipt of the goods in apparent good order and condition and without any qualification is termed a 'Clean Bill of Lading'.

2. On Board Bill of Lading

In its original form, the ocean bill of lading represented a certification that the goods were loaded on board in a vessel, which is to carry the goods. This will be so shipping space is ample and sailing regular. This representation in the bill of lading assures the holder of the bill of lading as well as the original shipper that the goods are actually on the vessel named in the document and are not being held on the dock for shipment whenever convenient to the carrier.

3. Charter Party Bill of Lading

Goods may be carried by land without there being any special contract between the parties. But such a process is well high unthinkable when the goods are carried by sea. In the later case, there is always a special contract between the consignors and ship owner. The contract of carrying of goods by sea may be either of the following two forms:

- a 'Charter Party' where the whole ship may be hired; or
- a bill of lading where the goods are to be carried in a general ship which is ready to carry the goods of any person who intends to use it for the purpose.

The consideration which the ship owner receives for this service is called the 'freight'. The contract of carrying of goods by the sea in the form of charter party or bill of lading is called the "Contract of freight". A charter party is an agreement by which a ship owner agrees to hold his ship or part of it at the disposal of the shipper so that the shipper's goods may be conveyed to the agreed port of destination. The money consideration paid by the shipper to the ship owner for this is called the freight. The person hiring the ship or part of it is called the charter party, where Bills of lading are generally not acceptable because sea charters are full of problems and the ship owners may exercise lien over the goods in case charterer do not pay charges.

4. Stale Bill of Lading

It has been, for long a practice with bankers to regard as an unsatisfactory tender, under an irrevocable letter of credit calling for bills of lading, which they consider to be 'stale'. The term 'stale' bill of lading applies to the bill of lading which are tendered so late, though during the tenor of the credit, that it is not possible for the negotiation/ intermediary banker to whom they are tendered to dispatch them so that they reach the consignee before the arrival at the port of destination of the goods they cover. The reason for this practice is the belief that the negotiating banker is under an obligation to the consignee to see as far as possible, that the later is not put to any unnecessary expense or is required to pay demurrage, or suffers a market loss, as a result of the arrival of the goods before receipt of the covering documents.

5. House Bill of Lading

This type of bills of lading is issued by generally an association of forwarding agencies or non – vessel owning carriers, who combine their resources to acquire and operate expensive transport vessels for example, International Federation of Forwarding Agents Associations. Such bills of lading are safe only when they are issued subject to ICC Rules. But the liability of carriers in this case is limited.

b) Air Way Bill

Airway Bill (format approved by i.e. International Air Transporter's Association) is an acknowledgement issued by an airline company or their authorized agents (not forwarding agents) stating that they have received the goods detailed therein (number of packages, quantity & nature of goods) for dispatch by Air to named consignee at the address stated therein. Unlike a Bill of Lading, AWB is not a document of title to goods because it is merely an acknowledgement of goods. When it is not a title to goods naturally it is not necessary for a consignee to possess the AWB for taking delivery of goods. Thus, for shippers the AWB is not as safe document as a bill of lading. Further, in case of AWB it is obligatory on the part of the airlines to notify the consignee on arrival of goods and they will normally deliver the goods to the consignee or his order on proper identification.

c) Truck/Lorry/Rail Consignment Note

Truck/Lorry/Rail consignment note is used when trade is between two neighboring countries physically attached together or one of the trading partner is a landlocked country e.g. Nepal, Zaire, Zambia. It is issued by truck or rail transport company and goods are usually delivered against surrender of consignee copy. It is usually issued in a non-negotiable form.

d) Multimodal Transport Document (MTD) & Combine Transport Document (CTD)

In recent years, there has been a greatly increased "Through Movement" of goods by container or other unit-load device. Through Movement means the goods go from point of departure to point of destination by the successive use of more than one mode of transport.

Combined transport, which is also referred to as intermodal or multimodal transport, implies either the issue of a series of separate single mode transport documents or their replacement by a through "start-to-finish" transport document. The various terminologies relating to MTD are as follows:

- i. Combine Transport: Combine Transport means, carriage of goods by at least two different modes of transport, from a place at which the goods are taken in charge situated in country to a place designated for delivery situated in a different country.
- ii. Combine transport Operator (CTO): CTO means a person (including any corporation, company or legal entity) issuing a combine transport document.
- iii. Combined Transport Document (CTD): CTD means a document evidencing a contract for the performance and/or procurement of performance of combined transport of goods and bearing on its face either the heading "Negotiable Combined Transport document issued subject to Uniform rules for a Combined Transport Document (ICC Publication)" or the heading "Non-negotiable combined transport document issued subject to Uniform Rules for Combined Transport Document (ICC Publication)".
- iv. Different Modes of Transport: It means the transport of goods by two or more modes of transport, such as transport by sea, inland waterway, air, and rail road.

4. Risk Covering Documents

As the name indicates these are the documents, which represent the insurance cover against the physical risks to the goods that are moving from exporter to overseas Importer. Insurance documents are either issued by the insurance company or insurance brokers.

a) Insurance Policy:

Insurance policy is a document detailing all the terms of a contract of insurance and risks covered by the contract. Normally it is issued in negotiable form and rights under the contract could be assigned by endorsement and delivery.

Insurance Certificate:

When the insurance cover is under open or floating policy, the insurance certificate is issued for individual shipment. The exporter draws up a certificate on forms supplied by insurance company. Normally, these forms are signed by insurance company's authorized official. This, when dully filled in and countersigned by exporter or his authorized representative, becomes a valid legal document and binds insurance company.

Under the LC transactions the insurance document must satisfy the following requirements:

- i. It must be as specified i.e. policy/certificate.
- ii. It must be issued/signed by Insurance co./authorized agent.
- iii. Document must be either issued in the bank's/buyer's name or should be assigned by endorsement.
- iv. Value must be expressed in the currency of the credit.
- v. Date must be on or before the date of shipment or must specifically provide for cover to commence from the date of shipment.

- vi. Value must be 10% over CIF value of goods at the minimum. When this could not be easily ascertained, the insurance must be equivalent to the value of the draft/documents/invoice, whichever is greater.
- vii. Cover all stipulated risks.
- viii. Indicate where and by whom claims are payable, preferable in buyer's country.
- ix. Indicate duration/validity period of insurance.
- x. Indicate accurate description of goods including nos., marks etc., consistent with other documents.

2.6.2 Common Terms & Conditions of LC

There are two types of terms and conditions in the LC, Mandatory terms and conditions and Optional terms and conditions. Certain Terms & Conditions are mandatory and needs to be incorporated in every letter of credit. They are because of regulations laid down by Central Bank and the government. Objective of these terms and conditions is to follow the government rule and protect the interest of government. Some terms and conditions are put at the request of the customer itself. The objective of such terms & conditions is to protect the interest of the customer and safeguard the import objective to smooth the operations of international trade. Following are the common terms and conditions on letter of credit.

Date

Date is mandatory in LC. Normally there are three dates in the LC. They are opening date, expiry date of the LC and the latest shipment date. Beside the above, document presentation date is also incorporated in the LC (clause 48 under MT700) which is usually calculated from expiry to shipment date.

Incoterm (International Commercial Term)

Incoterm is universally recognized set of definitions of International Trade Terms, developed by the International Chamber of Commerce (ICC). It defines the trade contract responsibilities & liabilities between buyer and the seller. The objective of the use of Incoterm is to define in short the commercial terms and conditions of each transaction between the buyer and the seller. Incoterm has to be invariably input in the LC. Incoterm 2010 is commonly used in the LC.

Draft

Draft denotes the tenor of payment. It can be sight, usance, and differed or mixed payment as the case may be. Which draft is required in the LC and in whose name draft has to be drawn has to be mentioned in LC.

Transshipment and Partial shipment

Transshipments: If the consignment is carried by more than one carrier under single transport document, it is called Transshipment. For example, if goods are offloaded from one ship and reloaded to another ship during the transportation. LC has to clearly mention the clause whether or not transshipment is allowed (check clause 43T under MT 700). Partial shipment: If the shipment is made more than one time under single LC it is

considered to be partial shipment. Whether partial shipment is allowed or not has to be clearly mentioned in the LC itself (check clause 43P under MT 700).

Insurance clause

Insurance clause is very important in LC. Goods shipped from one place to another place pass through different zones, countries, and transport modes, place and thereby attract risk. To minimize the risk it is passed to the Insurance Co. by way of insurance coverage. We have to be very careful to incorporate the clauses in the LC. The type of risk depends on mode of transportation, nature of merchandise, shipment country, transshipment zones, risk factor of importing country, type of packing etc. Common risks which are covered under insurance policy in the LC are Institute Cargo Clause "A", War clause, SRCC (Strike, Riots, and Civil Commotion), TPND (Theft, Pilferage, and Non Delivery), Road Risks, Terrorism, Sabotage, Institute Air Cargo Clause, Transshipment clause etc. If LC is opened with Incoterm wherein insurance is not covered, it has to be insured that the applicant takes the insurance policy covering above risks.

Payment clause

Payment clause is another important clause in the LC. Payment may be direct payment or indirect payment. If LC has a reimbursement clause where the negotiating bank can obtain payment by debiting issuing banks account, it is a direct payment. If payment can be made only upon receipt of documents on the issuing banks counter, it is called indirect payment. For a direct reimbursement clause, it is mandatory to nominate a reimbursing bank in the LC. A direct reimbursement clause is riskier than indirect payment.

Charges

LC has different charges. Common charges are advising charge, reimbursement charges, confirmation charges etc. LC has to clearly indicate which charge has to be borne by whom (check clause 71B under MT700). In absence of clear instruction it may create dispute between buyer, seller and the banks.

Confirmation Instruction

Confirmation is requirement/demand of beneficiary and not the buyer or issuing bank. If beneficiary does not satisfy with the undertaking of issuing bank, it may ask confirmation of other bank preferably bank of his own country or any other reputed international bank. The question of confirmation comes because of Country risk, Bank risk, etc. When and how the confirmation is required totally depends upon the trust and confirmation (check clause 49 under MT700) and should also mention that who is going to bear the confirmation charge.

Transportation

LC has to clearly mention the port of loading and port of discharge. It also has to mention the type of transportation it requires. Whether it requires Chartered Party Vessel, Conference Line Vessel, or the vessel owned by a particular company. It is prudential to mention the age of vessel also. Further, it has to mention what type of transport documents it requires such as, clean on board bill of lading, chartered party bill of lading, tanker bill of lading, freight forwarders bill of lading, B/L issued by vessel owner, B/L issued by agent etc. It all depends on various factors, like nature of commodity (bulk,

loose, liquid), size of commodity and quantity/volume, packaging style, distance, price factor etc.

Freight

LC has to mention whether freight to be pre-paid or to be-paid. Either it can be pre-paid where the seller arranges the freight or to pay where the buyer has to pay the freight.

Third party documents

It is common in LCs to mention about third party documents. Third party documents means the document issued by other party besides the beneficiary. LC has to mention the clause whether the third party document is acceptable or not. As far as possible, presentation of third party documents should be discouraged.

Tolerance clause

If LC requires to ship less or more than the specified quantity or amount of LC, that should be incorporated in terms of percentage tolerance is allowed. Say if "02/02" tolerance is allowed, the LC can either be overdrawn by 2% or under drawn by 2%.

Some mandatory terms and conditions (as per NRB Forex Circular in force)

1. Shipment prior to the opening of LC is not allowed

Goods cannot be shipped before opening of Letter of Credit. This clause has invariably to be mentioned in the LC. The date is checked with the shipment date on the transport document.

2. Harmonic code

An eight digit harmonic code has to be mentioned on proforma invoice and the same no. to be mentioned in the invoice of incoming documents.

3. Imports from India against Payment of Convertible Currency

Under the LC issued in foreign currency for import from India, insurance and freight can not be paid in foreign currency. This implies to open a LC for import from India in FOB basis only. However a LC opened in CIF basis conditioning that the freight and insurance charges shall be paid in INR, and only FOB price shall be paid in convertible foreign currency is acceptable.

Import from India against payment of foreign currency is allowed for specified products only (as per NRB Forex Circular in force). Further, for the import of these products, except fabrics for readymade garment industry for re-export, import LC must ask for the documents called Bill of Export for Duty Free Goods (which should contain form no. and date of either AR-4/ AR-4A or Nepal Invoice, i.e., Invoice of Goods Liable to Central Excise Duty in India Transmitted under Excise Seal to Nepal).

2.7 UCPDC

Uniform Customs and Practice for Documentary Credits (UCPDC), publication of International Chamber of Commerce (ICC) is universally accepted documents in dealing of Letter of Credits world wide which governs the rules and standard practice in Letter of Credits. The ICC is the World Business Organization of non-governmental nature, which was established in the year 1919. For the purpose of formulation of business policies, mechanics of trade and various other subjects relevant to international trade and business management, ICC has special commission like ICC Commission on Banking Technique and Practice. In its efforts to standardize the rules governing operation of letter of credits, ICC has developed a standard set of rules for operation of credits, which is known as UCPDC. Present UCPDC is ICC Publication no. 600, which revised in the year 2007 on its earlier version UCPDC, ICC Publication no. 500.

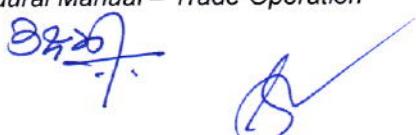
2.8 ISBP

Internal Standard Banking Practice (ISBP) for the examination of documents under documentary credits is the publication of International Chamber of Commerce (ICC) (ICC Publication No. 745), which was published in January 2003. ISBP is a complementary brochure to the UCP 600, which is the result of more than two years efforts of ICC Banking Commission. The purpose of this document is to explain in explicit detail, how the rules laid down in the UCP 600 are to be applied on a day to day basis, all with a view to finding a way to bring the practices of banks all over the world in line with each other. Today, banks who deal in documentary credits have adopted this brochure in conjunction with the UCP 600 as a basis for handling documentary letters of credit.

2.9 Incoterms

The Incoterms (International Commercial Terms) is universally recognized set of definitions of international trade terms, such as FOB, CFR and CIF developed by the International Chamber of Commerce (ICC). It defines the trade contract responsibilities and liabilities between buyer and seller. It is invaluable and a cost-saving tool. The exporter and the importer need not undergo a lengthy negotiation about the conditions of each transaction. Once they have agreed on a commercial term like FOB, they can sell and buy at FOB without discussing who will be responsible for the freight, cargo insurance and other costs and risks. The Incoterms was first published in 1936, known as Incoterms 1936, and it is revised periodically to keep up with changes in the international trade needs. Under the Incoterms 2010, the international commercial terms are grouped into E, C and D designated by the first letter of the term (acronym), as follows:

<u>Group</u>	<u>Term</u>	<u>Stands for</u>
E	EXW	Ex Works (named place of delivery)
	FCA	Free Carrier (named place of delivery)
	FAS	Free Alongside Ship (named port of shipment)
	FOB	Free on Board (named port of shipment)
C	CFR	Cost and Freight (named port of destination)
	CIF	Cost, Insurance and Freight (named port of destination)
	CPT	Carriage Paid To (named place of destination)



	CIP	Carriage and Insurance Paid To (named place of destination)
D	DAT	Delivered At Terminal (named terminal at port or place of destination)
	DAP	Delivered At Place (named place of destination)
	DDP	Delivered Duty Paid (named place of destination)

In practice, trade terms are written with either all upper case letters (e.g. FOB, CFR, CIF, and FAS) or all lower case letters (e.g. fob, cfr, cif, and fas). They may be written with periods (e.g. F.O.B. and c.i.f.) In international trade, it would be best for exporters to refrain, wherever possible, from dealing in trade terms that would hold the seller responsible for the import customs clearance and/or payment of import customs duties and taxes and/or other costs and risks at the buyer's end, for example the trade terms DAP (Delivered At Place) and DDP (Delivered Duty Paid). Quite often, the charges and expenses at the buyer's end may cost more to the seller than anticipated. To overcome losses, hire a reliable customs broker or freight forwarder in the importing country to handle the import routines. Similarly, it would be best for importers not to deal in EXW (Ex Works), which would hold the buyer responsible for the export customs clearance, payment of export customs charges and taxes, and other costs and risks at the seller's end. Please refer Annex 1 for details of each of above Incoterms.

2.10 SWIFT

Society for Worldwide Interbank Financial Telecommunication (SWIFT) is the mode of communication used to transmit and receive messages of financial importance and other. Mainly, SWIFT is used to transmit Letter of Credit, Payment Instructions, and other messages of banking importance among the banks and financial institutions. Today, almost all the messages are transmitted through SWIFT among banks and financial institutions. In 1973, banks still communicated via telex - not very secure, minimum standards and not automated either. Big banks used to receive 10,000 telexes a day. So, 239 banks from 15 countries formed a cooperative to "automate the telex". They called it the Society for Worldwide Interbank Financial Telecommunication (no "s" at the end). S.W.I.F.T. SWIFT was formed in May, 1993 and is registered under Belgian law. It is owned by the financial institutions. SWIFT is the industry-owned cooperative supplying secure, standardised messaging services and interface software to 7,500 financial institutions in 200 countries. The SWIFT community includes banks, broker/dealers and investment managers, as well as their market infrastructures in payments, securities, treasury and trade. SWIFT is not just a "bank owned network", it's a network of banks and financial institutions.

Every financial institution using the SWIFT system has a special address, called the Bank Identifier Code or BIC. This identification method was recognized by the International Organization for Standardization (ISO). BIC of Nepal Credit & Commerce Bank Ltd. is "NBOCNPKA". BIC is an 8 or 11 character address in which the first four character code represents each financial institution, next two character code (5th & 6th) represents country code, which is represented by the ISO country code, next two character code (7th & 8th), which may be alphabetical or numerical, represents location code within the country, and next three character code (9th to 11th) represents branch code. Broadly, there are two types of messages we communicate through SWIFT, Authentic Message, and Unauthentic Message. Example of authentic messages are issuance of LC, Amendments thereon, Payment Instruction etc. A tested message transmitted through Telex can be regarded as authentic message and an untested message as unauthentic. Primarily, since SWIFT is a secured mode of communication, all messages are authentic, however for the

purpose of definite action to take against the message, some of the messages need extra authentication. To exchange an authentic message between two financial institution, both have to have a special arrangement between them which is known as Bilateral Key Exchange (BKE). Upon establishment of BKE, both the institutions can exchange authentic messages. However, unauthentic messages can be exchanged among any SWIFT users.

3229
-/-
610301
-/-

Part B – Import and Export

3. Import by LC

A letter of credit is a very common and familiar instrument in settling trade between nations. Buyers and sellers negotiate for purchase and sale of goods, sellers demanding cash or the buyer's banker's letter of credit as guarantee for payment before they undertake shipment. A letter of credit reinforces the buyer's integrity by his banker's undertaking. In Nepal, letter of credit is a widely used instrument in the field of international trade. Import by LC in Nepal is regulated by many directives and rules of Nepal Rastra Bank, and other HMG Agencies. As per rules and regulations of NRB and other restrictions, L/C can be opened only for unrestricted buyer and unrestricted seller for import of unrestricted type of goods and or services. However, import by any other mode than LC is also allowed, which are dealt separately.

3.1 Parties Eligible to Open LC

- a. Should be a registered firm/company, renewed upto date.
- b. Should be a current account holder.
- c. In case of individuals, permission from Nepal Rastra Bank is required.
- d. Party must not be blacklisted and/or defaulter.
- e. Top of all, the party must have creditworthiness.

3.2 Products Eligible to Import

Other than merchandise prohibited for import as below, import of all other goods is allowed for which import LC may be opened under the existing arrangements.

3.3 Prohibited Products to Import

Following are the prohibited items for import:

1. Health Hazardous Items
 - a) Drugs (narcotic) like Opium, Marphia.
 - b) Wines (liquor) containing more than 60% alcohol.

Opening of LC for import and other banking transactions of prescribed narcotic and psychotropic substances are prohibited unless permission from HMG, Ministry of Home Affairs, Drugs Control Section to that effect is produced (as per NRB Forex Circular in force)
2. Arms and Explosive Items (other than licensed by HMG)
 - a) Goods (materials) required for making arms and ammunitions.
 - b) Guns and Bullets.
 - c) Capes other than paper.
 - d) Other explosives and weapons.
3. Communication (voice carrier) equipments wireless, walkie-talkie and similar other equipments (except licensed by HMG).

4. Precious Metal (including gold, silver) and jewels
5. Beef
6. Plastic scraps and recycled plastic granules.

3.4 Opening of LC Requiring Prior Approval

For the import of following merchandise payable in convertible foreign as well as Indian Rupee obtaining of prior approval from the concerned agency is compulsory: (As per NRB Forex Circular in force)

1. Import/Export of Alcohol: Prior approval from Internal Revenue Department is required.
2. Poppy Seed: Import LC shall not be opened other than for the quantity approved by HMG, Ministry of Commerce.
3. Old/used Cloth, Metal and Plastic Scraps and Second Hand Equipments: Other than imports by industries, prior approval of HMG, Ministry of Population and Environment shall compulsorily be obtained prior to opening of import letters of credit.
4. Ozone Depleting Substances: Prior approval is required to open LC for import of ozone depleting substances as specified in Section 1, Sub section (A) and (B) of the notification published in Nepal Gazette Part 3 dated 2057-06-09.

3.5 General Process of Opening LC

3.5.1 Basic Requirement

- a) Should be eligible Firm/Company & renewed up to date.
- b) Should be tax-cleared up to previous year and renewed for current fiscal year.
- c) In case of individuals, permission from NRB is required.
- d) Should be Current Account holder.
- e) Party should not be blacklisted by Credit Information Bureau.
- f) Prior to accepting documents from party to open LC, its credit appraisal has to be done to insure that LC can be opened on its Account.
- g) If party is a regular limit holder, check whether requested LC falls within valid limit.

3.5.2 Documents Required

A customer's request to open the L/C should accompany the following forms and/or documents

- i) L/C Application Form duly signed by authorized person and stamped as per board minute/authority letter regarding authorized signatories for operation of L/C facilities.
- ii) NRB L/C Application Form "Bi. Bi. Ni. Fa. No. 3" in complete 3 copies required only in case of LC for Convertible Foreign Currency.
- iii) Complete Performa Invoice/Contract/Indent with date and reference number, merchandise name, unit price and amount with incoterms, harmonic code number,

- country of origin, payment terms, etc and duly signed by authorized applicant and stamped as accepted.
- iv) Certified copy of update renewed Income Tax and Firm Registration Certificates.
 - v) Certified copy of Memorandum and Article of Association wherever applicable.
 - vi) Certified copy of Authority Letter, Partnership Agreement or Board Resolution regarding L/C opening and authorized persons to sign on L/C application wherever applicable.
 - vii) Certified copy of Citizenship Certificate of authorized signatory.
 - viii) Personal and or Corporate Guarantees for non-limit holder clients and excess over limit clients.
 - ix) Promissory Notes.
 - x) Approval from NRB and or concerned Authority if required
 - xi) Insurance Policy (if required).
 - xii) Complete set of security, charge and compliance documentation for the requested facility.
 - xiii) Other documents as required by NRB circulars

3.5.3 Scrutiny of Documents & General Guidelines to Check the Documents

Forms/documents should be carefully reviewed and checked for complete and correct information and documentation. Besides the information enclosed in the L/C application form, if more information is needed, it can be obtained from the letterhead of the party's firm/company. After obtaining the LC application form prescribed by the Bank from the applicant, the application should be scrutinized properly.

General guidelines of Scrutinization of Documents

- a. All the required fields should be completely and correctly filled up.
- b. Authorized signatories along with firm's seal should sign all the forms with date on the field of application date.
- c. Amount in words and figure with currency type must tally each other.
- d. A/C No., date etc. should be correct and complete.
- e. Authorized signature and seal should authenticate any alterations/corrections/cuttings.
- f. Whatever photocopy documents attached should be attested.
- g. Whatever other documents enclosed should have signature and/or seal of the concerned issuing authority.
- h. Every documents/forms should be in conformity to each other.
- i. Credibility information of the supplier should be obtained through the nominated agent if the L/C value is more than USD 50,000.00 as per NRB directives (as per NRB Forex Circular in force)



Special Requirement

- a. The main application form should contain the complete address of the applicant/beneficiary along with telephone No., Fax No. etc.
- b. NRB Bi. Bi. Ni. Form No. 3 should disclose complete description of the goods e.g. name, quantity, rate, amount, harmonic code etc.
- c. Proforma Invoice/Indent should be issued by beneficiary/their agent to the applicants and should specify the description of goods quantity, rate, amount, tenor, terms of delivery, country of origin, harmonic code etc.
- d. Firm Registration Certificate should be renewed up-to date wherever applicable.
- e. Income Tax Certificate should be renewed upto date wherever applicable.
- f. Approval/Recommendation letters issued by the concerned authorities should be valid and workable.
- g. Insurance policy certificate should be in original, for not less than 110% of the L/C value covering the usual risk and specific risks as deemed fit for the item, for the complete transit and the claims should be payable in favour of the bank in the currency of the credit.
- h. Obtain CIB Report of applicant as per provision of NRB.
- i. Compliance of all the terms and conditions as directives issued by NRB time to time.

3.5.4 Approval Process

- a. Take approval of the competent authority for opening the L/C, if necessary.
- b. No matter the customer is limit holder or not, before processing/booking/issuance of any LC/Gtee/TR/PAD/FL facility, latest customer liability report (CLR) of the customer (and it's facility/limit sharing sister/associated concerns too, if any) generated from the Core banking software/prevailing banking accounting software system must be kept on the LC/Gtee/Import/Export file, as the evidence of the status of the customer at that point of time.
- c. For limit holders: No further approval is required provided the limit is valid and can accommodate the proposed LC/Gtee/TR (Outstanding PAD/CT/TR and acceptance liability shall also be taken as prevailing L/C liability for checking available limit), if the CLR is clean i.e. there is not any quarterly interest, installment and loan overdue status.
- d. In case the limit is not sufficient to accommodate the subject LC/Gtee/TR or the limit is expired or anything not in order, approval from the competent approving authority is required even for the valid limit holders. The approval is required, if there is any overdue of quarterly interest, installment, loan as per the CLR. The approval is required also for any other overdue/pending status such as a) import documents received by the bank is not accepted/released by the customer, b) bank guarantee claim received by the bank is not accepted/paid by the customer c) the customer has availed pre-shipment loan against export LC but has not presented export documents for collection/negotiation within validity of the export LC d) customer's operative account is overdrawn for payment of insurance premium of hypothecated/mortgaged securities or for any other reasons.
- e. For non-limit holders, approval from competent approving authority is required.

- f. For non-limit holder and excess over limit cases, concerned RO/RM/Branch has to process memo for approval and obtain/execute complete set of security, charge and compliance documents/documentation as per the approval before execution of the facility.

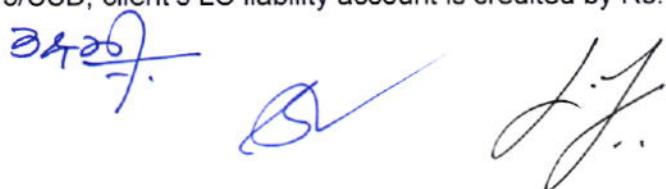
3.5.5 Opening the LC and Accounting Entries

Procedure for Opening L/C

- a. Ensure complete sets of forms/documents are received from the applicant.
- b. Verify signature in every form as per the specimen signatures provided to the bank.
- c. Credit information of the supplier/exporters has to be obtained if the L/C value exceeds US 50,000/- from nominated agencies. In case of applicant, credit information has to be obtained from CIB if necessary.
- d. Debit margin, commission and communication charges from the applicant's account. Note : If L/C allows tolerance range, say ± 5%, margin and commission is to be worked out and recovered by adding increased range in L/C value. Contingent Liability also shall be booked accordingly.
- e. For L/Cs with direct reimbursement clause, customs margin is also to be recovered at the time of opening of the L/C (as directed by NRB circulars).
- f. Back to Back L/C, can be opened at nil margin which shall be mentioned in the approval.
- g. Commission, margin, and retirement mode shall be as per the sanctioned terms or as approved or if nothing is specified, as per standard tariff based on the nature of item being imported and the L/C validity in terms of quarters.
- h. For usance L/C additional usance commission is also to be recovered.
- i. Ensure sufficient balance is maintained in the customer's nominated account for recovery of all the charges and commission as above.
- j. Issue L/C No. after completion of all the formalities detailed above recording the same into the L/C opening register.

Accounting Entries

Bank's Liability for LC is to be booked in the currency of LC itself. For example, if LC is opened for USD 1000, Bank's liability for this LC is to be debited by USD 1000. However, client's liability for the same is booked in equivalent local currency (LCY), say at the rate of Rs. 75/USD, client's LC liability account is credited by Rs. 75,000.



<u>Liability</u>	
Dr.	Customer's L/C Liability A/C, LCY
Cr.	Bank's Liability L/C, FCY
Narration	L/C No. _____ USD/IRS Opened
<u>Recoveries</u>	
Dr.	Customer's nominated account
Cr.	Customer's L/C margin a/c
Cr.	L/C Commission
Cr.	Communication Charges (SWIFT or postage)
Narration	L/C No. _____ USD/IRS Opened

3.5.6 Drafting and Approving the LC Copy – providing LC copy to client

- Prepare L/C message (through suitable medium), check carefully and get it approved from the concerned authority for transmission.
- Handover L/C copy stamped "For office purpose only" to the authorized representative of the applicants along with customer's account Debit Advice.

3.5.7 Transmission and Filing the LC Copy

- Upon approving the LC copy from the concerned authority, forward it to SWIFT department for immediate transmission. If it is a mail LC, get a neat print out in the letter-pad, get signed by two authorized signatories and courier it immediately to the advising bank.
- Upon transmission of the LC, provide a copy of transmitted LC to the client if required.
- File the transmitted LC in the concerned file.
- Fill up the bank's part on NRB Bi.Bi.Ni. form No. 3 (applicable for convertible FCY L/Cs only.)
- Prepare work sheet neatly with complete details, in duplicates.
- Maintain a file with all the related documents along with transmitted L/C copy. Debit advice and work sheet in the systematic manner.
- If the L/C contains direct reimbursement clause, prepare reimbursement authorization in favour of correspondent bank and dispatch. Recover the charges from the client (if necessary), and keep the copy in file.

3.5.8 Acknowledgement, Correspondence

Upon receipt of the LC by advising bank, normally it answers back to us with its message which acknowledge receipt of the LC and confirms that the LC is advised quoting its reference for that LC for future correspondence. This is an important message which will be useful in issuing subsequent amendments, or other correspondence to advising bank regarding the same LC.

3.5.9 Reporting of LC Opening

- a. Segregate first copy of Bi. Bi. Ni. form No.3 and dispatch to NRB under covering letter (only for convertible FCY L/Cs).
- b. Segregate second copy of Bi. Bi. Ni. form No.3 and dispatch to related Customs Office through which the imported merchandise is entering under covering letter (only for convertible FCY L/Cs). If the merchandise to be imported has more detailed specification and description which are not possible to include in the LC itself, it is necessary to enclose copy of proforma invoice with second copy of Bi. Bi. Ni. Form no. 3 and forward to concern Customs Office.
- c. Feed in necessary information's into the computer in the prescribed format provided by NRB and transmit the message to NRB through the email to the email address provided by NRB keeping necessary records in a separate file. (FCY L/Cs).

It is very important to note that merchandise imported to Nepal through Calcutta port do not require to pay import duty to Indian Govt. However, to avoid any risk of illegal import without paying import duty or import of illegal product, through Calcutta Customs in the name of Nepal and sell it to India, Indian Govt. requires authentication of all import of Nepal through Calcutta port. Such authentication is to be made by the Nepalese Govt. Hence, authenticated details of each and every LC opened by a Nepali bank for the merchandise imported through Calcutta port is passed through a LC opening bank to Nepal Rastra Bank, then to Department of Commerce, to Nepal's Cancellor Office in Calcutta, and finally to Calcutta Customs Office. It should be noted that if the details of LC opened is not reached at Calcutta through above mentioned channel, or incomplete details of LC reached, the merchandise imported would not be released from Calcutta Customs office resulting in heavy demurrage at port. Since reaching of such report generally takes about 7 days from the date of reporting, such report has to be made immediately after transmission of the LC and it is very important to take extra care while making the report, as by the time revised reporting is made, client shall incur heavy demurrage at the port.

3.6 Amendment

Changing any terms on the credit by the issuing bank (on request of the applicant) is called amendment.

An amendment should be originated from the L/C issuing bank and should be advised to the beneficiary through the same advising bank through which the original credit was advised.

3.6.1 Documents Required and Scrutiny

The applicant's request for amendment should include the following forms and documents:

Request for amendment

- L/C No. and date (for which amendment is required) should be correctly mentioned

- Subject of amendment should be clear, complete and precise.
- Should be duly authenticated by the applicant.

NRB Bi. Bi. Ni. form No.3

- L/C No. and date (for which amendment is required) should be correctly mentioned.
- Subject of amendment should be clear, complete and precise.
- Should be duly authenticated by the applicant.

Proforma Invoice (Revised)

- Revised P/I is required if the amendment is related to description of merchandise, L/C value, name/address of beneficiary or term of delivery.

Insurance Policy/Certificate

Is required if term of delivery is to be amended from CIF/CA to FOB/CFR.

Checking of Forms/Documents

The forms/documents should be checked in the same manner as in the case of opening the L/C.

3.6.2 Approval Process

Approval from management, permission from NRB or any agency wherever applicable.

3.6.3 Effecting the Amendment

Procedures

- a. Verify signatures in amendment request.
- b. If L/C value needs to be increased, ensure that the enhanced amount shall remain within valid limit. Get approval from the approving authority for anything not in order or in absence of the limit.
- c. Calculate margin, commission and communication charges and prepare vouchers and advices accordingly.
- d. For validity extension, confirm whether next quarter is touched and commission is calculated accordingly (flat, not minimum).
- e. For amount enhancement, book liability account for increased amount, collect margin and commission proportionately and charge interest as per NRB rules.
- f. Realize communication charges depending on mode of communication and the length of the message.
- g. The above charges and commissions are in addition to the amendment charge (commission).
- h. If any clause of tolerance in amount is being inserted by way of the amendment, the L/C value should be considered as increased in the amount to the upper end of

the tolerance and liability should be booked accordingly and interest and commission should also be charged accordingly.

- i. Prepare appropriate message to effect amendment and get it approved from the authorized officer and transmit/dispatch.

- j. Update work sheet and L/C opening register carefully.

For amendments requiring Bi.Bi.Ni. form No.3 (as mentioned above)

- i) Fill up bank's part in Bi.Bi.Ni. form no.3
- ii) Prepare manual report for NRB and Customs office through form No.3, 1st & 2nd copies respectively.

- iii) Prepare email transmission report for NRB (if required).

- iv) Dispatch both types of reports.

- k. Get the transmitted copy of amendment and

- i) Ensure that sufficient charges are recovered.
- ii) File the copies in the respective file properly.

- l. If the original L/C bears direct reimbursement clause and the amendment relates to enhancement of amount and/or expiry of the L/C, amend the reimbursement authorization accordingly.

- m. If L/C is amended for adding confirmation and direct reimbursement, prepare message for reimbursement authorization and dispatch/transmit. Recover customs margin (as directed by NRB circular).

- n. Debit the client's account for communication charges for reimbursement authorization and/or its amendment.

- o. For any amendment decreasing the L/C value.

- i) The amendment message should contain an instruction to the advising bank to confirm acceptance of the amendment by the beneficiary.

- ii) Commission is not refunded for decreased value.

Proportionate margin on decreased value can be refunded only after receiving advising bank's confirmation of beneficiary's acceptance of the amendment.



3.6.4 Accounting Entries

<u>Liability</u> (if LC amount is increased, for increased amount only)	
Dr.	Bank's Liability L/C, FCY
Cr.	Customer's L/C Liability A/C, LCY
Narration	L/C No. _____ USD/IRS increased
<u>Recoveries</u>	
Dr.	Customer's nominated account
Cr.	Customer's L/C margin a/c (for increased amount only)
Cr.	L/C Commission- amendment/ amt. increased
Cr.	Communication Charges (SWIFT or postage)
Narration	L/C No. _____ USD/IRS amended

3.6.5 Specific NRB Provisions Related to Amendment

For L/C value increase:

- i) Head Office approval is required for increasing value by more than 10% of the L/C value even if everything is in order. However, since increase in LC value by any amount enhances bank's liability, it should be considered as opening a new LC by such amount. Hence, if approval is required to open a fresh LC for such increase amount, approval for amendment to increase the LC value is also required.
- ii) Interest on full increased value from the date of L/C opening till the date of amendment at highest published rate should be charged for trading firms.
For inserting direct reimbursement clause in an amendment, or even in case where LC is issued with direct reimbursement clause, for Trading firm, customs margin equivalent to 10% of LC amount (including enhanced amount if any) should be recovered instantly.
- iii) All import letters of credit shall compulsorily specify the border customs point from which the goods will be brought into Nepal. Any amendment to change customs point will require approval from Ministry of Commerce/ HMG.

3.7 Import Documents Examination

3.7.1 General Procedures

Import documents received from the negotiating/exporter's bank should be examined with great care and any irregularities found have to be informed to the negotiating bank within five working days from the date of receipt of the document at bank's counter regarding the acceptance or non-acceptance of the document. Regarding UCPDC, bank and bank staff must clearly understand the terms "Bank deals with document, not in goods" while examining documents under both import or export L/C. Check whether:

- All documents called for are submitted or not.
- All documents are submitted in the requisite number of copies or not (taking into account for duplicate set/second mail that may be following).

- Documents are issued by the persons specified required to issue or not.
- Documents, where necessary and stipulated are dated or not. If they are dated the dates should be consistent with the terms of LC or otherwise.
- Documents whether necessary and stipulated are manually signed.
- Material alterations/additions on documents are properly authenticated.
- The requisite and stipulated documents are originals or marked as originals and appear to be signed.
- All documents on their face appear to be in compliance with the terms and conditions of the credit.
- Shipment is effected within the time stipulated or not. If it is an installment credit whether the requisite quantity is shipped within the stipulated schedule.
- Any partial shipment is effected. If so whether it was permissible under L/C.
- Documents are presented at the place of expiry stipulated.
- Documents are presented within the expiry date (validity) of the credit or not. If documents are presented to the nominated bank on an extended validity date in terms of provisions of Art 29(a) of UCPDC the nominated bank should confirm to that fact as per provisions of Art 29(b).

Examine Bill of Exchange

Examine the bill of Exchange in terms of the following:

- a. Negotiated on or before expiry date of L/C.
- b. Amount does not exceed the amount available under the credit.
- c. Bears all clauses pertaining to B/E specified in the L/C.
- d. Drawn for correct tenor (e.g. at sight, 30 days, 60 days etc.)
- e. Drawn to the order of correct party as per L/C if specified.
- f. Drawn on the party as specified in the L/Cs.
- g. States currency in which drawn and agrees with invoice (unless credit specifies otherwise).
- h. Amount in figures and words agree.

Examination of Invoice

- a. Invoice in the name of beneficiary (usually printed heading).
- b. Name and address of the importers are in conformity with those mentioned in the L/Cs provided third party documents/shipment is prohibited in the L/C.
- c. Description of merchandise agrees exactly with that called for in L/C.
- d. Quantity agrees with that called for in L/C (refer relevant UCPDC article for tolerance, if any that may be allowed).
- e. Price and price basis (FOB, CIF, CFR etc.) is strictly as per terms of L/C.
- f. Invoice signed properly and presented in correct number of copies.

- g. Identifying marks of shipment, number of packages, gross, tare and net weights if any, agrees with all other documents.

Examination of Transport Document Bill of Lading/PP/AWB/TR

Bill of Lading, Parcel Post (PP), Truck Receipt and Airway Bill must be checked in terms of the following:

- a. Unless otherwise specified in L/C, the B/L must state 'on Board', and clean.
- b. Port of shipment, port of destination, date of shipment, consignee, notify party as specified in L/C.
- c. The B/L is drawn to the order or endorsed in favour of the opening Bank.
- d. Must cover merchandise specified in invoice but it may described in general terms only. However, the description must not include any additional description terms not included in the L/C.
- e. Must be presented within the period as specified in the L/Cs.
- f. Number of Packages and Marks agrees with Invoice and other documents.
- g. Any alteration must be authenticated by stamp and initial of shipping company or its authorized agent.
- h. In case transport by Post/Airway please check that transport by such means was authorized in the L/C.

Certificate of Origin/Packing List/Weight List/Inspection Certificate

Please check from the L/C to ensure that the documents meet requirement of the L/C and is issued by a particular party/authority. Check for regularity of details with details of other documents.

- a. Foreign Correspondents Charges: Verify if the Foreign Correspondent's dues are charged in accordance with the instructions contained in the letter of credit. i. e. to the accounts of the beneficiaries or to the openers.
- b. Any other documents: All other documents, provided in the letter of credit are received.

Insurance Document

- a) It must be issued by Insurance Company or underwriters or their agents. It should not be issued by brokers.
- b) It must be signed by the issuer and it must be dated.
- c) Date of issuance must be on or before the date of shipment or it must be evidenced by specific notation that the cover is effective from the date of shipment.
- d) The currency of insurance must be same as the currency of LC.
- e) It must indicate the mode of conveyance (Air, Sea, Road etc.) and if possible the name of vessel, voyage number etc.
- f) It must indicate the nature of risks covered and should be as specified in the LC.
- g) It should be in a negotiable form.

- h) Unless otherwise specified, it should be issued for an amount of 110% of CIF value of the goods.
- i) If it is issued in more than one original and all original must be submitted (number of negotiable copies issued are indicated in the insurance policy).
- j) It should be endorsed in blank by the assured, if required as per LC terms.
- k) It should indicate the port of shipment and destination or point of insurance coverage.
- l) It should not contain any clause affecting the interest of the assured/ assignees.

3.7.2 Discrepancies

Documents with Discrepancies

As soon as the issuing bank receives documents, arrival of documents must be informed to applicant and ask for acceptance and release documents from the bank to release consignment form port/custom. No matter whether the applicant accepts, releases and or pays documents or not, the issuing bank must pay at sight for sight documents or must confirm due date for payment for usance documents, to the negotiating or accepting or paying bank. Issuing bank has to check entire documents in detail and advice discrepancy, if any, to the negotiating bank within five banking day following the day of document received date according to Article 14(b) of UCP DC 600. Otherwise it is accepted by default according to Article 16(f) of UCP DC 600.

1. In case of clean documents, payment to the beneficiary should be released within 5 days from the date of receipt of documents as per UCPDC.
2. The documents negotiated under LC containing discrepancies should be intimated to the negotiating bank quoting the discrepancies and stating that those documents are being held by the bank entirely at risk and disposal of the negotiating bank.
3. In case of discrepancies, immediately convey to the applicant, the nature of discrepancies contained in the documents with a request to accept them.
4. If the applicant does not accept the documents with the discrepancies, intimate the foreign correspondent immediately regarding the non-acceptance of the documents by the applicant by SWIFT/Fax as per provision of the UCPDC.
5. At the same time request the correspondent to send an authority to treat the documents on collection basis and the disposal instruction for handling the bills.
6. Complete the necessary formalities in time to avoid any complication.
7. If the opener accepts discrepancies in the documents, documents shall be lodged into PAD/FL and payment to the beneficiary shall be remitted deducting discrepancy fee/charge and other handling commission as per bank's rule.
8. The import documents against PAD/FL must be retained by the Bank till the customer makes payment of all the dues. When the documents are received, efforts should be made to ensure that they are retained immediately on presentation.

3.8 Document Retirement

Retirement of documents is internationally referred to release of transport document by the bank. Release of transport document to the importer is termed as Issuance of Delivery Order in Nepal. However, to maintain check and balance on the import, Nepal Rastra Bank has further made it mandatory for commercial bank to issue another very important

document known as Customs Release Certificate in absence of which goods so imported can not be entered into the territory of Nepal through any authorized customs point. Though retirement of document is mainly referred to issue of Delivery Order, for import LC, in general, following types of document retirement is in practice:

a) Delivery Order

It is the order issued by bank to concerned transporter in whose carrier/truck/airline/vessel the imported merchandise is arrived. It is issued to Transporter/Carrier/Airlines for the deliver of consignment to the applicant or applicant's authorized clearing agent duly signed & stamped by the authorized signatory of the bank, for the clearance of consignment from port and or customs. Principally, this is known as retirement or release of document because, release of such order transfers the custodian of goods imported from bank/transporter to applicant or its authorized agent.

b) Documents for Calcutta Clearance

For the import in Nepal by sea port, merchandise comes through Calcutta port. Hence, Bank has to issue delivery order to shipping company (Issuer of B/L) located at Calcutta, India. Therefore, documents for Calcutta Clearance is a sort of delivery order, which also consists of one set each of all documents demanded by LC. This set of documents contains Bills of Lading, Commercial Invoice, Insurance Policy, Packing List, Certificate of Origin, Other documents required if any, L/C Amendments if any, L/C Copy and Proforma Invoice-duly endorsed, signed & stamped by the authorized signatory of the bank.

c) Customs Release Certificate

Apart from delivery order (and documents for Calcutta Clearance), bank has to issue another set of documents to concerned Customs Office, HMG through which the imported merchandise shall enter into Nepal. This set of documents contains First and Second Original of Bi.Bi.Ni.Fa.No.4 issued in Four Originals, Transport Document, Commercial Invoice, Insurance Policy, Packing List, Certificate of Origin, Other documents required if any, L/C Amendments if any, L/C Copy and Proforma Invoice-duly endorsed, signed & stamped by the authorized signatory of the bank. At the time of issuance of this document, security margin by 2% of document value shall be obtained for Industry or NRB Cheque for 10% of document value shall be issued in favor of concerned Customs Office as per requirement.

Security Deposits Arrangement (NRB Margin/Customs Margin)

In L/C mechanism, all parties to L/C deal with documents. Hence, to assure and for check and balance of release of consignment from port/customs by the buyer after release of documents from his bank, issuing bank has to obtain security deposits against import LC opened in convertible foreign currency. Such security deposits shall be 2% of document value for industry and 10% of document value for trading firm. While security deposits so obtained from industrial firm shall be kept as NRB Margin and shall be refunded upon receipt and authentication of return of BBN Form No.4 from concerned Customs Office, security deposits

obtained from a trading firm shall be released by way of issuance of NRB cheque of equal amount in favour of concerned Customs Office.

Process of obtaining security deposit

As per NRB, while releasing documents for Calcutta and or Nepal Customs Offices; for industries, by debiting applicant's current account, issuing bank must hold NRB Custom Margin equivalent to 2% of invoice value. For traders issuing bank must issue a Cheque of issuing bank's account maintained with NRB, for NRB Customs Cheque favoring Nepal Customs Office equivalent to 10% of invoice value debiting applicants current account. The applicant releases consignment from Nepal Customs Office after settlement of customs duty also settled by NRB Customs Cheque issued, if any. Then Nepal Customs Office returns customs clearance certified Bi.Bi.Ni.Fa.No.4 to issuing bank. And the applicant submits copies of custom duty paid receipt and customs clearance certificate—"pragyapan patra" to issuing bank. Officials of issuing bank must verify these copies with originals and must verify signature of the customs officer on returned customs clearance certified Bi.Bi.Ni.Fa.No.4 with the specimen signature available in bank record. Then, issuing bank has to release NRB Customs Margin held, if any, to the applicant's current account. If the specimen signature is not available in bank record or signature does not verify, then issuing bank must correspond to concern customs office accordingly.

NRB Rules & Regulations

As per NRB, generally, for industries, NRB Customs Margin to be obtained is equivalent to 2% of invoice value and for traders NRB Customs Cheque to be issued is equivalent to 10% of invoice value. For industries, instead of holding NRB Customs Margin, NRB Customs Cheque can be issued, if the applicant requests. For traders, NRB Customs Cheque can be issued for more than equivalent of 10% of invoice value, if the applicant requests.

If trader applicant requests that customs duty tariff for goods imported is less than 10% of invoice value and hence issue of cheque equivalent to 10 percent is not appropriate, then issuing bank can issue NRB Customs Cheque for the amount requested and hold NRB Customs Margin for remaining value. Such deposit amount can be refunded following the procedure of refund similar to the procedure of refund in case of Industry. However, where the duties payable by the importer is 0% resulting in requirement to refund the deposit amount in full, such deposit shall be refunded only upon receipt of approval from NRB.

If trader applicant opens L/C with direct T.T. reimbursement clause, then the issuing bank must hold margin for NRB Customs Cheque issuance equivalent to 10% of L/C value before establishment of L/C.

Security Deposit not Required

Arrangement of obtaining security deposit, except for commercial firms and industrial firms, will not apply in the case of following letters of credit.

- a) LCs opened by any convertible foreign currency account holder against payment through such account.
- b) LCs opened by diplomatic privileged agencies.
- c) LCs opened by HMG or corporations fully owned by HMG.
- d) LCs opened under Foreign Loan, Assistance or Grants for which reimbursement is to be received from foreign country.
- e) Where importer provides copy of bank guarantee issued in favour of HMG Customs office to release the imported goods under Bonded Ware House facility. A duly renewed copy of Bonded Ware House certificate shall be obtained in this case.

NRB Reporting & Approval

If the applicant does not release consignment from Nepal Customs Office and issued Bi.Bi.Ni.Fa.No.4 is not return to the issuing bank from customs office within 3 months, then it must be reported to NRB within 7 days. Similarly, if issued NRB Customs Cheque is not presented by Customs Office at NRB counter for payment and issuing bank's account is not debited within 3 months, then it must be reported to NRB within 15 days. Earlier NRB Customs Cheques once issued can't be cancelled without approval from NRB however at present it can be cancelled on specific cases as per the NRB Forex Circular in force.

3.8.1 Retirement against Original Documents

3.8.1.1 Sight LC

Even after release of consignments against copy document, original documents should be examined carefully to confirm they do not differ the copy document. If there are any discrepancies, it should be informed to NRB as applicable.

In case of releasing document for Calcutta Clearing purpose, copy documents set along with endorsed original B/L in favour of authorized nominated clearing and forwarding agent must be forwarded in favour of Calcutta Customs. In this connection, CT (Calcutta Transit) Loan can be booked by reversing LC liability as per the approval.

Upon reaching goods into Nepalese border release of original set of import document should be made by issuing Bi.Bi.Ni. Form No.4 recovering custom margin (2% or 10% as applicable as per NRB rules). This shall be done either by settling the booked CT Loan by debiting client's account or by booking the same into Trust Receipt Loan (TR) as per the sanctioned terms whichever is applicable. Custom Margin Cheque covering 10% of the invoice value should be issued.

Out of the 4 copies of Bi. Bi. Ni. Form No. 4, Custom Release Certificate, two copies should be enclosed along with endorsed original document set and dispatched to the concerned customs office in sealed envelope. The third copy of the Bi. Bi. Ni. Form No. 4 should be sent to NRB whereas the last copy should be retained by the bank in concerned L/C file.

On releasing the goods by the L/C opener from Boarder custom. 2nd copy of Bi. Bi. Ni. Form NO. 4 is returned back to the bank by the concerned customs office which should be kept into the concerned file after duly verifying the appeared custom official's signature. 2% custom margin retained in case of industrial firm shall be released upon completion of

the formalities. Utmost care should be made while filling Bi. Bi. Ni. Form No.4. Immediately after retirement of original documents, payment should be sent.

3.8.1.2 Usance LC

- a. Sometimes as per terms & conditions of the letter of credit documents may be drawn on usance basis. Documents after acceptance may be maturing e.g. 30,60,90,120 & 365 days (as the case may be) against the usance terms as per L/C. However documents shall be handled over to the opener on their mere acceptance of bill/draft.
- b. In such circumstances, the documents shall immediately be presented to the applicant for their acceptance.
- c. The acceptance of the applicant is to be obtained on the face of the Bill of Exchange as under:
"Accepted for payment On _____ Date
Signed by the Applicant"
- d. Retain these documents for presentation to the applicant for payment on due dates already noted in the Due Date Diary. In this case, contingent liability should be booked which is known as Acceptance Liability which is dealt below.
- e. The documents shall be released following the identical procedure of releasing the sight documents.
- f. Immediately after release of documents, bank should advise the due date of documents to the documents presenting bank.
- g. If the payment on due date is not received from the opener, payment to Negotiating bank shall be released by way of creating a Forced Loan and take immediate action for realization of the payment from the party.

Acceptance Liability (AL)

Acceptance Liability is a non-funded facility extended to the L/C applicant for confirming the payment of the credit document against the Usance L/C on its maturity.

The opening bank, upon receipt of the absolutely credit confirm documents of Usance LC shall confirm the due date for the document as per L/C term with the intimation and acceptance from the applicant and advise the acceptance of the same to the negotiating bank. The acceptance liability is booked on behalf of the client for the delivery of the documents and the goods for the due period.

Accounting Entry

i) Reversal of L/C Liability	
Dr.	Bank's Liability L/C, FCY
Cr.	Customer's L/C Liability A/C, LCY
Narration	L/C No. _____ L/C Liability Reversed
ii) Book Acceptance Liability	
Dr.	Customer's Acceptance Liability A/C, LCY
Cr.	Bank's Acceptance Liability A/C, FCY
Narration	AL Ref No. _____ AL Booked
iii) Recoveries	
Dr.	Party's Nominated a/c
Cr.	Swift /Telex/ Postage Recovery
Narration	AL Ref No. _____ SWIFT /Telex/ Main Charge Recovered

3.8.2 Retirement against Copy Documents

3.8.2.1 Sight LC

Process of retirement of copy documents is same as in case of original documents. However, following additional care should be taken:

- a. For Calcutta clearance, despite of all copy documents presented, B/L has to be one of the originals.
- b. An undertaking from L/C opener must be obtained to accept any discrepancies in the coming original documents unconditionally before allowing release of goods against copy documents.
- c. Obtain necessary NRB margin and full amount of document value at the time of retirement by copy documents, and send the payment only upon receipt of original document.
- d. Upon receipt of original documents, documents should be checked for any discrepancy. Apart from this, make sure that original documents received are identical to the copy documents, which were released previously.

3.8.2.1 Usance LC

Process of retirement of copy documents is same as in case of original documents. However, following additional care should be taken:

- a. For Calcutta clearance, despite of all copy documents presented, B/L has to be one of the three originals.

- b. An undertaking from L/C opener must be obtained to accept any discrepancies in the coming original documents unconditionally before allowing release of goods against copy documents.
- c. Obtain necessary NRB margin. Advise due date of documents only upon receipt of original documents.
- d. Upon receipt of original documents, documents should be checked for any discrepancy. Apart from this, make sure that original documents received are identical to the copy documents, which were released previously.

3.8.3 Retirement of Documents of Back-to-Back L/C

- a. Document received under Back-to-Back can not be paid immediately on receiving the document. However, documents should be released to the opener for release of goods.
- b. Only the acceptance of the document should be sent to the beneficiary's Bank stating that payment will be effected only on receipt of payment against the full export proceeds against which the L/C has been opened.
- c. Upon receipt of export payment from the master export LC, necessary amount should be retained and used to send payment of Back to Back document. Where partial export is made under master export LC, proportionate amount should be retained from each export proceeds until full amount is developed.

3.9 Settlement of LC and Close the File

Settlement of a Letter of Credit follows the following stages:

Settlement of Payment

The paying bank effects payment immediately i.e. at sight as specified in Letter of Credit. The paying bank then forwards the documents to the issuing bank, reimbursement being obtained in the manner pre-agreed with the issuing bank.

Settlement by Acceptance

Together with other document specified in the documentary credit under Usance L/C, a usance bill of exchange/draft drawn on the accepting bank with the tenor as specified in Letter of Credit shall be forwarded to the issuing bank with a request for opener acceptance and reimbursement at the done date in the pre-agreed manner.

Settlement by Negotiation

If the negotiating bank has confirmed the Letter of Credit (i.e. it is also the confirming bank) then it negotiates the draft without recourse to the beneficiary. The confirming bank, as a holder of the draft, becomes entitled to receive payment from the issuing bank and the beneficiary is not liable to the confirming bank if payment is not made for any reason.

However, if L/C is not confirmed by the negotiating bank, then that bank will negotiate the draft with recourse to the beneficiary and beneficiary will be liable to that bank for the full amount of the bill if it is unpaid for any reason.

Once the document is negotiated, the negotiating bank forwards the documents to the issuing bank and reimbursement is obtained in the pre-agreed manner under trade finance as explained hereunder shall begin.

3.10 Cancellation of Import LC

An irrevocable L/C can be cancelled by L/C issuing bank only after obtaining consent of the beneficiary as well as of all the concerned party (i.e. confirming bank and advising bank as well) involved in Documentary Letter of Credit transaction.

Required Documents for Cancellation of LC

- a. Obtain application from the applicants in their letterhead, signed with seal, L/C No. date and amount correctly mentioned.
- b. Bi.Bi.Ni. form No. 3 : (applicable only in case of convertible FCY L/Cs)
- Required fields properly filled up, signed with seal.
- c. Original L/C copy provided to the applicants after opening the L/C.

Procedures

- a. Verify signatures in application and BBN Form no.3.
- b. Check file carefully and ensure that no shipping documents have been received nor any communication confirming shipment of goods or negotiation of documents is received.
- c. Prepare a swift message for the L/C advising bank instructing them to call back the original L/C from the beneficiary and confirm cancellation by authenticated swift.
- d. If any part of the L/C value is already utilized, cancellation for the remaining value only can be requested for.
- e. The L/C cannot be cancelled unless confirmation of cancellation is received from the advising bank by authenticated swift.
- f. After sending the swift message, debit swift charges from the party's a/c.
- g. Upon receipt of authenticated swift confirmation of cancellation from the advising bank
 - i) Reverse L/C liability.
 - ii) Refund margin deducting L/C cancellation charges and any charges left unrecovered.
 - iii) Fill up form No. 3 (bank's part) and dispatch both manual report (through 1st copy) and computer transmission report (through email) to Nepal Rastra Bank.
 - iv) Close the file.
- h. If L/C expired for negotiation and neither the documents nor any confirmation of negotiation is received for long (15 days to 1 months depending upon the applicant's request and long standing relationship), the L/C can be cancelled in our books with consent only from the openers (on case to case basis).

- i. If the L/C bears direct reimbursement clause and the L/C is cancelled, the reimbursement authorization should also be cancelled debiting the party's a/c for swift charges.

Accounting Entries

i) Reversal of L/C Liability	
Dr.	<i>Bank's Liability L/C, FCY</i>
Cr.	<i>Customer's L/C Liability A/C, LCY</i>
<i>Narration</i>	<i>L/C No. _____ L/C USD/ INR Cancelled</i>
ii) Refund Margin	
Dr.	<i>Customer's LC Margin A/C</i>
Cr.	<i>Customer's Nominated A/C</i>
<i>Narration Refunded</i>	<i>L/C No. _____ L/C Cancelled, Margin</i>
iii) Recoveries	
Dr.	<i>Party's Nominated a/c</i>
Cr.	<i>Swift /Telex/ Postage Recovery</i>
Cr.	<i>LC Commission - Cancellation</i>
<i>Narration</i>	<i>L/C No. _____ L/C Cancelled</i>

3.11

Refund of Customs Margin

- a) Customs margin can be refunded to the client only upon receiving the certified copy of Bi Bi Ni Form No. 4 from the concerned customs office issued by the Bank.
- b) Signature of customs officer appearing on the certified copy of Bi Bi Ni Form No. 4 should be verified.
- c) Copy of Pragyan Patra along with the receipt of duty paid should be obtained from the importer and be verified with the original.
- d) If the Bi Bi Ni Form No. 4 is not received within stipulated time or differs, measures should be taken as instructed in NRB Directives.

3.12 Back to Back LC

The Payment of back to back LC is made only after the realization of proceeds of the Export LC (master LC) in full amount which is incorporated as an additional condition in such back to back import LC. These types of back to back import LCs is quite popular in Nepalese garment exporters who require to import fabrics from back to back import LC to execute their export order of ready made garments. (Please also refer "Back-to-Back LC" under "Types of Letter of Credit"). a) To issue a Back-to-Back LC there has to be an acceptable export LC in favour of same client who requests to issue a Back-to-Back LC. b) A Back-to-Back LC is normally issued against nil margin. c) Please refer NRB Forex

Circular in force on Back-to-Back LC for import of fabrics required as raw materials by Nepalese Readymade Garment Industries.

3.13 Forward Booking

There is a risk associated with the fluctuation of exchange rate, which may result to losses to importer if the exchange rate is more likely to inflate in the currency of LC (and deflate the Nepali Rupee). If the importer foresees any risk of exchange rate fluctuation, it can approach the bank for forward booking, for the settlement of LC which takes place in future date. Forward booking is the contract between the bank and the importer by which both parties agree upon an exchange rate in which the settlement of LC is done in future agreed date. In short, the rate to be applied can be pre-booked

- a. Contract has to be signed between the applicant and the bank.
- b. Rate should be taken from the Treasury Department.
- c. Out of two copies of the contract, each copy should be given to applicant and the Treasury Dpt.
- d. One photo copy should be filled in the L/C file.
- e. Commission/charges to be confirmed from Treasury Department and to be applied.

3.14 Import from India by LC against Payment of Convertible Foreign Currency

1. Import LC can be paid in convertible foreign currency only in FOB value of the LC.
2. Insurance and Freight has to be paid in INR.
3. L/C should be compulsorily be accompanied by a form called "Bill of Export" for duty free goods (to be prepared by exporter) for the equivalent amount of foreign currency mentioned in the invoice specifying the number and date of either the form called AR-4/AR-4A or Nepal Invoice. If the document is not presented along with other documents then it should be paid in equivalent INR. This is not compulsory for import of fabrics for garment industries against the permit of Nepal Garment Association.
4. Additional procedures have to be followed regarding the documents and necessary permits to be taken for specified items from concern association viz. Nepal Garment Association in case of garment business.
5. Back to Back L/C can be opened for the import of fabric not exceeding 50% of the export L/C value. Permit from Nepal Garment Association should be submitted.

Import from India by Entities Holding Convertible Foreign Currency Account

Import of items falling under OGL from India payable in convertible foreign currency by the following entities against payment from their convertible foreign currency account is allowed through LC fulfilling certain procedures (please refer NRB Forex Circular in force for detail). The eligible list of merchandise for import under this arrangement is not restricted to specific goods only. All goods coming under OGL is available for import from India against payment of convertible foreign currency by the specified convertible foreign currency account holders.

Eligible Imports to Open Letters of Credit

- a. Donor agencies, Diplomatic missions, foreign nationals and foreign institutions holding foreign currency accounts.

- b. Nepali and foreign contractors who are awarded contracts under the global tender and holding foreign currency accounts.

In the case of imports by Nepali and foreign contractors who are awarded contract in the global tender, submission of recommendation letter from the concerned agency of HMG (Ministry, Department or Project) that such imported merchandise are meant for the purpose of the project is compulsory. Payment of insurance and freight, even under import by above mechanism, shall be made only in Indian Currency.

4. Import by Documentary Bill Collection

Import by documentary bill collection is also known as import by BILTY, DAP and DAA. This is the method where in the seller wants to put some sort of security by involving banks in the transaction, yet doesn't want to go in many documentation formalities of L/C. The general process of import under this method is as below:

- a) Seller makes shipment of goods according to agreement with buyer.
- b) Then the seller prepares and submits all necessary documents to his bank.
- c) The seller's bank forwards entire documents to the buyer's bank for collection. Or, the seller himself forwards entire documents to the buyer's bank.
- d) Buyer's bank receives documents and informs arrival of collection documents to the buyer and request the buyer to pay and release documents.
- e) Only after obtaining full payment from the buyer, bank should release the document and should send payment to the seller's bank/seller as per the instructions in the covering letter of document. It should be remembered that payment must be sent directly by the bank and not by handing over the Demand Draft to the buyer.
- f) If the buyer doesn't come for the release of document in the bank, bank has to inform the sender of document about this and act according to the instructions received or instructions in the covering letter of document.
- g) The buyer releases consignment from port/customs office against the released documents. In this way import is completed by documentary bill collection.

As per prevailing rules and regulations of NRB, import by documentary bill collection can be done in INR from India, in NPR in Nepal in FCY (DAP/DAA) from other countries. NRB's rules prohibits shipment prior to the establishment of L/C.

Accounting Entry

Accounting entry under this case is exactly similar to issuance of Demand Draft.

Accounting Entries

- | | |
|-----|--|
| Dr. | Client's Nominated Account |
| Cr. | Commission (Documentary Bill Collection) |
| Cr. | Nostro/ Treasury/ Corporate Office |

5. Import by Advance Payment (DD/TT In FCY)

Import without establishment of letter of credit is permitted from the country other than India against advance payment by way of TT or DD. Import equivalent to USD 30,000.00 is allowed under this method. Recommendation letter from Department of Commerce is required in import through Calcutta Port. The general process of import under this method is as below:

- a) Buyer obtains proforma invoice from the seller and sends DD/ TT from its bank upon submission of proforma invoice and other necessary documents.
- b) Seller makes shipment of goods according to agreement with buyer and sends necessary documents, i.e., Air Way Bill/BL, Invoice, Packing List etc. to the buyer.
- c) Then the seller prepares and submits all necessary documents, BBN Form No. 4(ka), and proof of payment by DD/ TT to concerned Customs Office and arrange to release the merchandise.

Following process should be followed while issuing DD/ TT under this method.

- a) Bank shall make the payment in the name of supplier by TT or DD against submission of duly completed BBN Form no. 3(ka), Proforma Invoice, duly renewed Tax Certificate of the importer, necessary registration documents of the importer, application of importer, and a commitment from the importer stating that the merchandise proposed for import under the exchange facility has not been imported.
- b) Bank shall issue BBN Form no. 4(ka) in favour of concerned HMG Customs Office.
- c) In the event of non-submission of the Air Way Bill/BL and BBN Form No. 4(ka) evidencing the import of the goods within stipulated time, information to NRB shall be submitted as per the prevailing arrangement.
- d) Bank shall obtain 10% of the equivalent amount of the total exchange value from the importer as security deposit (however, this provision shall not be applicable in the case of utilization of importers convertible foreign currency account). Procedure as regards to obtaining of security margin and issuance of NRB cheque shall be as per NRB Forex Circular in force.

Accounting Entry

Accounting entry under this case is exactly similar to issuance of Demand Draft.

Accounting Entries

- | | |
|-----|------------------------------------|
| Dr. | Client's Nominated Account |
| Cr. | Commission (DD/ TT) |
| Cr. | Nostro/ Treasury/ Corporate Office |

6. Import from India by Advance Payment and in Credit other than LC (DD/TT India)

NRB's rules and regulations do not address regarding import by documentary bill collection or in credit other than LC in FCY from India. However, import from India other than LC, either in Credit or Advance Payment in INR is allowed.

In case of import in Advance Payment, the seller makes the shipment upon receipt of payment (DD/ TT) from the buyer. The bank has to issue BBN Form No. 4(ga) in favour of concerned HMG Customs Office. The buyer, then releases merchandise by submitting proof of advance payment, and necessary documents at concerned HMG Customs Office.

Similarly, under import in credit, the seller makes the shipment as per agreed terms. The buyer arranges to release the merchandise form concerned HMG Customs Office by submitting necessary documents (invoice), and declaring that the goods is imported in credit. The buyer, then arrange to send the payment to seller by DD/TT from bank by submitting proof of import (Yellow Paper/Pragyapan Patra). It is not necessary to issue BBN Form no. 4(ga) while issuing DD/TT for import in credit.

Following process should be followed to issue DD/TT for import from India under above method:

- a) BBN Form No. 4(ga) should be issued at the time of providing exchange of Indian currency through issuance of DD/ TT.
- b) After the release of imported goods from the customs under regular procedures, the concerned Customs Office shall endorse BBN Form No. 4(ga).
- c) For goods imported under credit facility, submission of proof of payment through banking channel and BBN Form No. 4(ga) shall not be required and Bank shall provide exchange facility of INR through DD/TT payable in the name of the exporter on the basis of documents evidencing import of goods.

7. Import from Tibet through Tatopani Customs Point

Import transactions from Tibet, the autonomous region of China, without opening Letter of Credit, through Tatopani Customs point can be made in Advance Payment or in Credit.

The following arrangements are made for import in Advance Payment. The existing arrangement is subject to change as per NRB Directives.

- a. Foreign currency for import of merchandise up to a maximum of USD 3000 may be provided in cash.
- b. Foreign currency payment for import of merchandise up to a maximum of USD 30,000 may be provided through Draft/TT.
- c. Obtain the necessary documents (Upto date renewed Income Tax Certificate, wherever necessary, and importer's registration related documents) prescribed as above and duly filled in BBN Form No. 3 (Kha) as per the specimen from the importer wishing to make payments in foreign currency by cash and Draft/TT. Similarly, at the time of providing cash foreign currency/Draft/TT., BBN Form No. 4 (Kha), duly filled in as per specimen shall be sent to the concerned customs office. The importer should be formally registered with the concerned agency of His Majesty's Government.
- d. The existing requirement to provide information to Nepal Rastra Bank for non submission of BBN Form No. 4 (Kha) evidencing the import of goods from the customs within stipulated time period remains unchanged.
- e. Bank, at the time of issue of Cash foreign currency/Draft/TT., shall compulsorily obtain security deposit an amount equivalent to 15 percent of the amount demanded by the importer in exchange (the existing arrangements with respect to issuing

cheque equivalent to this amount for the purpose of payment of customs duty and endorsement in the back side of the cheque shall remain unchanged.)

- f. The cheque issued against 15 percent security deposit may be utilized only upon import of all merchandise as mentioned in BBN Form No.4 (Kha).
- g. Prior approval of Nepal Rastra Bank shall be necessary for canceling the cheque for any reason issued in the name of Tatopani Customs Office.
- h. The following arrangements are made for import in Credit. The existing arrangement is subject to change as per NRB Directives.
- i. For import of merchandises under credit facility, the concerned importers shall submit an application to Tatopani Customs Office for approval and 10 percent of the value of imported merchandise shall be deposited in the customs office itself. The customs office shall refund such deposit only after the payment through banking channel has been effected for merchandises imported under credit facility. The exchange facility provided for this type of transactions shall be only through Draft/TT and after obtaining the copies of Customs Pragyapan Patra (declaration form) and Customs Revenue Payment Receipt evidencing the import, certification as to extension of exchange facility shall be endorsed in the original copies of these documents.
- j. All payments exceeding USD 30,000 shall be transacted through letter of credit only. For such letters of credit transactions, all provisions relating to letters of credit transactions applicable to import from third countries shall also be applicable to imports through Tatopani Customs.
- k. Reporting (first return comprising transaction covering from 1st to 15th of each month and second return comprising transactions covering from 16th to end of each month) with respect to the exchange facility provided under this arrangement shall be submitted to Nepal Rastra Bank, Foreign Exchange Department.
- l. The existing arrangements with respect to import of raw wool remain unchanged.

7.1 Import of Raw Wool from Tibet (without LC)

Import of raw wool from Tibet can be made without issuing LC. Foreign exchange for import of raw wool from Tibet, in the form of DD/ TT is allowed complying the following procedures. Import of raw wool from Tibet against payment by DD/ TT is limited to USD 30,000.00 only. (Please refer circular no. 256 for detail)

- a) The importer has to make an application together with the copy of agreement entered into between the importer and exporter. Such agreement copy is required to be attested by Embassy of People's Republic of China or Nepal Trans Himalayan Trade Association.
- b) Copies of firm registration certificate, Income Tax registration certificate and Proforma Invoice shall be enclosed. Contract paper, where exists, shall also be obtained along with the application.
- c) In case of request for release of advance payment, such payment may be released by way of issue of DD/TT on the basis of documentary evidences mentioned (a) and (b) above with the condition that certificate as to import of such merchandise, the form of customs clearance documents, and evidence of payment will be produced.
- d) Where the raw wool has been imported on credit, payment in the form of DD/TT may be released after verification of Pragyapanpatra (customs declaration form)

evidencing the receipt of imported raw wool into Nepal and under the condition that receipt of payment by the exporter will be produced after payment is made to the concerned party.

8. Export by LC

Except export to India, the most commonly used mode of export is "Export by Letter of Credit". An import LC opened by an importer is known as an export LC in favor of the exporter. When an import LC is established for a particular deal, there is no separate letter of credit established for the export for the same deal.

An exporter makes shipment of merchandise spelled in the LC once the LC is received by it. The entire process of export follows the same process as it is in the import. Please refer "2.5 Standard Process of LC Transaction" and its Flow Chart".

A letter of credit is normally opened by the bank of the importer and not the exporter, hence it is known as import letter of credit. However, the same import L/C is known as export L/C for the bank of exporter and the exporter himself. This should be understood that importer as well as exporter both do not open separate L/Cs for the trade of same commodity under one transaction.

8.1 General Process of Export

8.1.1 Receiving Export LC

Export LC can be received in two ways.

- a) Directly from Issuing Bank

Issuing bank may directly send the LC through SWIFT or Mail. To authenticate such LCs, the receiving bank must have authentication arrangement with the issuing bank. For SWIFT LC authentication there must be BKE arrangement with the issuing bank. And for the authentication of Mail LC there must be exchange of signature booklets. If no such arrangement exists, LC has to be authenticated from any third bank.

- b) Through another advising Bank

If LC is received through any other bank, such bank is known as First Advising Bank and the ultimate receiver bank is known as Second Advising Bank. In such case, authentication of LC is done by authentication modality of First Advising Bank instead of LC issuing bank.

8.1.2 Authenticity of Export LC

Before proceeding for any transaction against export L/C, first of all confirm the genuineness of the customer presenting export L/C and also ensure that the export L/C submitted or received directly by us is authentic and genuine. In case of mail LC, verify the signature of the officials of L/C issuing bank for the proper authentication of the L/C. Upon authentication of L/C notify the exporter about the arrival of the export L/C. This is known as advising the export L/C in which case we act as an advising bank.

8.1.3 Examination of Clauses and Amendments

If the customer wishes to carry on further transaction related with export L/C, carry out the following procedure before preceding any further:

- a) Check out every details of the export L/C including the clauses.
- b) If any clauses are contradictory or not acceptable to us or to the customer advise the issuing bank immediately.
- c) Ask the customer to request his importer to modify the clauses or reject to carry out any further procedure against the export L/C.
- d) Normally party consignee export L/C's are not preferred by the Bank for financing funded or non funded facilities as the chance of default by the L/C applicant is higher since they can release the goods without Bank's knowledge and there is risk of non-payment. For financing this type of L/C, the Bank should carefully ensure the credibility of the importer, exporter as well as the L/C opening Bank. It is always better for the Bank to have a Bank consignee transport document.

8.1.4 Advising the LC

If the exporter, on whose behalf the export LC is received, is our customer and wishes to carryout transaction of subject export LC through ourselves following above procedures confirms advising of LC to the client. Client may ask for a copy of the LC, which can be provided. In such case, no advising charge is collected. The next process to follow is to issue Customs Covering to exporter. However, if the exporter is not our customer and wants to take the LC to some other bank, providing LC to it is known as advising the LC, in which case we do not issue Customs Covering. After retaining the copy of LC, original should be handed over to the exporter along with LC advising covering signed by at least two authorized signatories. Advising charges is to be collected from the exporter.

8.1.5 Issuance of Customs Covering

Custom covering is the name of covering issued by the bank of exporter stipulating major details of export L/C which works as the authentic document for the customs authority in Nepal to release any consignment (goods) from domestic customs for export to the country of import. On the basis of this customs covering the exporter effects the shipment by road/sea/air or combination of above to the importer. Now the export L/C against which customs covering is issued is our property. Hence, the original export L/C should be kept with us and along with customs covering should be marked as "Under the Lien of NCC Bank Ltd." Remember to take the customs covering back from the exporter if no shipment is affected from the export L/C.

As per NRB Directives, no other bank besides customs covering issuing bank can accept documents against that export LC either in collection basis or on negotiation. Hence, if the beneficiary of the export L/C do not intend to do business with us against the L/C and requests us to transfer the L/C partially or fully to another party within our bank, or outside our bank, in such case, bank should issue only advising cover note. In such case, proper record of the transaction should be maintained keeping record copy of the cover note and photocopy of the export L/C at the bank's file. Further L/C advising charge should be recovered from such party.

Cancellation of Custom Covering or Export L/C

- a. If the export L/C is cancelled or the exporter does not prefer working on the L/C, then the customs covering should be called back.
- b. Proper examination of the funded or non-funded financing if any, should be made. Client should be asked to settle them before release.

8.1.6 Record of Facilities Provided against the Export L/C

Proper updated records of any finances, either funded or non-funded, made against subject export LC should be filed in the export L/C file. The record should reveal the L/C opened against it or PC, PS, document negotiated under the export L/C etc.

8.1.7 Shipment and Examination of Documents

(Since principles of examination of documents is same, also refer "Import Documents Examination")

8.1.7.1 Documents Required

After making the shipment the Exporter submits the documents complying all the terms of export L/C. The following are the major or common documents which are required:

- a) Bill of Exchange (B/E)
- b) Commercial Invoice
- c) Packing List
- d) Transport Document (Truck or Lorry Receipt/Bill of Lading/Airway Bill)
- e) Certificate of Origin
- f) Insurance Policy
- g) Inspection Certificate etc.

8.1.7.2 Documents Examination Guidelines

Before scrutinizing the documents, first verify the following:

- a) Obtain & verify the authenticity of customer request letter for submission of the export documents.
- b) Obtain & verify the seal, signature, and amount of export being endorsed by the custom authority on the custom covering.
- c) Verify the authenticity & details of export by getting Pragyapan Patra (Yellow Paper).
- d) Obtain properly filled & signed NRB form (Bi Bi Bi Ni. Fa. No. 1) for NRB reporting.
- e) Obtain Bill of Exchange properly filled and signed by the exporter.

8.1.7.3 Scrutiny of Documents

Before sending the documents, all the documents specified above shall be thoroughly scrutinized to ensure exact conformity to the credit terms. For general guidelines, the documents should be checked with special emphasis in the following terms keeping in mind that the bank deals in documents not in goods as per UCPDC:

Scrutiny of Drafts (Bill of Exchange) Ensure that the:

- a. Draft is dated not later than the date of the bill of lading and beyond the negotiation/expiry date.

- b. Amount in words and figures is correctly mentioned and is identical with the amount mentioned in the invoices unless otherwise stipulated in the credit.
- c. Drawee's (L/C issuing Bank) name is correctly mentioned.
- d. Draft is stamped and signed by authorized person, on behalf of the beneficiary.
- e. Draft bears the number and date of the Letter of Credit.
- f. No irrelevant clauses have been mentioned on the draft.
- g. Tenors should be as per L/C terms.

Scrutiny of Invoices

Ensure that the:

- a. Invoices are dated not later than the date of Bill of Lading.
- b. Description of goods given in the invoices is exactly in accordance with the Letter of Credit.
- c. Invoices are stamped and signed by the beneficiary themselves or by an authorized person on their behalf.
- d. They bear the same marks and numbers as given in the Bills of Lading if required by L/C terms
- e. Name and addresses of the openers are correctly stated.
- f. Terms of Delivery of goods whether, CFR, CIF or FOB have been correctly mentioned in the documents in conformity with the Letter of Credit.
- g. Number of originals/copies submitted as required in the LC.

Scrutiny of Bill of Lading

Ensure that the

- a. Bills of Lading are purportedly signed by the shipping company and/or their agents.
- b. Bills of Lading are drawn or enclosed to the order as per L/C terms
- c. Full set (all negotiable copies) of the B/L have been presented with the documents unless otherwise specified in the L/C.
- d. Description of goods given in the B/L is in accordance with the relative L/C.
- e. Name & address of the notifying party is correctly mentioned in the bill of Lading.
- f. Port of destination is exactly the same as mentioned in the Letter of Credit.
- h. It is "Shipped on Board" Bill of Lading (Unless otherwise allowed by the Letter of Credit).
- i. The gross and also the net weight of the goods mentioned in the Bill of Lading is accordance with the invoices and/or Packing/Weight List.
- j. The stamp showing "freight payable at destination or freight pre-paid as required in the relative Letter of Credit are distinctly marked on the Bill of Lading.
- k. It is not a chartered party Bill of Lading (unless allowed by the letter of Credit).
- l. It does not show 'shipment on deck (unless allowed by the Letter of Credit).

- m. It bears no super-imposed clauses of notation indicating that the condition and/or packing of the goods is defective (Claused B/L).
- n. If transshipment is permitted in the Bill of Lading, it is in accordance with the terms of the credit.
- o. Names of beneficiary and the shipper shown in the Bills of Lading are identical, unless otherwise required by the terms of the L/C.
- p. Part shipment is allowed as per the terms of the credit.
- q. The bill of Lading is not a 'short form of Bill of Lading' (which does not bear all the rules and regulations usually acceptable under the terms of the Letter of Credit).

Checking of other documents

Check that other documents like certificate of Origin, Weight List, Packing List, Inspection Certificate & Certificate of Analysis, Visa SP form etc., if required by the letter of credit, accompany the main documents and are in conformity to each other.

Checking of Inspection Certificate

Check the inspection certificate, particularly ensure that it does not bear clauses stating that the goods are not in good order and/or in accordance with the specifications of the relative letter of credit

Scrutiny Sheet

- i) Note on the scrutiny sheet, the discrepancies noticed in the documents.
- ii) Prepare the Scrutiny Sheets.

8.1.8 Documents on Negotiation/Collection

After proper scrutiny of document, client should be asked to rectify the discrepancy(ies) if any in the document. Since bank deals only in document, a discrepant document in the face of bank can be returned back unaccepted by the applicant's bank. Before sending documents for realization, it should be ascertained whether document to be sent under collection basis or document to be negotiated.

If documents contain discrepancies or major discrepancies, as far as possible negotiation of document should be discouraged and documents should be sent on collection. To send the documents in collection basis, there is no need to take any sort of approval. However, to negotiate the documents, approval from the competent authority, even if document negotiation limit is available, should be obtained.

8.1.8.1 Approval Process

Negotiation of document is the transfer of ownership of documents from the client to bank by **purchasing** the documents. Negotiation of document is a kind of loan to customer. Upon negotiation of documents, client transfer the ownership of documents by endorsing on the Bill of Exchange (the negotiable instrument). Hence, prior to negotiation of document, it should be ascertained that whether the client should be provided by creating a loan. Since bank has to create the loan in foreign currency, and in case of non receipt of

payment there is misappropriation of foreign currency, extra care should be taken prior to negotiation of documents. If client is trustworthy, has proven track record, the documents are clean, and bank can trust, the documents can be negotiated by obtaining approval from the management. The approval sheet must give details of export LC and documents, and states the discrepancies categorically or whether the documents are clean. The approval sheet must also state whether the negotiated proceeds shall be released to client or any existing loan shall be settled. Any exposure created against subject export LC shall be settled first from the proceeds of negotiation and only balance amount can be released to client. After obtaining approval, the documents shall be negotiated and disburse the fund.

8.1.9 Sending the Documents for Realization

After satisfactory checking and negotiation of the documents, send it to the bank which is authorized to pay (known as drawee bank), or as instructed in the export LC for the realization of payment as per the export L/C terms along with the covering letter on it

Documents Covering

Documents covering is the authorized covering letter of document presenting bank (negotiating bank and/or presenting bank) which details summary of documents presented, i.e., Export LC No., Document Ref. No. (presenting bank Ref. No.), Merchandise, Amount of Document, Export LC Opener bank, Drawee Bank, Applicant, Beneficiary, Description and Units of each type of documents enclosed, payment instructions etc. Covering should be signed by two authorized signatories along with endorsement on both the Bill of Exchange (Drafts). Please refer Annex 10, for specimen of documents covering letter.

8.1.10 Follow-up for Payment

Payment (of a sight document) or acceptance of document (of usance document) should be received within 15 days of sending the document. If delayed, send follow-up messages to the drawee bank for realization. If any discrepancies are raised by the drawee bank, answer it promptly by further advising it to exporter.

8.1.11 Settlement of Export LC and Close the File

Upon being satisfied by the document, the importer in foreign country will release the document sent by us from the drawee bank and releases the goods from the concerned authority. After this, the drawee bank remits the payment of the document to exporter's bank. Upon receipt of the payment, we can either settle party's any outstanding (PC, Import Outstanding, TR Loan, FDBP) created against the export document or release the amount to the customer.

Accounting Entries

If documents were sent in collection basis

- | | |
|------------------------|---|
| Dr. | General a/c H.O. Nostro account or NRB A/c |
| Dr. | Client's Nominated A/c (for any charges not recovered earlier while sending doc. Such as collection comm.,courier charge) |
| Cr. | Client's Nominated A/c |
| (DC no. Realised) | |

Please refer Part C for accounting entries of Documentary Bill Negotiation settlement.

From the proceeds of documents realization (collection document or partially negotiated documents), any exposure against such documents, such as PC, LC, or any other loan shall be settled by recovering from client's nominated account. Please refer Part C for accounting entries of the same.

8.2 NRB Provisions on Export LC

1. Details of export document should be reported to NRB by sending Bi.Bi.Ni.Fa.No.1.
2. If the payment of negotiated export document is not received within expected time this should be reported to NRB.
3. If the export document is sent on collection basis, the exporter has to compulsorily specify the reason for the same and likely period of receipt of payment. If the payment of the document is not received within 6 months, same should be reported to NRB.
4. If any export document is returned unpaid by the drawee bank, same should be reported immediately to NRB.
5. If the payment for export document has deduction of more than 2 percentage of the document value or USD 1000 (whichever is more) prior permission from NRB should be obtained before accepting or making settlement of the payment.
6. If any export L/C bears clauses related with the obligation to pay handling charges or commission by the exporter in foreign currency, such export L/C should not be accepted. However, if deduction does not exceed 2% of the document value or USD 1000 (whichever is more), such export LC can be accepted.
7. In case of export L/C for the export of ready made garment to USA, under quota system, third party document can not be accepted either for negotiation or on collection basis even if allowed by the export L/C.
8. CMTA Arrangement:

Following arrangements have been made in respect of transactions relating to export of readymade garments under CMTA arrangement. Documents relating to

export of readymade garments against import of fabrics under FOC (Free of Cost) on the basis of CMTP (Cutting, Manufacturing, Tailoring and Profit) may be processed for negotiation/collection under the following conditions:

- a) Submission of Export Customs Declaration Form (Pragyapan Patra) shall be compulsory.
- b) Value of Fabric/CMTP are disclosed separately in the Pragyapan Patra.
- c) Of the total FOB value, the CMTP portion should be a minimum of 35 percent.
- d) Where payment of CMTP components is not received in full or part, proceeding as per the prevailing arrangements shall apply.
- e) No financing should be allowed against export L/C bearing the clause of transport document as party consignee instead of bank consignee. However, this can be waived for regular and good customer. Hence, export document with the transport document being consigned to the party should not be negotiated but can be sent on collection basis (Internal Circular).

9. Export by Advance Payment

Normally export under LC is referred as export in credit, i.e., only after making the shipment and presentation of documents, payment is received. However, in many cases, an exporter receives an advance payment, partially or fully, prior to making the shipment of merchandise. This is known as export against advance payment. In Nepal, normally export of Carpet, Pashmina products, Jewelry, Ready-made Garments etc. are made against advance payment.

Advance Payment Certificate

An exporter receives most of the advance payment either through wire transfer remittance or through demand draft. In some cases, the buyer makes the payment to the exporter in cash during his/her visit to exporter. Exporter's bank shall issue a document known as "Advance Payment Certificate" in favour of the exporter upon receipt of advance payment and after verification of necessary documents. Please refer to Annex 13 for the specimen of Advance Payment Certificate. An Advance Payment Certificate contains necessary information such as, details of payment receiver and sender, amount, date of payment received, purpose and objective of such payment, etc. Upon submission of this document at HMG Customs Office the exporter can legally make the shipment of merchandise.

Advance Against LC

In some cases, an advance payment is received under an export LC as well. While the importer opens a LC for some specified amount, it sometimes provides an advance payment of certain portion of LC amount to the exporter for working capital requirement. However, shipment under this circumstance is made against the export LC itself instead of Advance Payment Certificate. The modality of advance payment always spelled out in the LC itself. If an advance payment of 20% of export LC value is provided prior to shipment of merchandise, the importer later remits only 80% of export LC value against shipment and presentation of documents of 100% of export LC value.

Three handwritten signatures in blue ink are placed here, likely belonging to officials involved in the process.

10. Export by Documentary Bill Collection/Cash against Document (CAD)

To minimize lengthy process of documentation, export in credit without Letter of Credit is also popular. However, export by this method is in practice where the exporter has plenty of trust on the importer. Export equivalent to USD 100,000.00 is allowed under this method. The exporter has to produce a bank guarantee equivalent to 10% of export amount to Nepal Rastra Bank. Against such bank guarantee, NRB recommends for export of merchandise to HMG Customs Office where from the subject merchandise is allowed to export. The exporter has to produce export documents to his bank by instructing to send the document for realization. Upon receipt of merchandise and export documents, importer makes the payment through its bank, which is ultimately received by exporter's bank, hence the transaction is completed.

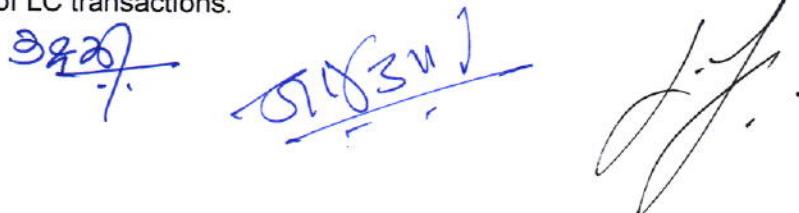
11. Trade between Nepal and Bhutan

Import and export trade between Nepal and Bhutan by LC shall be transacted in Indian Rupees only.

12. Inland Letter of Credit

An inland letter of credit is LC issued for import and export within the periphery of one country. Due to the advantage and popularity of LC and embedded features (safety, transparency etc.) of LC and development in the sector of trading and industrial activities in Nepal, today more and more buyer and seller who deal in substantial volume, prefer to trade by LC. This has also been possible due to the very fast development in the sector of Banking sector in Nepal after B. S. 2046.

An inland letter of credit is identical in features and characteristics of other LC. Inland LC is established in Nepali Currency. However, sale of own products in convertible foreign currency within Nepal is also allowed. This is known as Deemed Export. Any Nepali manufacture against the award of global tender or local tender of supply agreement to projects expenses in convertible foreign currency under bilateral or multilateral assistance or funded by foreign government or foreign agencies, and this is treated as Deemed Export. As far as establishment of inland LC in NPR is concerned, there is no restrictions and regulations whatsoever. However, rules and regulations of HMG, and any other agencies for trade in Nepal is equally valid for trade by inland LC. Further, the basic principles and concept of LC is also equally valid for trade by inland LC. If an inland LC is established under UCP 600, all provisions if UCP 600 are applicable as they are in any type of LC transactions.

Three handwritten signatures in blue ink are present. The first signature on the left appears to be "3829". The second signature in the middle appears to be "51831". The third signature on the right is a stylized, cursive mark.

Part C – Import and Export Finances

13. Import Financing

Financing for the procurement of imported merchandise under LC is known as import financing. An importer may not be able to receive payment from sales of the imported merchandise immediately after import. Similarly, for an industry, it takes further more time to convert imported raw materials to finished goods and hence realize cash. However, import LC has to be paid immediately at the time of retirement of document and an importer may seek for financing his import until he generates cash from the imported merchandise. Trust Receipt (TR) Loan is the most commonly used import financing. Apart from other fixed securities obtained (wherever possible), TR loan is also secured against Hypothecation or Pledge of imported merchandise. Similarly, Calcutta Transit (CT) Loan, Payment Against Documents (PAD) Loan (also known as BLC – Bills under LC) and Force Loan (FL) are other two import financing of very short nature. As regards to security coverage, interest rates, selection of customers etc., Credit Policy Guidelines (CPG) and other policies and guidelines of management should be followed.

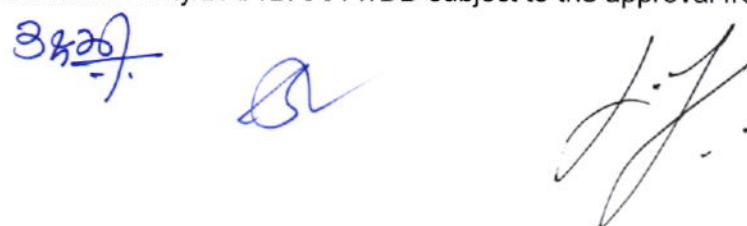
13.1 Trust Receipt (TR) Loan

- a. Advances against a Trust Receipt to trusted customers are allowed when the documents covering an import shipment are given without payment with approval from management or when regular limit is sanctioned.
- b. The customer holds the goods or their sale proceeds in trust for the Bank, till such time, the loan allowed against the Trust Receipt is fully paid off.
- c. The Trust Receipt is a document, which creates the Banker's lien on the goods and practically amounts to hypothecation of the proceeds of sale in discharge of the lien.
- d. The amount of loan under trust receipt may be up to 90% document value or as approved by management, or defined by CPG and other guidelines. Bank may provide loan for Clearing and Customs Duty if needed.

Period of Trust Receipt

The period of Trust Receipt may be for the period e.g. 30, 60, 90, or more days depending upon the marketability of the goods and as approved and allowed by the management and NRB. The loan is adjustable within this period. It should be noted that generally the sale proceeds of goods held in Trust should be deposited in the Bank by the borrower irrespective of the period of the Trust Receipt.

TR Loan is normally given against import through Letter of Credit but can also be availed against Collection BILY/DAP/DAA/TT/DD subject to the approval from the management.

Three handwritten signatures in blue ink are displayed side-by-side. The first signature on the left appears to read "B. K. J." The second signature in the middle appears to read "A." The third signature on the right is a stylized, flowing cursive script.

Accounting Entries

a) Creation of TR Loan

TR Loan

Dr. Client's TR Loan Account
 Cr. Commission for Discrepancy (if any)
 Cr. Corporate Office, Treasury Dept. (*to effect the payment*)
 OR Cr. Parking A/c (*IDT or similar A/C used as contra A/C to effect the payment*)
 OR Cr. Client's Margin A/c (*if document is released against copy documents*)
 OR Cr. Client's Current Account (*if client current account is used as contra a/c to make the payment, however no cash disbursement should be made*)

Narration LC No. _____ Deal Ref. No. _____ TR Loan Booked

Service charge

Dr. Client's Nominated a/c
 Cr. Service Charge a/c

Narration LC No. _____ Deal Ref. No. _____ Service Charge @ __ on TR Loan Taken

b) Settlement of TR Loan

This transaction is carried out through 'deal settlement'.

Loan Settlement

Dr. Client's Nominated A/c (Principal amount)
 Cr. Client's TR Loan Account
 Dr. Client's Nominated A/c (Interest amount)
 Cr. IENC TR
 (TR No. Partially/ fully Settled)

Penal Charges, if any

Dr. Client's Nominated A/c
 Cr. Penal Charges/ IR. TR
 (Penal charge @....% for ... days on TR no. Rs.)

8826
J. A

J. J.

Charge Documents

Obtain the following charge documents prior to allowing the advance:

- I. Demand Promissory Note
- II. Trust Receipt
- III. Letter of partnership along with Registered Partnership Deed in case of Partnership Account.
- IV. Resolution along with Memorandum and Articles of Association of company in case of account of Limited Company. In case of Corporation, resolution of the Board along with Charter.
- V. Personal Guarantee of the Directors partners/proprietor.
- VI. Insurance Policy covering the goods against all risks with Bank Mortgage clause is obtained where Trust Receipt facility is allowed against imported goods.
- VII. Loan Deed.
- VIII. Letter of Request.
- IX. Other required security, charge and compliance documents.

13.2 Payment Against Documents (PAD) Loan and Force Loan (FL)

13.2.1 How it originates

- a) Sometime, the contingent liability i.e. non-funded liability may be converted to funded liability. Such scenario exists when the customer fails to meet the commitment under the non-fund based facility to the beneficiary. In such a scenario, bank has to fulfill its commitment immediately on time by making payment to the beneficiary by booking Payment Against Documents (PAD) or Force Loan (FL) on account of the customer. Approval is not required for booking PAD/Force Loan under already approved non-funded facilities in such scenario, however concerned RO/RM must report to Credit Risk Department either by email or memo through Branch manager and copy of the report must be kept on concerned LC/import or Guarantee file. In order to avoid tendency of PAD/Force Loan, proactive steps in making follow ups with the customer should be taken by concerned RO/RM/Branch. At the same time, our commitment has to be fulfilled immediately in order to avoid reputation risk.
- b) The Bank shall charge highest interest and commission rates in such loans and the borrower should be kept under close monitoring. Timely settlement of such loans should be always prioritized.
- c) The Bank shall prefer to exist from the relationship with the customer who repeats the cases on a best effort basis.

13.2.2 Creation of Payment Against Documents (PAD) Loan

Generally Payment Against Documents (PAD) Loan should be created under payment of Sight LC documents under following two conditions.

- a) If our bank's agency account with authorized reimbursing bank, will be debited or is debited, on pre-advised reimbursement claim value date, being pre-advised to our bank by negotiating bank and or reimbursing bank, for reimbursement claim being lodged by the negotiating bank to our nominated authorized reimbursing bank for payment of compliant documents under Sight Letter of Credit being issued by our bank, but the applicant client is not able to settle the claim and or release the documents arrived immediately, then Payment Against Documents (PAD) Loan on account of the client should be created immediately on value date towards settlement of the reimbursement claimed.

- b) If our bank has received the compliant documents under Sight Letter of Credit being issued by us, but the applicant client is not able to settle the payment and or release the documents arrived immediately, then Payment Against Documents (PAD) Loan on account of the client should be created not later than 6 working days following the date of documents arrival date, towards payment of the compliant documents.

Payment Against Documents (PAD) Loan is also commonly known as Bills under Letter of Credit (BLC). PAD/BLC should be created for very short period of time until the client release the LC documents under full cash payment or by Trust Receipt Loan or by any other nature of loan as applicable/approved.

13.2.3 Creation of Force Loan (FL)

The operation of LC and guarantee business is carried with the situation of avoiding the creation of force loan. However, Force Loan (FL) may be created (a) under payment of Usance LC documents upon maturity of the documents and (b) under payment of bank guarantee claim under following conditions.

- a) If bank has received the documents under Usance Letter of Credit being issued by us and we have already confirmed the payment maturity date to the negotiating bank accordingly, but the applicant client is not able to make the payment on maturity date, then Force Loan (FL) on account of the client should be created immediately on due date, towards payment of the usance LC documents on due date. The recovery process should be initiated immediately.

- b) If bank has received the bank guarantee claim from beneficiary as per the guarantee issued by us, but the applicant client is not able to make the payment immediately, then Force Loan (FL) on account of the client should be created immediately, towards payment of the guarantee claimed. The recovery process should be initiated immediately.

13.2.3 Account Type of PAD and FL

Account type of Payment Against Documents (PAD) and Force Loan (FL) must be different in order to differentiate between PAD and FL accounts for MIS reporting.

Accounting Entries

Before lodgment of PAD/FL loan LC/Gtee liability shall be reversed first.

a) Creation of PAD/FL Loan

PAD Loan

Dr. Client's PAD Loan Account (*can also be net of LC margin*)
Cr. Commission for Discrepancy (if any)
Cr. Corporate Office, Treasury Dept. (*to effect the payment*)
OR Cr. Parking A/c (*IDT or similar A/C used as contra A/C to effect the payment*)
OR Cr. Client's Current Account (*if client current account is used as contra a/c to make the payment, however no cash disbursement should be made*)
Narration LC No. _____ Deal Ref. No. _____ PAD Loan Booked

Service charge (if any)

Dr. Client's Nominated a/c
Cr. Service Charge a/c
Narration LC No. _____ Deal Ref. No. _____
Service Charge @ __ on PAD Loan Taken

3826

52

J.J.

b) Settlement of PAD/FL Loan

This transaction is carried out through 'deal settlement'.

<u>Loan Settlement</u>	
Dr.	Client's Nominated A/c (Principal amount)
Dr.	Client's Margin A/c (Import Margin, if any)
Cr.	Client's PAD Loan Account
Dr.	Client's Nominated A/c (Interest amount)
Cr.	IENC PAD
(PAD no., Partially/ fully Settled)	
OR	
Dr.	Client's TR Loan Account
Cr.	Client's PAD Loan Account
(PAD no. settled by TR no.)	
<u>Penal Charges, if any</u>	
Dr.	Client's Nominated A/c

13.3 Calcutta Transit (CT) Loan

CT loan is a form of temporary advance provided to the client to release the documents from the bank for clearing the goods from Calcutta port and forwarding to Nepal customs. This facility is provided to the customer to release the good from Calcutta Port against the document received under import letter of credit. This particular loan is provided for a temporary period, i.e., from clearing the goods and bringing the same up to Nepal custom. This loan must be repaid by the applicant while requesting the Bank for issuing custom Release Certificate for Nepal Custom Point.

The client availing this facility is entitled for taking order of the goods imported from the bank through bank's nominated clearing agent. It is different from the TR in the respect that (i) the title on the goods is transferred by the bank upto Nepal's custom point and (ii) CT is availed against the goods imported until it reaches to customs point.

Accounting Entries

Creation of CT Loan

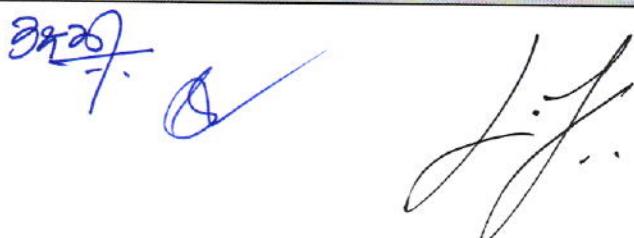
CT Loan

Dr. Client's CT Loan Account
Cr. Commission for Discrepancy (if any)
Cr. Corporate Office, Treasury Dept. (*to effect the payment*)
OR Cr. Parking A/c (*IDT or similar A/C used as contra A/C to effect the payment*)
OR Cr. Client's Margin A/c (*if document is released against copy documents*)
OR Cr. Client's Current Account (*if client current account is used as contra a/c to make the payment, however no cash disbursement should be made*)

Narration LC No. _____ Deal Ref. No. _____ CT Loan Booked

Service charge

Dr. Client's Nominated a/c
Cr. Service Charge a/c
Narration LC No. _____ Deal Ref. No. _____
Service Charge @ __ on CT Loan Taken



Settlement of CT Loan

This transaction is carried out through 'deal settlement'.

13.4 Settlement of Loan

Any of above loans shall be settled by debiting client's nominated account. Loans which have fixed expiry date shall be settled on maturity. However, such loans can be settled prior to maturity if client's informs to do so. However, loans which do not have specific expiry date or created in forced circumstances, such as Force Loan, PAD, and such loans shall be settled whenever there is available balance in client's account. A regular follow up to client and regular checking of client's account shall be made for sooner settlement of such loans. Penal charges shall be levied on delayed payment wherever applicable.

Loan Settlement

Loan Settlement

Dr. Client's Nominated A/c (Principal amount)

Cr. Client's CT Loan Account

Dr. Client's Nominated A/c (Interest amount)

Cr. IENC CT

(CT no. Partially/ fully Settled)

OR

Dr. Client's TR Loan Account

Cr. Client's CT Loan Account

(CT no. settled by TR no.)

Penal Charges, if any

Dr. Client's Nominated A/c

Cr. Penal Charges/ IR. CT

(Penal charge @....% for ... days on CT no. Rs.)

34267
S

J.J.

14. Export Financing

14.1 Funded and Non Funded Financing

Financing under an export LC can be categorized under two heads, one funded financing, and the other non-funded financing. Funded financing are those financing where, by one way or the other, cash disbursements are made. In some cases, however, without disbursement of cash, creation of one funded loan settles the other. Broadly saying, funded finance involves financing where interest bearing disbursements are made. Funded financing under an export LC are Packing Credit Loans, Documentary Bill Negotiation, Post Shipment Loan.

Non funded financing under an export LC are known as those facilities which do not involve cash disbursement or interest bearing facilities. Example of non funded financing under an export LC are, issuance of import LC against such export LC, Bank Guarantee. In many cases, where a client receives an export LC to execute the order of which, it requires to open another import LC. A typical example is of Garment Industry. An exporter of a readymade garment industry has to open an import LC for import of fabrics, and also requires bank guarantee to release imported fabrics from Customs Office under Bonded Ware House facility both against an export LC. Following area of manual shall cover only funded facilities against an export LC.

Where both funded and non funded facilities are provided to client, it should be understood that at any case the total exposure should not exceed the export LC value. At what level of such exposure can be created shall be determined as per bank's policy.

14.2 Packing Credit (PC)

Packing Credit (PC), also known as Pre Export Loan (PXL), facility is allowed to an exporter to finance the purchase of raw materials and/or manufacturing of the goods to be shipped. This loan is also allowed to meet exporter's other working capital requirement, such as overhead expenses, labour cost, transportation cost, etc. In short, a PC loan serves the working capital requirement of an exporter to execute the order received by way of export LC. Hence, this loan is always created against an export LC, which is also reiterated by NRB Circular. Following factors should be taken into consideration prior to disbursement of PC loan.

Factors to be Taken into Consideration Prior to Disbursement of PC Loan

a) Authentication of L/C

While allowing the advances, the authenticity of the issuing bank of the letter of credit and authenticity of letter of credit should be verified, and the original copy of the L/C must be surrendered to the lien of the Bank.

b) Terms of advance in conformity with letter of credit

The advance allowed to the parties should be in conformity with the terms of letter of credit received by the branch, as to the value of the credit, expiry of credit, and the nature of goods under shipment.

c) Goods to be hypothecated

Value of goods so financed by PC loans shall be hypothecated in favor of Bank to ensure charge over the goods financed.

d) Delivery of shipping document to bank

Before allowing the advances, obtain an undertaking from the customer to deliver the shipping documents to the Bank along with the Insurance Policies and other documents required to be presented strictly in terms of the letter of credit/contract immediately after the consignment has been shipped.

Other considerations for PC/PEA

In allowing this loan, the following points should also be taken into consideration.

- a) PC is utilized solely for the purchase and/or manufacturing of goods to be shipped under letter of credit as well as other related cost/expenses.
- b) Goods are kept fully insured against all risks.
- c) Shipment is made through the Transport/Clearing Agent acceptable to the Bank or as specified in the L/C.
- d) Goods under PEA/PC must comply with the terms of the credit /contract.
- e) No advance is obtained from any other Bank, against the goods purchased or manufactured with the amount advanced under the PEA/PC and declaration form in this respect should be obtained.
- f) The original letter of credit/contract, and custom covering should be stamped reading "Under Lien of NCC Bank Ltd." and the original LC should be retained with the Bank so that the exporters do not avail similar facility from any other Bank against the same letter of credit.

Taking approval for PC Loan

- a) For limit holder: No further approval is required provided the limit is valid and can accommodate the subject PC. (Outstanding L/C/PAD/CT/TR and acceptance liability shall also be considered).
- b) In case the limit is not sufficient to accommodate the subject PC or the limit is expired or for any parameter not in order, approval from the approving authority is required even for the limit holders.
- c) For non-limit holders, approval from approving authority is required (In the approval sheet or note initiated for approval, the retirement arrangement should also be confirmed).
- d) PC loan amount may differ from case to case.

Two handwritten signatures are present. The first signature on the left appears to read "3820 J. S." followed by a stylized signature. The second signature on the right is a stylized, cursive "J.J."

Accounting Entry

<u>Loan Disbursement</u>	
Dr	Client's PC Loan A/c
Cr	Client's Nominated A/c
(PC no. Loan Disbursed)	
<u>Service Charge</u>	
Dr.	Client's Nominated A/c
Cr.	Service Charge
(PC no. Service Charge)	

Charge Documents

Obtain the followings charge documents from the exporter:

- a) Demand Promissory Note
- b) Letter of Lien for the goods.
- c) Letter of Pledge/Hypothecation.
- d) Letter of partnership along with Registered Partnership Deed in case of Partnership Accounts.
- e) Resolution along with Memorandum & Articles of Association of the company in case of account of Limited Company. In case of Corporation, resolution of the Board along with Charter.
- f) Loan Deed.
- g) Personal Guarantee.
- h) Other required security, charge and compliance documents.

14.3 Documentary Bill Negotiation (DP/NP)

Disbursement of loan by taking over the charge of export documents or purchase of export documents is known as negotiation of documentary bill. Despite the transfer of ownership of documentary bill, the ultimate liability of obtaining proceeds from the export documents lies on the exporter himself.

Criteria

Documents drawn under a letter of credit may be purchased as per delegated authority of the Bank fulfilling the following criteria.

- a) The documents should be drawn against irrevocable letter of credit governed by UCPDC in force, duly authenticated by the advising bank.

- b) Export is made against "ELC (or amendment) covering letter" issued by NCC Bank.
- c) The beneficiary/Transferee is an account holder customer.
- d) Third party document should not be accepted.
- e) Negotiation of documents which is consigned to applicant or any other parties other than issuing/drawee bank should be avoided.

Documents to be presented for Negotiation

- a) Copy of custom covering issued by bank and LC copy with endorsement by concerned customs office of HMG certifying export of subject merchandise and value of merchandise.
- b) Pragyapan Patra (document issued by the customs authorities certifying release of the goods through the custom for export).
- c) NRB forms, as prescribed by Nepal Rastra Bank.
- d) Bill of exchange.
- e) A request letter from the customer to purchase/negotiate the documents.
- f) The entire document as required by the L/C (e.g. Invoice, Packing List, Certificate of origin, Bill of lading/Airway Bill/Truck Receipt, Inspection Certificate etc.)

Process of Negotiation of Documents

- a) Credit information has to be obtained if document is not clean and its value is above USD 50,000.00
- b) For clean documents with full compliance of all the condition, credibility information may not require.
- c) Negotiate the documents if they are in order.
- d) If the documents are not in order, immediately advise the exporter to rectify the discrepancies without any delay.
- e) After the rectification of the discrepancies negotiate the documents.
- f) If accepted and requested by the exporter send a message to the opening Bank advising the nature of discrepancies in the documents and seeking authenticated confirmation to accept them.
- g) If confirmation is received, negotiate the documents otherwise send them to the drawee bank on collection basis.
- h) Alternatively documents can be negotiated at the request of the exporter under reserve, on obtaining an indemnity bond from the exporter to reimburse the amount to the Bank on demand if the openers of the letter of credit do not accept the documents.
- i) Verify all the documents as required by LC and as stated above.
- j) Obtain approval to negotiate the documents from the competent authority. The memo should enclose the details of discrepancies (if any) and their explanation and details of settlement of existing facilities from the proceeds of negotiation.
- k) Endorse, on the reverse of the Letter of Credit the amount for which the documents are negotiated.

- I) Endorse the Bill of Exchange and Bill of Lading (if required) assigned to the Bank, as required by the Letter of Credit.
- m) Dispatch the documents to the Drawee/LC issuing Bank in accordance with the instructions provided in the Letter of Credit.
- n) If the payment is not received from the Drawee Bank within a reasonable period of 15 days of negotiation of the bill claim, overdue interest should be recovered from the exporter at prevailing rate up to the date of payment.

Accounting Entry

Dr.	Client's DP/ NP A/C
Cr.	Export Doc. Negotiation Commission
Cr.	Postage Charge
Cr.	Export Margin
Cr.	Usance Doc. Commission (For usance Bill)
Cr.	Client's Nominated A/c
(Doc negotiated)	

Adjustment of Loan on Negotiation of Documents

If any other exposure was created earlier against subject export LC of which documents is negotiated, proceeds of negotiated amounts should be applied towards settlement of such exposure at least in proportionate amount of negotiation of documents to export LC amount. Such exposure might be Packing Credit, Import LC outstanding, or any other facility provided to execute such export order. Please refer Settlement of Loan below for accounting entries of settlement of loan.

14.4 Post Shipment (PS) Loan

The advance granted to the exporter after the shipment of the goods under the Export L/C against the export documents is called Post Shipment loan. When bank or exporter is not comfortable to negotiate the documents for various reasons, a post shipment loan can be created to meet client's requirement of fund against the same export documents. For a documentary bill in foreign currency, a post shipment loan is created in local currency, where as a documentary negotiation loan is created in foreign currency itself. This loan is availed to finance the gap period after the shipment until the export proceeds is received. For allowing a post shipment loan, the entire process of obtaining documents and other necessary formalities as explained under documentary bill negotiation shall be completed. However, a post shipment loan can also be allowed under fairly acceptable discrepancies under indemnity from the exporter.

Accounting Entry

<u>Loan Disbursement</u>	
Dr.	Client's PS Loan A/c
Cr.	Client's Nominated A/c
(PS no. Loan Disbursed)	
<u>Service Charge</u>	
Dr.	Client's Nominated A/c
Cr.	Service Charge
(PS no. Service Charge)	

Charge Document

- a. Demand Promissory Note.
- b. Letter of Pledge /Hypothecation
- c. Loan Deed
- d. Personal Guarantee
- e. Letter of Partnership along with Registered Partnership Deed in case of Partnership Accounts.
- f. Resolution along with Memorandum and Articles of Association of the company
- g. Indemnity.
- h. Other required security, charge and compliance documents.

14.5 Settlement of Loan

Settlement of PC/ PS Loan

Accounting Entry

<u>Loan Settlement</u>	
Dr.	Client's Nominated A/c (Principal amount)
Cr.	Client's PC/ PS Loan Account
Dr.	Client's Nominated A/c (Interest amount)
Cr.	IENC PC/PS
(PC/ PS no. Partially/ fully Settled)	
<u>Penal Charges, if any</u>	
Dr.	Client's Nominated A/c
Cr.	Penal Charges/IR. PC/PS
(Penal charge @....% for ... days on PC/PS no. Rs.)	

*320
B
J.J.*

Settlement of DP Loan

For the realization of negotiated documents and settlement of DP loan following entries to be passed. This transaction is carried out through 'deal settlement'.

Accounting Entry

Dr.	General a/c H.O. Nostro account or NRB A/c
Cr.	Party's FDBP a/c
Dr.	Client's Nominated A/c <i>(for other Bank's charges, if any plus overdue interest ,if any) [short payment of US\$1000/- or 2% of document value whichever is less, can be approved from NRB themselves]</i>
Cr	Overdue Interest a/c (FDBP)
Dr.	Export margin a/c <i>(for margin amount)</i>
Cr.	Client's Nominated A/c <i>(refund of margin)</i>
(DP no. Realised)	

38207 *S* *J.J.*

Part D – Guarantee

15. Guarantee

15.1. Definition

Guarantees are issued to back up performance and payment obligations on a wide range of international as well as domestic transactions. Most of these instruments place an obligation on the issuer to pay a specified sum of money either on simple written demand or a demand accompanied by stipulated documents in the event of default by the principal debtor. Banks are the most common issuers of such instruments. From the foregoing we can put it simply that a "contract of a guarantee is a legal contract between two or more parties to perform the promise or discharge the liabilities of a third party in case of their default".

15.2. Parties Involved In Guarantee

A guarantee distinctly involves three parties with differing interests. They are:

15.2.1. Beneficiary

The person or company who wants to receive compensatory sum of money, if the principal fails to meet their obligation(s) after awarding the contract in favor of the principal or fails to perform in accordance with the terms of the contract. The beneficiary wants to be sure that he receive the money as may be due to him, even if the principal fails to pay whether by reason of unwillingness or inability to pay. Beneficiary is also known as Employer

15.2.2. Principal

The person or company who competes to undertake a work as per the beneficiary's requirement and who does not want to pay the sum of money if they meet their obligations as per terms of contract. Principal is also known as Applicant or Account Party.

15.2.3. Guarantor

The party who wants to meet the commitment in terms of the guarantee without being involved in possible dispute between Beneficiary and the Principal. In other words the Guarantor would be the Bank.

15.3. Classification of Guarantee

Guarantees can be classified in many ways in terms of their varied usages. The most commonly used classifications in our context are:

15.3.1. Local

A guarantee issued by this Bank on behalf of a customer is called a local guarantee.



15.3.2. International

A guarantee issued or counter signed by the bank at the request of and against counter guarantees of correspondent bank(s) on behalf of the principle debtor or the Principal.

15.4. Types of Guarantees

15.4.1. Tender Guarantee/Bid Bond

A Tender Guarantee is issued to provide an assurance of the intention of the party submitting the tender to sign the contract if the tender is awarded to him and submit the performance guarantee. Such a guarantee must be presented to the beneficiary along with other tender documents. It usually lasts for the tendering period.

15.4.2. Performance Guarantee

It is issued by the bank on behalf of its customers (Principal) to whom the contract is awarded by the beneficiary in order to underwrite the contractor's obligations to complete the project as per the agreement. A performance guarantee in comparison to a tender guarantee generally has a longer life because it normally requires a period of time for completion of works as mentioned in the contract. Usually lasts for the period of the contract.

15.4.3. Advance Payment Guarantee

An advance payment guarantee is issued where the principal receives money in advance from the beneficiary in order to perform/finance the work as per the contract.

15.4.4. Financial Guarantee

This guarantee is issued for cash valued transactions only in lieu of a financial obligation and is essentially triggered by the non-payment by the principal.

15.4.5. Retention Guarantee

Project agreement provide for stage payment to be made as the work progress. Payment provide for triggered by presentation of a progress certificate for the relevant stage. Stage payments are made in respect of work completed. Such Contracts provide for the Employer to retain a certain percentage from each stage payment. This provides a cover against any hidden defects in the completed works, which may become apparent at a future date. This retention money is made available to the contractor after an agreed time lag. Under retention guarantee, the money is released immediately against the bond, which covers the full amount of the released retention money.

15.4.6. Bonded Warehouse

This guarantee is issued to import equipment temporarily to carry out a project or to import raw materials to produce finished product to Export. Import duty would normally be payable but the customs authorities will grant exemption provided the contractor/exporter undertakes to export/re-export the finished product/equipment on completion of the production/project. Customs Guarantee deter the contractor or Importer from evading the undertaking and selling the goods or equipment locally.

15.4.7. Standby Letter of Credit

A standby letter of credit is normally issued for use of its beneficiary in the event of some contingency. In such case, the beneficiary will make drawings under the SBLC as per her requirement. However, standby letter of credit can also be used to protect against supplier's performance default—that is, as an alternative to the issue of a bond or guarantee. Standby letter of credit can be used where there are legal restriction on the issue of bonds and guarantees.

15.5. Issuance of Guarantee

The following procedures are in line as to the scrutiny of the request for the issuance of a guarantee.

15.5.1. Limit

A limit by definitions means to which extent a financial risk is to be undertaken on a client/bank/country. As such it is a pre-determined risk set by the Credit Department in case of local customers and for banks and countries. Limits to local customers are extended as a facility. Request for the issuance of a guarantee(s) (local guarantee-issued on behalf of our customer) has to be within the operative limit assigned to a customer. Any deviation on this has to be approved by an authorized officer having appropriate Credit Approval Discretion.

In case of International guarantee(s) (request for the issuance of guarantees at the request of a correspondent Bank), Bank/Country limit has to be obtained prior to issuance from Treasury Department.

15.5.2. Terms and Conditions of a Guarantee

The terms and conditions of the guarantee have to be precise/specific and acceptable to the Bank.

1. Indemnity

At the time of requesting for the issuance of a guarantee, the customer is also required to give the bank an indemnity duly signed by its authorized signatory (ies). The issuance of a guarantee by the Bank on behalf of its customer also gives rise to a contract between the Bank and the customer.

In case of international guarantees, the counter-guarantee text itself should bear the indemnity to the Bank in the following format: "We indemnify and undertake to pay you upon receipt of your first written tested swift demand without having to substantiate your and beneficiary's claim."

Or

In similar manner where our interest should be covered against any consequences arising out of the guarantee.

In either case, the indemnity protects the interest of the Bank against any consequences arising out of the guarantee. Being the Guarantor, the Bank is liable to pay the beneficiary immediately upon receipt of its claim hence the Bank should also be reimbursed by the Applicant/requesting bank immediately without the need to contest.

2. Limitation and Claims Clauses

It is important that the guarantee includes a clause clearly indicating a date within which notice of claim must be submitted to the Bank. If this clause or condition is included it becomes a term of the guarantee and if accepted by the beneficiary, he will be deemed to have given up any rights he may have in relation to any statutory period (a mandatory period defined by Government, law and/or statutory bodies i.e. Central Bank, local authority etc. As of now we have no such periods defined by any statutory bodies e.g. as per the Indian Contract Act (section 28) for guarantee issued in India favoring Government Departments will remain valid till 30 years even after the expiry, if the original guarantee is not returned to the issuing bank) for bringing claims against the Bank. Only when no such clause is included will the statutory claim period apply. Therefore, the following limitation and claim clauses have to be incorporated in all guarantees:

"Notwithstanding anything stated hereinabove the value of this guarantee shall not exceed NPR (Amount in words.....) and it will expire on (date). Any claim under this guarantee must be received in writing by this office within banking hours on or before (expiry date) and if no such claim has been received by us by that time and date, all your rights under this guarantee will cease.

Retention of the guarantee does not confer any rights upon yourselves beyond the expiry date and this guarantee should be returned to us without delay. In all communications, please state our reference number".

3. Mailing Period

The mailing period is essentially required in International guarantees. This is an additional period after the expiry of the guarantee given by the Issuing Bank to the Guarantor Bank to allow the Guarantor Bank to lodge its claim by mail (in the absence and/or failure of electronic

media), in the event that the claim from the beneficiary is received towards the end of the guarantee period. Normally we seek 15 days or reasonable mailing period from the date of the expiry of the principal guarantee.

4. Exchange Clause

Exchange control regulations/relevant laws of the land of the respective countries have to be carefully examined before issuing guarantees, in particular International guarantees as the correspondent must be in a position to remit the required funds in the event claim is lodged on them and no disputes arise and delays or refusals are faced due to prohibition imposed by their respective central banks.

5. Force Majeure Clause

This clause has to be incorporated in local performance guarantees but it may be excluded subject to approval by Branch Manager. This clause protects the Bank's customer when it is impossible for them to carry out their part of the contract due to the circumstances beyond their control e.g. acts of god, war, civil commotion, change in statutory regulations etc.

15.6. Procedures

15.6.1. Issuance of Guarantee (Local)

1. Receive application together with indemnity and other documents as appropriate from the customer and affix validation stamp to record receipt date and time.
2. Verify signature(s). The staffs doing so need to affix a "Signature verified" stamp and initial.
3. Scrutinize the details of the guarantee application to ascertain that it is in an acceptable form and contains no onerous clauses e.g. clauses, which are, open-ended or are conditional.
4. Check customer limit/prepare account position. Any deficiency/irregularity must have pre-fact approval from appropriate from an appropriate credit authority.
5. Input the transaction in the system.
6. Have the transaction authorized.
7. Prints the hard copy of the guarantee in the Bank's letterhead.
8. Affix guarantee amount by a protectograph (check writer) in the original guarantee.



9. Have the guarantee signed by two designated officers of the Bank.
10. Deliver the original guarantee to the customer and acknowledge receipt.
11. File the customer application, indemnity and copy of the guarantee.
12. The guarantee needs to be handed over to the authorized signatory and/or person who has been authorized to collect the guarantee by the authorized signatory (ies).

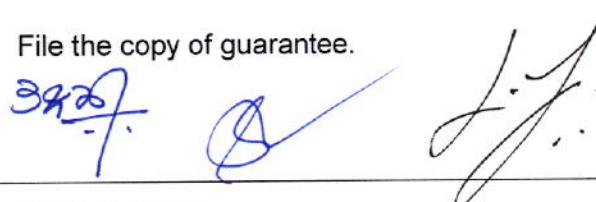
15.6.2. Amendment of Local Guarantee

1. Receive application and other documents along with the indemnity as appropriate from the customer and affix validation stamp to record receipt date and time.
2. Scrutinize the details of the amendment required to ascertain that it is in an acceptable form and contains no onerous clauses.
3. Extract the office copy of the guarantee originally issued and ascertain that the terms of the amendment are in conformity with the guarantee.
4. Verify signature(s). The staffs doing so need to affix a "Signature verified" stamp and initial.
5. Check customer limit/prepare account position. Any deficiency/irregularity must have pre-fact approval from appropriate credit authority.
6. Input the transaction in the system.
7. Print the hard copy of the guarantee amendment in requisite numbers in the Bank's letterhead.
8. Affix guarantee amount by a protectograph (checkwriter) in the original guarantee.
9. Have the guarantee amendment signed by two designated officers of the Bank.
10. Deliver the original guarantee amendment to the customer and acknowledge receipt
11. File the customer request letter, indemnity and copy of amendment.

12. The guarantee amendment needs to be handed over to the authorized signatory and/or person who has been authorized to collect the guarantee by the authorized signatory (ies).

15.6.3. Issuance of International Guarantee

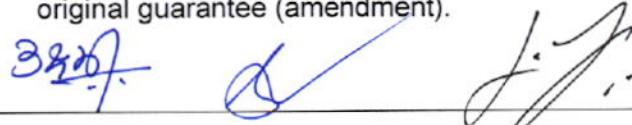
1. Receive counter guarantee vide SWIFT from correspondent bank. The message received should be in the appropriate authenticated message type i.e. MT 760 or 799. In case of counter guarantees received vide mail it must have a receipt stamp and a declaration from the Test Key decoding officer that the test agrees and incase of mail verification of the signature is required.
2. Scrutinize the guarantee text to ascertain that it is in an acceptable form and contains no onerous clauses.
3. Check if the counter guarantee provides a mailing period and an appropriate indemnity to us. Check name/address of local agent to deliver the guarantee upon issuance.
4. Obtain bank/country limit as appropriate.
5. Send message to the issuing bank in case any discrepancies are noted on their counter guarantee.
6. Advise local agent/beneficiary of the receipt of the guarantee.
7. Input the transaction in the system
8. Have the transaction authorized.
9. Print the hard copy of the guarantee in the Bank's letterhead.
10. Affix guarantee amount by a protectograph (checkwriter) in the original guarantee
11. Have the guarantee signed by two designated officers of the Bank.
12. Deliver the original guarantee to the customer and acknowledge receipt by them.
13. File the copy of guarantee.



14. Dispatch copy of the guarantee issued by us to the correspondent/issuing bank for their record. Also, claim our commission on the bank.
15. The guarantee needs to be handed over to the person who has been authorized to collect as mentioned in the guarantee request or deliver directly to the beneficiary in absence of particular request.
16. The copy of the counter guarantee received from other banks should be reviewed by the in-charge of guarantee section and ensure that the terms and conditions mentioned in the guarantee are acceptable. Necessary instructions as to acceptance/processing of the guarantee or sending request for amendment of the terms and conditions should be recorded on the guarantee itself.

15.6.4. Amendment of International Guarantee

1. Receive amendment for counter guarantee (through authenticated SWIFT) from correspondent bank duly authenticated.
2. Scrutinize the text of the amendment to ascertain that it is on acceptable form and contains no onerous clauses.
3. Send message to the issuing bank for any discrepancies noted on their request.
4. Extract office copy of the guarantee originally issued and ascertain that the terms of the amendment are in conformity with the guarantee.
5. Check if mailing period is provided (in case of extension only).
6. Obtain bank/country limit as appropriate.
7. Advise local agent/beneficiary of the receipt of the amendment.
8. Input the transaction in the system
9. Have the transaction authorized.
10. Print the hard copy of the guarantee amendment in requisite number in Bank's letterhead.
11. Affix guarantee amount by a protectograph (checkwriter) in the original guarantee (amendment).

Three handwritten signatures in blue ink are placed along the bottom line of the list. From left to right: a signature that appears to be "3207.", a signature that appears to be "S.", and a signature that appears to be "J.J.".

12. Have the guarantee amendment signed by two designated officers of the Bank.
13. Deliver the guarantee amendment to the customer and acknowledge receipt by them.
14. File the copy of amendment.
15. Dispatch copy of guarantee amendment issued by us to correspondent/issuing bank for their record. Also, claim our commission on the bank.
16. The guarantee needs to be handed over to the person who has been authorized to collect as mentioned in the guarantee request or deliver directly to the beneficiary in absence of particular request.

15.6.5. Guarantee Authentication

The need to authenticate a guarantee arises when the beneficiary wishes to establish the authenticity of the guarantee directly issued by foreign banks to them. At the request of the issuing bank and based on the test verification and type of SWIFT message, we issue a letter to the beneficiary certifying issuance of the guarantee by the Bank without any risk and responsibility on our part.

1. Receive authenticated SWIFT message to authenticate the guarantee from the issuing bank. Authenticate the guarantee and issue a certificate/a covering letter.
2. Dispatch authenticated guarantee message along with covering letter to the issuing bank or to the beneficiary and claim charges from the issuing bank or to the beneficiary as appropriate.

15.6.6. Request to Correspondent Bank to issue guarantee against our counter guarantee

1. Receive application together with indemnity and other documents as appropriate from the customer and affix validation stamp to record receipt date and time.
2. Verify signature(s). The staff doing so needs to affix a "Signature verified" stamp and initial.
3. Scrutinize the details of the guarantee application to ascertain that it is in an acceptable form and contains no onerous clauses e.g. clauses which are open-ended or are conditional. Guarantee should be valid for 15 days extra beyond the expiry date of guarantee to allow correspondent bank for mailing purpose.

4. Check customer limit/prepare account position. Any deficiency/irregularity must have pre-fact approval from appropriate credit authority .
5. Scrutinize the guarantee text to ascertain that it is in an acceptable form and contains no onerous clauses.
6. Input the transaction in the system
7. Have the transaction authorized.
8. Create MT-760 requesting Correspondent Bank to issue guarantee against our counter guarantee.
9. Print the hard copy of the guarantee in the Bank's letterhead.
10. Have the guarantee signed by two designated officers of the Bank.
11. Obtain acknowledgement copy of guarantee transmitted to correspondent bank.
12. Deliver the copy of guarantee to the customer and acknowledge receipt.
13. File the customer application, indemnity and copy of the guarantee.

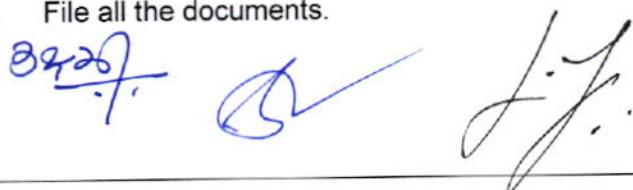
15.6.7. Cancellation/Expiry of Guarantee

1. Guarantees can be cancelled only upon expiry and/or upon receipt of the original guarantee or release letter if we could verify the authenticity or on case to case basis when we the bank is fully comfortable to do the same, issued by the beneficiary prior to expiry of the guarantee.
2. As per NRB circular an intimation of the expiry date to be sent one month prior to the expiry of the guarantee to all the beneficiary as "Nepal Government of Nepal Customs Office" under any guarantee
3. Receive request to cancel guarantees along with our original guarantee from the customer.
4. Extract the documents relating to the respective guarantee from the file.

5. Scrutinize the documents to ensure/confirm that no claim has been lodged on the guarantee and all our commission has been recovered.
6. Note, "CANCELLED" on all documents except the customer's indemnity (in case of local guarantee).
7. Input the transaction in the system
8. Have the transaction authorized.
9. Cancellation letter to be sent to beneficiary and issuing bank etc.
10. Request to cancel the Bank/Country Limit (in case of International Guarantee)
11. Dispatch letters as appropriate.
12. File all the documents.

15.6.8. Claim under Guarantee

1. Receive claim from the beneficiary and affix receipt stamp to record receipt date and time.
2. Scrutinize the claim to ensure that the claim is lodged strictly within the scope of the terms of the guarantee.
3. Bring the claim to the notice of concerned Branch Manager immediately.
4. In case of International guarantee the Bank also needs to lodge claim as per the terms of the guarantee immediately to the correspondent/issuing bank and request to credit the sum of the guarantee (claim amount) to the respective NOSTRO account. In case of local guarantee amount should be recovered from the primary issuer /Customer immediately.
5. If the claim is in compliance with the guarantee terms it has to be met forthwith unless it is prohibited for reason beyond Bank's control e.g. stay order from court of law is served to the bank to hold payment.
6. File all the documents.

Three handwritten signatures in blue ink are placed at the bottom of the page. From left to right: 1) A signature that appears to start with 'B' and end with 'J.' 2) A signature that appears to start with 'S' and end with 'J.' 3) A signature that appears to start with 'J.' and end with 'J.'

Part E – NRB Returns

16. NRB Returns

Returns related to import LC and export LC to be filed with Nepal Rastra Bank Foreign Exchange Department and other agencies can be divided into four groups as follows:

- i. Regular Returns-BBN forms
- ii. On-line email reporting on opening of L/Cs
- iii. Special Returns-other returns
- iv. Returns to Other Agencies.

Returns to be filed are subject to NRB regulations and instructions of HMG agencies.

16.1 Regular Returns - BBN Forms

Returns in respect of following BBN Forms regarding the foreign exchange transaction shall be filed with Nepal Rastra Bank within stipulated time period.

BBN Form No.	Subject	To be submitted by	Period of Return	Relevant Circular No.
1	Opening of Export Letter of credit	Prepare and submit by concerned Commercial Bank	Weekly	
2	Convertible Foreign Currency receipts from exports	" "	Weekly	
2(a)	Export Proceeds not received in Time	" "	Monthly	
3	Opening of import Letters of Credit	Filled in by importer and to be submitted by commercial bank.	Daily*	
3(a)	Application requesting Draft/TT facility	" "	Daily	
3(b)	Application requesting Cash/Draft/TT facility (Tatopani)	" "	Daily	
4	Import Payment Certificate	Prepare and submit by concerned Bank	Daily*	
4(a)	Import Payment Certificate of Draft/TT exchange facility	" "		
4(b)	Import Payment Certificate of Draft/TT exchange facility (Tatopani)	" "	Daily	

4(c)	Exchange facility of INR Cash/Draft/TT	" "	Daily	
4(d)	Imports on Usance Facility	" "	Regular	

* Weekly by banks situated outside Kathmandu.

16.2 On-line email reporting on opening, amendment, and payment of L/Cs

For the purpose of effective monitoring of import letters of credit opened in convertible foreign currency and foreign currency payments made against such L/Cs, the following information system through computer has been arranged. Please refer NRB Circular in force for detail.

1. Banks shall submit daily particulars of letter of credit opened, on the basis of BBN Form No. 3 prescribed by Nepal Rastra Bank, through computer information system.
2. Similarly, particulars as to payments made against letters of credit in convertible foreign currency shall also be submitted daily, on the basis of the payment certificate BBN Form No. 4 prescribed by Nepal Rastra Bank, through computer information system.
3. The particulars prescribed under clause 1 and 2 above shall be transmitted daily, by using email, through computer information system, to the computer of the central office of Nepal Rastra Bank.
4. Statement of import letters of credit opened (including amendments, if any) for importing merchandised from third counties through Calcutta Port in India is also to be submitted directly by all branches, as per the enclosed format, on weekly basis to the Ministry of Commerce mentioning the serial number.

16.3 Special Returns-other returns

Other than BBN Forms and on-line communication on L/C opening, following returns to be filed with Nepal Rastra Bank, Foreign Exchange Department (unless specified).

Circular No./Date	Type of Returns	Period
	Non- payment of security deposit cheque within 90 days from date of issue	Within 15 days
	Particulars of L/Cs for which transport document is received after 45 days of issue.	Monthly
	Particulars of L/Cs, which are opened, with margin of 50% or more.	7 days

	Non-verification of serial number and amount in BBN Form No. 4 received from Customs with own record.	Regularly
	Internal Audit report of L/C transacting branches.	Six-monthly
	Referring particulars of original documents not submitted within 45 days, where copy document is accepted (for import of Mild Steel Billet from India)	Regularly
	Original Document (submitted as above) differs with previously submitted copy document.	Regularly
	Non- submission of BBN Form No. 4 (a) and Airway Bill evidencing import of merchandise (Payment by way of Draft/TT)	Regularly
	Non- submission of BBN Form No. 4 (b) evidencing import of merchandise (Payment by way of Draft/TT, Tatopani)	Regularly
	Particular of exchange provided for import for imports from Tatopani (in the prescribed format).	Fortnightly within 7 days
	Non-receipt of exports proceeds.	Regularly
	Intimation as to non-receipt of full amount of negotiated export proceeds against post-shipment foreign currency deposited in the Foreign Currency Amount of the exporter at the time of negotiation.	Regularly
	Statement of export and payment receipts against SOFT WARE EXPORTS	Quarterly

16.4 Returns to Other Agencies

a) To GON, Department of Commerce

Information on letters of credit opened (including amendments thereof) for import of merchandise from the third countries through Calcutta Port in India shall be reported to GON, Department of Commerce on weekly basis.

b) To Ministry of Agriculture (Import of Fertilizer)

One copy of Letter of credit opened for import of Fertilizers is required to be sent to the Ministry of Agriculture, Chemical Fertilizer Section, Singhadurbar, Kathmandu.

17. Key Words

Letter of Credit (LC/LS)

Sight L/C Liability of a customer is shown in this account.

Usance Letter of Credit (LU/LT)

All usance L/C opened on behalf of customer is booked into this account. Once document is received by the bank and due date confirmed, balance in this account is transferred into AL account.

Acceptance Liability (AL/LA)

This is known as acceptance liability. All usance bills under which due date is fixed but not matured is booked into this account. On due date balance of this account, is transferred into FD account, if not paid by the client.

Trust Receipt (TR)

Balance in this account shows amount of import bill released by client under Trust receipt loan. Normally T/R is given for 70% amount of document value for 90 days or realization of sales proceeds of related goods whichever is earlier.

Calcutta Transit (CT)

Amount of import bill where documents title to goods is already released to the importer for port clearance at Calcutta.

Payment Against Document (PAD)

Balance in this account shows amount of sight import bill payment due from the customer. Until balance is shown in this account documents title to goods remain in bank's custody.

Forced Loan (FL)

The balance in this account indicates amount of usance L/C and or Bank Guarantee Claim unsettled by the client on due date.

Packing Credit (PC)

Pre-shipment loan given to exporter against export L/C.

Document Purchase (DP/NP)

Export bill negotiated/purchased but payment yet to realize from reimbursing bank.

Document Collection (DC)

Export bill sent on collection for payment to issuing bank but payment yet to realize.

M1/M2 (Margin Import L/C/Margin Import NRB)

Sight/Usance L/C margin/Customs margin against release of import docs. for customs.

M3/MD (Margin Export NRS/USD):

Margin against negotiated bill/Margin in USD for payment of import LC or Back to Back LC.

[Handwritten signatures/initials over the line]

UCPDC

Uniform Customs and Practice for Documentary Credits. Publication No. 600 of ICC.

ICC

International Chamber of Commerce.

ISBP

Internal Standard Banking Practice (ISBP) for the examination of documents under documentary credits. Publication of International Chamber of Commerce (ICC) (ICC Publication No. 745).

Incoterms

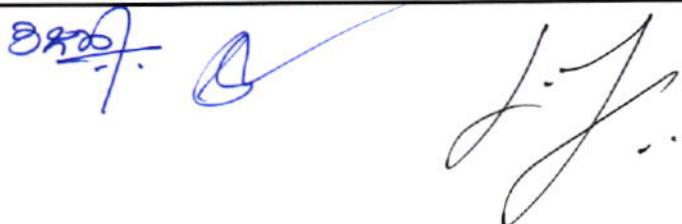
The Incoterms (International Commercial Terms) is universally recognized set of definitions of international trade terms, such as FOB, CFR, and CIF, developed by the International Chamber of Commerce (ICC).

SWIFT

Society for Worldwide Interbank Financial Telecommunication (SWIFT) is the mode of communication used to transmit and receive messages of financial importance and other such as LC.

Practice under this manual is part of Credit Policy Guidelines and any other policies and instructions issued by the management of the Bank from time to time.

This manual covers current procedure and practice of Bank based on the prevailing policies of the Bank and prevailing directives and regulations of Nepal Rastra Bank and other HMG agencies. Any changes, additions or amendments in the policies of Bank and directives, circulars, and regulations of Nepal Rastra Bank or any other HMG agencies shall automatically be incorporated into procedure and practice of this manual wherever applicable.



Part F - Annexure

18. Annexure

18.1 Annex 1: Checklist for Letter of Credit Issuance / Amendment

Name of the Applicant :	Date :
Client Code :	LC Value :
Current Account No.:	LC No. :

Following documents required to be obtained while application for issuance/amendment of Letter of Credit is received. Each time you take LC applications please ensure all documents are taken and this checklist is duly filled in.

A. Required basic documents of applicant to be obtained & maintained on profile.

1. Firm & PAN Registration Certificate.

Yes/No/NA

2. Income Tax Clearance Certificate.

Yes/No/NA

3. Documents of constitution - AoA & MoA / Others

Yes/No/NA

4. Board Minute regarding authorized signatories for operation of facilities.

Yes/No/NA

B. Required regular application forms & documents to be obtained & maintained on LC file.

1. Application & Agreement for Irrevocable Letter of Credit(NCCB:35).

Yes/No/NA

2. Application for LC Amendment(NCCB:58).

Yes/No/NA

3. विविजिका.न.३(NCCB:13). Yes/No/NA

4. Proforma Invoice/Sales Contract.

Yes/No/NA

5. Business Credibility Report of Beneficiary (if required).

Yes/No/NA

6. Recommendation letter of Garment/Carpet Association (if required).

Yes/No/NA

7. Approval of Drug Administration Department (if required).

Yes/No/NA

8. NRB Permit (if required).

Yes/No/NA

C. Check application forms and proforma invoice carefully.

1. Application forms are stamped & signed by authorized signatories.
Yes/No/NA
2. All filled information on applications is clear, complete and corresponding. Yes/No/NA
3. All filled information on applications is as per proforma invoice.
Yes/No/NA
4. Applicant, beneficiary, tenor, currency, amount, tolerance & incoterm are ok. Yes/No/NA
5. Port of shipment, discharge, custom points, partial & transshipment are ok. Yes/No/NA
6. Latest shipment, documents presentation, LC expiry dates, days & place are ok. Yes/No/NA
7. Confirmation, reimbursement & charges account are ok.
Yes/No/NA
8. Documents required and other terms & conditions are ok.
Yes/No/NA
9. Description of goods/services, quantity, rate, amount, Harmonic Code are ok. Yes/No/NA
10. Advising/confirming/negotiation restricted banks are mentioned and ok. Yes/No/NA

Prepared by

Reviewed by

Approved by

Concerned Staff

Department Supervisor

Department Head

18.2 Annex 2: Checklist for Import Documents Acceptance / Payment

Name of the Applicant :

Date :

LC Value :

Document Ref. :

LC No. :

Document Value:

1. General

- a. Whether LC is valid & unutilized and Late Shipment & Late presentation or not? Yes/No
- b. Whether the document negotiated?
Yes/No
- c. Are document enclosed as per checklist?
Yes/No

2. Draft

- a. Are tenor & amount and drawer & drawee of the draft correctly specified?
Yes/No
- b. Has bill of exchange signed & endorsed?
Yes/No

3. Commercial Invoice

- a. Is it signed & made out by the beneficiary?
Yes/No
- b. Does it bear the correct LC number, description of the goods & other details? Yes/No
- c. Has it been drawn for the right amount & correct incoterm has specified?
Yes/No

4. BL/AWB/RR/TR

- a. Is it made out to the order of or consigned to the bank?
Yes/No
- b. Are notify party, LC No., Shipment voyage, description of goods as per LC term? Yes/No
- c. Is it "on board" & clean, signed & stamped and shipment date mentioned?
Yes/No
- d. Is any superimposed clause mentioned or inconsistency exist?
Yes/No

5. Packing/Weight List

- a. Does it contain all necessary information - LC No, applicant, beneficiary etc? Yes/No
- b. Is the description of goods correct, weight detail & packing detail given?
Yes/No
- c. Is it signed & dated and consistence with other documents?
Yes/No

6. Certificate of Origin

- a. Are the origin, description of goods, applicant, beneficiary & LC No. correct? Yes/No
- b. Is it signed & issued by the concerned authority as per LC terms?
Yes/No

7. Insurance Policy

- a. Does it cover all risks as per LC terms & blank indorsed?
Yes/No
- b. Is over/under insured & issued in the currency of the credit?
Yes/No
- c. Is description of goods, shipping marks, vessel No & route, LC No etc correct? Yes/No
- d. Is it issued on or before the date of transport document?
Yes/No

8. Others

- a. Are any other document submitted is called under LC, signed, stamped & dated? Yes/No
- b. Are they consistent with other documents & drawn as per LC term?
Yes/No
- c. Did the applicant/importer has accepted and or released the documents?
Yes/No

9. Discrepancies, if any

a.

Yes/No

Document Checked by by	Reviewed by	Reviewed/Confirmed
Concerned Staff	Department Supervisor	Department Head

18.3 Annex 3: Checklist for Export Documents Negotiation / Collection

Name of the Applicant : _____

Date : _____

LC Value : _____

Document Ref. : _____

LC No. : _____

Document Value: _____

1. Export Custom Clearance Documents for documents presented for negotiation/collection

a. Does the export custom covering endorsed by custom office presented?
Yes/No

b. Does the export duty paid receipt & custom clearance certificates presented? Yes/No

2. General

a. Whether LC is valid & unutilized and Late Shipment & Late presentation or not? Yes/No

b. Are document presented as per LC term?
Yes/No

3. Draft

a. Are tenor & amount and drawer & drawee of the draft correctly specified?
Yes/No

b. Has bill of exchange signed & endorsed?
Yes/No

4. Commercial Invoice

a. Is it signed & made out by the beneficiary?
Yes/No

b. Does it bear the correct LC number, description of the goods & other details? Yes/No

c. Has it been drawn for the right amount & correct incoterm has specified?
Yes/No

5. BL/AWB/RR/TR

a. Is it made out to the order of or consigned to the bank?
Yes/No

b. Are notify party, LC No., Shipment voyage, description of goods as per LC term? Yes/No

c. Is it "on board" & clean, signed & stamped and shipment date mentioned?
Yes/No

d. Is any superimposed clause mentioned or inconsistency exist?
Yes/No

6. Packing/Weight List

- a. Does it contain all necessary information - LC No, applicant, beneficiary etc? Yes/No
- b. Is the description of goods correct, weight detail & packing detail given? Yes/No
- c. Is it signed & dated and consistence with other documents? Yes/No

7. Certificate of Origin

- a. Are the origin, description of goods, applicant, beneficiary & LC No. correct? Yes/No
- b. Is it signed & issued by the concerned authority as per LC terms? Yes/No

8. Insurance Policy

- a. Does it cover all risks as per LC terms & blank indorsed? Yes/No
- b. Is over/under insured & issued in the currency of the credit? Yes/No
- c. Is description of goods, shipping marks, vessel No & route, LC No etc correct? Yes/No
- d. Is it issued on or before the date of transport document? Yes/No

9. Others

- a. Are any other document submitted is called under LC, signed, stamped & dated? Yes/No
- b. Are they consistent with other documents & drawn as per LC term? Yes/No
- c. Did the beneficiary/exporter has applied for collection/negotiation of the dox? Yes/No

10. Discrepancies, if any

Yes/No

Document Checked by by Concerned Staff	Reviewed by Department Supervisor	Reviewed/Confirmed Department Head
--	--------------------------------------	---------------------------------------

18.4 Annex 4: Checklist for Bank Guarantee Issuance / Amendment

Name of the Applicant : Date :

Client Code : Gtee Type :

Current Account No.: Gtee Value :

Gtee No. :

Following documents required to be obtained while application for issuance/amendment of Bank Guarantee is received. Each time you take guarantee applications please ensure all documents are taken and this checklist is duly filled in.

A. Required basic documents of applicant to be obtained & maintained on profile.

1. Firm & PAN Registration Certificate.

Yes/No/NA

2. Income Tax Clearance Certificate.

Yes/No/NA

3. Documents of constitution - AoA & MoA / Others

Yes/No/NA

4. Board Minute regarding authorized signatories for operation of facilities.

Yes/No/NA

B. Required regular application forms & documents to be obtained & maintained on Gtee file.

1. Application for Bank Guarantee(NCCB:28).

Yes/No/NA

2. Application for Bank Guarantee Amendment

Yes/No/NA

3. General Indemnity Form(NCCB:26)

Yes/No/NA

4. Related documents such as tender notice, beneficiary's letter etc (if applicable) Yes/No/NA

C. Check application forms carefully.

1. Application forms are stamped & signed by authorized signatories.

Yes/No/NA

2. All filled information on applications is clear, complete and corresponding. Yes/No/NA

Prepared by

Concerned Staff

Reviewed by

Department Supervisor

Approved by

Department Head

18.5 Annex 5: Incoterms 2010

EXW EX WORKS (named place of delivery)

"Ex works" means that the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and risks involved in taking the goods from the seller's premises. However, if the parties wish the seller to be responsible for the loading of the goods on departure and to bear the risks and all the costs of such loading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the FCA term should be used, provided the seller agrees that he will load at his cost and risk.

FCA FREE CARRIER (named place of delivery)

"Free Carrier" means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is not responsible for unloading. This term may be used irrespective of the mode of transport, including multimodal transport. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes. If the buyer nominates a person other than a carrier to receive the goods, the seller is deemed to have fulfilled his obligation to deliver the goods when they are delivered to that person. Some manufacturers may use the former terms FOT (Free on Truck) and FOR (Free on Rail) in selling to export-traders.

FAS FREE ALONGSIDE SHIP (named port of shipment)

"Free Alongside Ship" means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS term requires the seller to clear the goods for export. However, if the parties wish the buyer to clear the goods for export, this should be made clear by adding explicit wording to this effect in the contract of sale. This term can be used only for sea or inland waterway transport.

FOB FREE ON BOARD (named port of shipment)

"Free on Board" means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used.

CFR COST AND FREIGHT (named port of destination)

"Cost and Freight" means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the

goods to the named port of destination BUT the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. The CFR term requires the seller to clear the goods for export. This term can be used only for sea and inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the CPT term should be used. The term CFR was formerly written as C&F. Many importers and exporters worldwide still use the term C&F.

CIF COST, INSURANCE AND FREIGHT (named port of destination)

"Cost, Insurance and Freight" means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. However, in CIF the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIF term the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements. The CIF term requires the seller to clear the goods for export. This term can be used only for sea and inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the CIP term should be used.

CPT CARRIAGE PAID TO (named place of destination)

"Carriage paid to..." means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and any other costs occurring after the goods have been so delivered. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport, by rail, road, air, sea, inland waterway or by a combination of such modes. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CPT term requires the seller to clear the goods for export. This term may be used irrespective of the mode of transport including multimodal transport.

CIP CARRIAGE AND INSURANCE PAID TO (... named place of destination)

"Carriage and Insurance paid to..." means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and any additional costs occurring after the goods have been so delivered. However, in CIP the seller also has to procure insurance against the buyer's risk of loss of or damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIP term the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport, by rail, road, air, sea, inland waterway or by a combination of such modes. If subsequent

carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CIP term requires the seller to clear the goods for export. This term may be used irrespective of the mode of transport including multimodal transport.

DAT DELIVERED AT TERMINAL (named terminal at port or place of destination)

"Delivered at Terminal" means that the seller covers all the costs of transport (export fees, carriage, insurance, unloading from main carrier at destination port and destination port charges) and assumes all risk until destination port, import duty/taxes/customs costs to be borne by Buyer.

DAP DELIVERED AT PLACE (named place of destination)

"Delivered at Place" can be used for any transport mode, or where there is more than one transport mode. The seller is responsible for arranging carriage and for delivering the goods, ready for unloading from the arriving conveyance, at the named place. Duties are not paid by the seller under this term (An important difference from Delivered At Terminal DAT, where the buyer is responsible for unloading.)

DDP DELIVERED DUTY PAID (named place of destination)

"Delivered duty paid" means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods thereto including, where applicable, any "duty" (which term includes the responsibility for and the risks of the carrying out of customs formalities and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination. Whilst the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller is unable directly or indirectly to obtain the import license. However, if the parties wish to exclude from the seller's obligations some of the costs payable upon import of the goods (such as value-added tax : VAT), this should be made clear by adding explicit wording to this effect in the contract of sale.

Allocations of costs to buyer/seller according to Incoterms 2010

Incoterm 2010	Export customs declaration	Carriage to port of export	Unloading of truck in port of export	Loading on vessel in port of export	Carriage (Sea/Air) to port of import	Insurance	Unloading in port of import	Loading on truck in port of import	Carriage to place of destination	Import customs clearance	Impor taxes
EXW	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer

Incoterm 2010	Export customs declaration	Carriage to port of export	Unloading of truck in port of export	Loading on vessel in port of export	Carriage (Sea/Air) to port of import	Insurance	Unloading in port of import	Loading on truck in port of import	Carriage to place of destination	Import customs clearance	Impor taxes
FAS	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FOB	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CPT	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CFR	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CIF	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
CIP	Seller	Seller	Seller	Seller	Seller	Seller	Buyer/Seller	Buyer/Seller	Buyer	Buyer	Buyer
DAT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
DAP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DDP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller/VAT

18.6 Annex 6: Specimen of SWIFT LC (MT 700)

-----Message Header-----

Swift Input : FIN 700 Issue of a Documentary Credit
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

27: Sequence of Total
1n/1n 1/1
40A: Form of Documentary Credits
24x IRREVOCABLE
20: Documentary Credit Number
16x NCCB0371FC
31C: Date of Issue
6!n YYMMDD
40E: Applicable Rules
UCP LATEST VERSION
31D: Date and Place of Expiry
6n29x YYMMDD AT USA
51A: Applicant Bank - BIC
4*35x NBOCNPKA
NEPAL CREDIT AND COMMERCE BANK LTD.
KATMANDU NP
50: Applicant
4*35x APPLICANT
ADDRESS
(TAX CERTIFICATE NO. XXXX)
FAX: TEL:
59: Beneficiary
4*35x BENEFICIARY
ADDRESS
FAX:
TEL:

32B: Currency Code Amount
3a Currency : USD (US DOLLAR)
15d Amount :
#100,#

39A: Percentage Crdt Amt Tolerance
2n/2n 00/00

39B: Maximum Credit Amount
13x NOT EXCEEDING

41D: Available With..By.. - Name/Addr
4*35x ANY BANK IN USA

14x BY
NEGOTIATION/ACCEPTANCE

42C: Drafts at...
3*35x SIGHT/180 DAYS FROM B/L DATE/SHIPMENT
DATE

42A: Drawee - BIC
4*35x NBOCNPKA
NEPAL CREDIT AND COMMERCE BANK
LTD.

KATHMANDU NP

43P: Partial Shipments
1*35x PROHIBITED/ALLOWED

43T: Transshipment
1*35x PROHIBITED/ALLOWED

44A: Pl of Tkng in Chrg/of Rceipt (1*65x)
1*65x USA

44B: Pl of Final Dest/of Delivery (1*65x)
1*65x **KOLKATA INDIA** (IN TRANSIT TO **KATHMANDU NEPAL** VIA **BIRGUNJ**
CUSTOM)

44E: Port of Loading/Airport of Dep. (1*65x)
1*65x **USA**

44F: Port of Dischrg/Airport of Dest (1*65x)
1*65x **KOLKATA INDIA** (IN TRANSIT TO **KATHMANDU NEPAL** VIA **BIRGUNJ**
CUSTOM)

44C: Latest Date of Shipment
6!n YYMMDD

45A: Descp of Goods and/or Services (100*65x)
GOODS/SERVICES (HARMONIC CODE NO. XXXX.XX.XX)
1. BRAND/ITEM A; QTY: 100 UNITS; RATE: USD 25/UNIT;
AMOUNT: USD 2,500/-

2. BRAND/ITEM B; QTY: 100 UNITS; RATE: USD 25/UNIT;
AMOUNT: USD 2,500/-

TOTAL QUANTITY: XXX UNITS, RATE: USD 001/UNIT CIF
KOLKATA/HALDIA, INDIA. (C AND F UPTO KOLKATA AND
INSURANCE UPTO FINAL DESTINATION IN KATHMANDU NEPAL).

46A: Documents Required (100*65x)

1. BENEFICIARY'S MANUALLY SIGNED DRAFT DRAWN AT SIGHT/180 DAYS FROM SHIPMENT DATE ON NBOCNPKA NEPAL CREDIT AND COMMERCE BANK LTD. KATHMANDU NP.
2. FULL SET OF ORIGINAL/FIRST AND SECOND ORIGINALS AND ONE COPY OF "ON BOARD" BILLS OF LADING ISSUED IN THREE ORIGINALS INDICATING THE NAME OF THE CARRIER, ISSUED AND SIGNED BY THE CARRIER OR ITS AUTHORIZED NAMED AGENT FOR OR ON BEHALF OF THE CARRIER, MADE OUT TO ORDER OF NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL MARKED "FREIGHT PREPAID" AND NOTIFY APPLICANT, MENTIONING "SHIPPED ON BOARD DATE" AND "VESSEL NAME".
2. ORIGINAL MASTER AIR WAYBILL FOR CONSIGNOR OR SHIPPER AND TWO COPIES INDICATING THE NAME OF THE CARRIER, ISSUED AND SIGNED BY THE CARRIER OR ITS AUTHORIZED NAMED AGENT FOR OR ON BEHALF OF THE CARRIER CONSIGNER TO NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL MARKED "FREIGHT PREPAID" AND NOTIFY APPLICANT, MENTIONING THAT THE GOODS HAVE BEEN ACCEPTED FOR CARRIAGE WITH ACTUAL "FLIGHT DATE" AND "FLIGHT NUMBER".
2. ORIGINAL TRUCK RECEIPT (CONSIGNMENT NOTE) FOR CONSIGNOR OR SHIPPER AND TWO COPIES INDICATING THE NAME OF THE CARRIER, ISSUED AND SIGNED BY THE CARRIER OR ITS AUTHORIZED NAMED AGENT FOR OR ON BEHALF OF THE CARRIER MADE OUT TO ORDER OF NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL MARKED "FREIGHT TO COLLECT/PREPARED" AND NOTIFY APPLICANT, MENTIONING RECEIPT OF THE GOODS WITH "SHIPMENT DATE" AND "TRUCK NUMBER".
3. BENEFICIARY'S MANUALLY SIGNED COMMERCIAL INVOICE IN FOUR ORIGINALS SHOWING EXACT QUANTITY SHIPPED.
4. BENEFICIARY'S PACKING-WEIGHT-MEASUREMENT LIST IN FOUR ORIGINALS.
5. CERTIFICATE OF USA ORIGIN IN ONE ORIGINAL AND THREE DUPLICATE COPIES ISSUED AND SIGNED BY CHAMBER OF COMMERCE.
6. FULL SET OF ORIGINAL AND TWO COPIES OF NEGOTIABLE INSURANCE POLICY OR CERTIFICATE ISSUED AND SIGNED BY INSURANCE COMPANY, ENDORSED IN FAVOR OF NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL

FOR 110 PERCENT OF CIF INVOICE VALUE OF THE GOODS IN CURRENCY OF CREDIT COVERING ALL RISKS AS PER INSTITUTE CARGO CLAUSES "A", INSTITUTE AIR CARGO CLAUSES, INSTITUTE WAR CLAUSES (CARGO), INSTITUTE SRCC CLAUSES (CARGO), INSTITUTE TPND CLAUSE, TERMINATION OF TRANSIT CLAUSE (TERRORISM), DRIVE AWAY RISK AND COVERING ALL RISKS INCLUDING ROAD RISKS UP TO THE KOLKATA SEA PORT, INDIA / FINAL DESTINATION IN KATHMANDU, NEPAL AND TRANSSHIPMENT RISKS IF APPLICABLE IRRESPECTIVE OF PERCENTAGE. CLAIMS IF ANY IS PAYABLE IN NEPAL IN CURRENCY OF CREDIT.

7. (A) THE FORM "BILL OF EXPORT FOR DUTY FREE GOODS" OR "BILL OF EXPORT FOR GOODS UNDER CLAIM FOR DUTY DRAWBACK" (BOTH TO BE PREPARED BY THE EXPORTER) FOR THE EQUIVALENT AMOUNT OF FOREIGN CURRENCY MENTIONED IN THE COMMERCIAL INVOICE, SPECIFYING THE NUMBER AND DATE OF EITHER THE FORM CALLED "ARE-1" OR "NEPAL INVOICE (INVOICE OF GOODS LIABLE TO CENTRAL EXCISE DUTY IN INDIA TRANSMITTED UNDER CENTRAL EXCISE SEAL TO NEPAL)" IN THREE ORIGINALS INCLUDING (B) THE FORM "ARE-1" OR "NEPAL INVOICE (INVOICE OF GOODS LIABLE TO CENTRAL EXCISE DUTY IN INDIA TRANSMITTED UNDER CENTRAL EXCISE SEAL TO NEPAL)" COMPLETED OF ALL EXCISE FORMALITIES, DULY STAMPED AND SIGNED BY THE OFFICER OF CENTRAL EXCISE IN INDIA, IN ONE ORIGINAL OR DUPLICATE OR TRIPPLICATE.

OR

BENEFICIARY'S CERTIFICATE IN ONE ORIGINAL DULY ENDORSED BY INDIAN CUSTOM OFFICE THAT THE GOODS ARE EXPORTED FROM NOIDA SPECIAL ECONOMIC ZONE IN INDIA.

OR

COPY OF THE FORM "ARE-1" DULY STAMPED AND SIGNED EITHER BY THE OFFICER OF CENTRAL EXCISE IN INDIA OR THE INDIAN MANUFACTURER/EXPORTER, STATING FULL COMMERCIAL INVOICE VALUE AND QUANTITY.

IN ABSENCE OF THESE FORMS AS REQUIRED IN ABOVE, UPON WAIVER AND ACCEPTANCE OF DISCREPANCIES AND ONLY AFTER RETIREMENT OF DISCREPANT DOCUMENTS BY THE APPLICANT, WE SHALL CONFIRM DUE DATE/REMIT THE PROCEEDS; HOWEVER, UPON MATURITY, THE PAYMENT SHALL BE EFFECTED ONLY IN EQUIVALENT INDIAN CURRENCY AT OUR COUNTER CROSS RATE. PLS NOTE THAT THIS CLAUSE AND THESE DOCUMENTS ARE MANDATORY AS PER THE FOREIGN EXCHANGE REGULATION RULE OF CENTRAL BANK OF NEPAL.

47A: Additional Conditions (100*65x)

01. SHIPMENT PRIOR TO THE DATE OF THIS CREDIT AND PRIOR TO THE VALUE AMENDMENT IF ANY IS STRICTLY PROHIBITED.

02. THE SHIPPER OR CONSIGNOR OF THE GOODS INDICATED ON ANY DOCUMENT MUST BE THE BENEFICIARY OF THIS CREDIT.
03. BILLS OF LADING/AIR WAYBILL/TRUCK RECEIPT (CONSIGNMENT NOTE) MUST CERTIFY ON ITS FACE THE CUSTOM ENTRY POINT AS BIRGUNJ CUSTOM OFFICE, BIRGUNJ NEPAL.
04. "CONTAINER DETENTION CHARGES FREE FOR 14 DAYS AFTER DISCHARGE OF CARGO AT HALDIA/KOLKATA PORT" MUST BE ALLOWED AND CERTIFIED IN BILLS OF LADING.
05. GOODS TO BE PACKED IN STRONG, EXPORT STANDARD SEA-AIR-ROADWORTHY PACKING AND IT MUST BE CERTIFIED ON BILLS OF LADING/AIR WAYBILL/TRUCK RECEIPT (CONSIGNMENT NOTE) AND PACKING LIST.
06. QUANTITY AND VALUE OF THE CREDIT MORE OR LESS FIVE PERCENTAGES ACCEPTABLE BUT THE UNIT PRICE SHOULD REMAIN UNCHANGED AND SHIPMENT OF EACH ITEM SHOULD NOT BE MORE OR LESS FIVE PERCENTAGES.
07. COMMERCIAL INVOICE MUST EVIDENCE APPLICANT'S TAX CERTIFICATE NUMBER.
08. ALL DRAFTS AND DOCUMENTS CALLED UNDER THIS CREDIT MUST BE EXPRESSED IN ENGLISH LANGUAGE AND MUST BEAR ITS DOCUMENT DATE.
09. DOCUMENTS MUST NOT BE DATED PRIOR TO DATE OF THIS CREDIT AND MUST NOT BE POSTDATED FROM THE EXPIRY DATE OF THIS CREDIT.
10. THIS DOCUMENTARY CREDIT NUMBER AND DOCUMENTARY CREDIT DATE MUST BE QUOTED ON ALL DRAFTS AND DOCUMENTS REQUIRED.
11. BENEFICIARY MUST DISPATCH ONE FULL SET OF NON-NEGOTIABLE DOCUMENTS (ALONG WITH THIRD ORIGINAL BILLS OF LADING) TO APPLICANT BY COURIER SERVICE OR FAX/EMAIL AT 977-1-XXXXXXX/APPLICANT(AT)EMAIL.COM WITHIN SEVEN DAYS FROM SHIPMENT DATE AND COPY OF ORIGINAL COURIER AIR WAYBILL ISSUED BY COURIER SERVICE OR BENEFICIARY'S CERTIFICATE TO THIS EFFECT OF FAX/EMAIL MUST BE SUBMITTED WITH DOCUMENTS REQUIRED.
12. IF DISCREPANT DOCUMENTS ARE PRESENTED, UPON WAIVER AND ACCEPTANCE OF DISCREPANCIES AND ONLY AFTER RETIREMENT OF DISCREPANT DOCUMENTS BY THE APPLICANT, WE SHALL CONFIRM DUE DATE/REMIT THE PROCEEDS. HOWEVER, UPON MATURITY, DISCREPANCY FEE OF USD 50 (EQUIVALENT OF USD 50) (INR 1500) AND CABLE/POSTAGE CHARGE OF USD 25 (EQUIVALENT OF USD 25 AT OUR COUNTER CROSS RATE) (INR 500) WILL BE DEDUCTED FROM THE PROCEEDS FOR EACH SET OF DOCUMENTS PRESENTED WITH DISCREPANCY.
13. UNLESS OTHERWISE EXPRESSLY SPECIFIED, THIS CREDIT IS SUBJECT TO ICC PUBLICATION UCP 600 FOR DOCUMENTARY CREDITS, WHICH IS IN EFFECT ON THE DATE OF ISSUE.

71B: Charges

6*35x ALL CHARGES OUTSIDE NEPAL FOR
BENEFICIARY'S ACCOUNT.

48: Period for Presentation

4*35x DOCUMENTS MUST BE PRESENTED
WITHIN **TWENTY-ONE** DAYS FROM
SHIPMENT DATE, HOWEVER, NOT LATER
THAN DC EXPIRY DATE.

49: Confirmation Instructions

7x WITHOUT

53A: Reimbursing Bank -BIC

SCBLUS33XXX

STANDARD CHARTERED BANK

NEW YORK, NY US

78: Instruc to Pay/Accpt/Negot Bnk (12*65x)

1. ACCPTG/NEGOTG/PAYG/FORWDG BANK MUST OBTAIN PRIOR APPROVAL FROM ISSUING BANK BEFORE ACPTG/NEGOTG/PAYG/FORWDG DISCREPANT DOCUMENTS.
2. ACCPTG/NEGOTG/PAYG/FORWDG BANK MUST ENDORSE EACH ACPTG/NEGOTG/PAYG/FORWDG OF DOCUMENTS ON REVERSE OF ORIGINAL DC AND CERTIFY IT.
3. ACCPTG/NEGOTG/PAYG/FORWDG BANK MUST DISPATCH DOCUMENTS TO ISSUING BANK, CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU BY COURIER SERVICE IN ONE LOT WITHIN NEXT DAY OF PRESENTATION DATE, HOWEVER, NOT LATER THAN DC EXPIRY DATE. BUT DISPATCH 3RD B/L IN 2ND LOT WITHIN NEXT 3 TO 4 DAYS.
4. WE SHALL REMIT PROCEEDS TO ACCPTG/NEGOTG/PAYG/FORWDG BANK ACCORDING TO THEIR INSTRUCTIONS (ON DUE DATE TO BE CONFIRMED BY US) UPON RECEIPT OF CREDIT CONFIRM DOCUMENTS IN STRICT CONFORMITY WITH TERMS OF CREDIT AT OUR COUNTER. (PAYMENT WILL BE MADE IN ACU DOLLAR THROUGH CENTRAL BANK OF NEPAL AND CENTRAL BANK OF ... AS PER ACU MECHANISM).
4. NEGOTG BANK IS HEREBY AUTHORIZED TO CLAIM REIMBURSEMENT FROM SCBLUS33 STANDARD CHARTERED BANK, NEW YORK VALUE THREE WORKING DAYS UNDER SWIFT ADVICE TO US CONFIRMING THAT DOCUMENTS HAVE BEEN NEGOTIATED IN STRICT CONFORMITY WITH TERMS OF CREDIT.
4. ACCPTG/NEGOTG BANK IS HEREBY AUTHORIZED TO CLAIM REIMBURSEMENT FROM SCBLUS33 STANDARD CHARTERED BANK, NEW YORK ON DUE DATE TO BE CONFIRMED BY US UPON RECEIPT OF CREDIT CONFIRM DOCUMENTS IN STRICT CONFORMITY WITH TERMS OF CREDIT AT OUR COUNTER.

57A: Advise Through Bank - BIC

SCBLUS33XXX

STANDARD CHARTERED BANK

NEW YORK, NY US

72: Sender to Receiver Information

6*35x PLS ADVISE THIS DC TO THE

BENEFICIARY THRU SCBLUS33
COLLECTING YOUR CHARGES. (PLS ADD
YOUR CONFIRMATION TO THIS DC UPON
REQUEST AND COST OF THE
BENEFICIARY.)

18.7 Annex 7: Specimen of Mail LC

MARCH 1, 2014

L/C EXPORT

NEPAL CREDIT & COMMERCE BANK LTD
CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE,
BAGBAZAR, KATHMANDU, NEPAL

WE HERE BY OPEN OUR IRREVOCABLE DOCUMENTARY CREDIT NO. NCCB03NP71001S DATED MARCH 1, 2014. PLEASE ADVISE THIS CREDIT TO THE BENEFICIARY WITHOUT ADDING YOUR CONFIRMATION.

01. Documentary Credit Number;

NCCB03NP71001S

02. Date of Issue;

MARCH 1, 2014

03. Date and Place of Expiry;

MARCH 30, 2014 AT KATHMANDU

04. Applicant;

APPLICANT

ADDRESS

(TAX CERTIFICATE NO. XXXX)

FAX: TEL:

05. Beneficiary;

BENEFICIARY

ADDRESS

FAX:

TEL:

06. Amount;

NPR 1,000,000/-

07. Percentage Crdt Amt Tolerance;

05/05

OR

Maximum Credit Amount;

NOT EXCEEDING

08. Available With..By..;

ANY BANK IN NEPAL BY NEGOTIATION/BY ACCEPTANCE

09. Drafts at..;

SIGHT/180 DAYS SIGHT

10. Drawee;

NEPAL CREDIT AND COMMERCE BANK LTD.

CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE,

BAGBAZAR, KATHMANDU

11. Partial Shipments;

PROHIBITED/ALLOWED

12. Transshipment;

PROHIBITED/ALLOWED

13. On Board/Disp/Taking Charge;

KATHMANDU

14. For Transportation to;

KATHMANDU

15. Latest Date of Shipment;

MARCH 15, 2014

16. Descp of Goods and/or Services;

GOODS/SERVICES (HARMONIC CODE NO. **XXXX.XX.XX**)

ITEM A; QTY: 100 UNITS; RATE: NPR 25/UNIT; AMOUNT: NPR 2,500/-

ITEM B; QTY: 100 UNITS; RATE: NPR 25/UNIT; AMOUNT: NPR 2,500/-

TOTAL QUANTITY: **XXX** UNITS, RATE: NPR 001/UNIT CIF

KATHMANDU/BENEFICIARY'S STORE TO APPLICANT'S STORE DELIVERY.

17. Documents Required;

- (a) BENEFICIARY'S MANUALLY SIGNED **DRAFT** DRAWN AT **SIGHT/180 DAYS FROM SHIPMENT DATE** ON NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU.
- (b) **ORIGINAL TRUCK RECEIPT (CONSIGNMENT NOTE)** FOR CONSIGNOR OR SHIPPER AND **TWO COPIES INDICATING THE NAME OF THE CARRIER, ISSUED AND SIGNED BY THE CARRIER OR ITS AUTHORIZED NAMED AGENT FOR OR ON BEHALF OF THE CARRIER MADE OUT TO ORDER OF NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL MARKED "FREIGHT TO COLLECT/PREPARED" AND NOTIFY APPLICANT, MENTIONING RECEIPT OF THE GOODS WITH "SHIPMENT DATE" AND "TRUCK NUMBER".**
- (b) ORIGINAL **DELIVERY CHALLAN** ISSUED BY BENEFICIARY AND MANUALLY SIGNED BY THE AUTHORIZED PERSON OF APPLICANT MENTIONING FULL NAME OF THE SIGNATORY AND STAMPED AS RECEIPT OF THE GOODS IN GOOD CONDITION AS PER DC TERMS.
- (c) ORIGINAL **GOODS RECEIPT CERTIFICATE** ISSUED BY THE APPLICANT STAMPED AND MANUALLY SIGNED BY THE AUTHORIZED PERSON OF THE APPLICANT MENTIONING FULL NAME OF THE SIGNATORY/MS./MR. ABC XYZ, MANAGING DIRECTOR OF THE APPLICANT SHOWING EXACT QUANTITY RECEIVED CERTIFYING THE ARRIVAL, INSPECTION AND RECEIPT OF GOODS AS PER DC TERMS.
- (d) **BENEFICIARY'S** MANUALLY SIGNED **COMMERCIAL INVOICE/TAX INVOICE** IN **FOUR ORIGINALS** SHOWING EXACT QUANTITY SHIPPED.
- (e) **BENEFICIARY'S PACKING-WEIGHT-MEASUREMENT LIST** IN **FOUR ORIGINALS**.
- (f) **CERTIFICATE OF NEPAL ORIGIN** IN **ONE ORIGINAL AND THREE DUPLICATE COPIES** ISSUED AND SIGNED BY **CHAMBER OF COMMERCE**.
- (g) **FULL SET OF ORIGINAL AND TWO COPIES OF NEGOTIABLE INSURANCE POLICY OR CERTIFICATE** ISSUED AND SIGNED BY INSURANCE COMPANY, ENDORSED IN FAVOR OF NEPAL CREDIT AND COMMERCE BANK LTD., CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL FOR **110 PERCENT OF CIF INVOICE VALUE OF THE GOODS IN CURRENCY OF CREDIT** COVERING ALL RISKS AS PER INSTITUTE CARGO CLAUSES "A", INSTITUTE WAR CLAUSES (CARGO), INSTITUTE SRCC CLAUSES (CARGO), INSTITUTE TPND CLAUSE, TERMINATION OF TRANSIT CLAUSE (TERRORISM), DRIVE AWAY RISK AND COVERING **ALL RISKS INCLUDING ROAD RISKS UP TO THE FINAL DESTINATION IN KATHMANDU, NEPAL** AND TRANSSHIPMENT RISKS IF APPLICABLE IRRESPECTIVE OF PERCENTAGE. CLAIMS IF ANY IS PAYABLE IN NEPAL IN CURRENCY OF CREDIT.

18. Additional Conditions;

- (a) SHIPMENT PRIOR TO THE DATE OF THIS CREDIT AND PRIOR TO THE VALUE AMENDMENT IF ANY IS STRICTLY PROHIBITED.

- (b) THE SHIPPER OR CONSIGNOR OF THE GOODS INDICATED ON ANY DOCUMENT MUST BE THE BENEFICIARY OF THIS CREDIT.
- (c) TRUCK RECEIPT (CONSIGNMENT NOTE) MUST CERTIFY ON ITS FACE THE CUSTOM ENTRY POINT AS **BIRGUNJ** CUSTOM OFFICE, **BIRGUNJ NEPAL**.
- (d) GOODS TO BE PACKED IN STRONG, EXPORT STANDARD **ROADWORTHY** PACKING AND IT MUST BE CERTIFIED ON **TRUCK RECEIPT (CONSIGNMENT NOTE)** AND PACKING LIST.
- (e) QUANTITY AND VALUE OF THE CREDIT MORE OR LESS **FIVE** PERCENTAGES ACCEPTABLE BUT THE UNIT PRICE SHOULD REMAIN UNCHANGED **AND SHIPMENT OF EACH ITEM SHOULD NOT BE MORE OR LESS FIVE PERCENTAGE**.
- (f) **COMMERCIAL INVOICE/TAX INVOICE** MUST EVIDENCE APPLICANT'S **TAX CERTIFICATE NUMBER**.
- (g) ALL DRAFTS AND DOCUMENTS CALLED UNDER THIS CREDIT MUST BE EXPRESSED IN ENGLISH AND OR NEPALI LANGUAGE AND MUST BEAR ITS DOCUMENT DATE.
- (h) DOCUMENTS MUST NOT BE DATED PRIOR TO DATE OF THIS CREDIT AND MUST NOT BE POSTDATED FROM THE EXPIRY DATE OF THIS CREDIT.
- (i) THIS CREDIT NUMBER AND CREDIT DATE MUST BE QUOTED ON ALL DRAFTS AND DOCUMENTS REQUIRED.
- (j) BENEFICIARY MUST DISPATCH ONE FULL SET OF NON-NEGOTIABLE DOCUMENTS TO APPLICANT BY **COURIER SERVICE OR FAX/EMAIL AT 977-1-XXXXXXX/APPLICANT(AT)EMAIL.COM** WITHIN **SEVEN** DAYS FROM SHIPMENT DATE AND COPY OF ORIGINAL COURIER AIR WAYBILL ISSUED BY COURIER SERVICE OR **BENEFICIARY'S CERTIFICATE** TO THIS EFFECT OF FAX/EMAIL MUST BE SUBMITTED WITH DOCUMENTS REQUIRED.
- (k) THE APPLICANT WILL COVER TRANSIT INSURANCE.
- (l) IF DISCREPANT DOCUMENTS ARE PRESENTED, UPON WAIVER AND ACCEPTANCE OF DISCREPANCIES AND ONLY AFTER RETIREMENT OF DISCREPANT DOCUMENTS BY THE APPLICANT, WE SHALL **CONFIRM DUE DATE/REMIT THE PROCEEDS**. HOWEVER, **UPON MATURITY**, DISCREPANCY FEE OF **NPR 2,000/-** AND CABLE/POSTAGE CHARGE OF **NPR 50/-** WILL BE DEDUCTED FROM THE PROCEEDS FOR EACH SET OF DOCUMENTS PRESENTED WITH DISCREPANCY.
- (m) THIS SWIFT IS OPERATIVE INSTRUMENT AND NO MAIL CONFIRMATION WILL FOLLOW.
- (n) UNLESS OTHERWISE EXPRESSLY SPECIFIED, THIS CREDIT IS SUBJECT TO ICC PUBLICATION UCP 600 FOR DOCUMENTARY CREDITS, WHICH IS IN EFFECT ON THE DATE OF ISSUE.

19. Charges;

ALL CHARGES OUTSIDE ISSUING BANK'S ISSUING DEPARTMENT ARE FOR BENEFICIARY'S ACCOUNT.

20. Period for Presentation;

DOCUMENTS MUST BE PRESENTED WITHIN **TWENTY-ONE** DAYS FROM SHIPMENT

DATE, HOWEVER, NOT LATER THAN DC EXPIRY DATE.

21. Instruc to Pay/Accpt/Negot Bnk;

- (a) ACCPTG/NEGOTG/PAYG/FORWDG BANK MUST OBTAIN PRIOR APPROVAL FROM ISSUING BANK BEFORE ACPTG/NEGOTG/PAYG/FORWDG DISCREPANT DOCUMENTS.
- (b) ACCPTG/NEGOTG/PAYG/FORWDG BANK MUST ENDORSE EACH ACPTG/NEGOTG/PAYG/FORWDG OF DOCUMENTS ON REVERSE OF ORIGINAL DC AND CERTIFY IT.
- (c) ACCPTG/NEGOTG/PAYG/FORWDG BANK MUST DISPATCH DOCUMENTS TO ISSUING BANK, **CENTRALIZED TRADE FINACE UNIT, CORPORATE OFFICE**, BAGBAZAR, KATHMANDU BY COURIER SERVICE IN ONE LOT WITHIN NEXT DAY OF DOCUMENTS PRESENTATION DATE, HOWEVER, NOT LATER THAN DC EXPIRY DATE.
- (d) **WE SHALL REMIT** PROCEEDS TO ACCPTG/NEGOTG/PAYG/FORWDG BANK ACCORDING TO THEIR INSTRUCTIONS (**ON DUE DATE TO BE CONFIRMED BY US**) UPON RECEIPT OF CREDIT CONFIRM DOCUMENTS IN STRICT CONFORMITY WITH TERMS OF CREDIT AT OUR COUNTER.

22. Advise Through Bank;

NEPAL CREDIT AND COMMERCE BANK LTD
CENTRALIZED TRADE FINACE UNIT, CORPORATE OFFICE, BAGBAZAR,
KATHMANDU

18.8 Annex 8: Specimen of SWIFT LC Amendment (MT707)

-----Message Header-----

Swift Input : FIN 707 Amendment to a Doc Credit
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Sender's Reference
16x NCCB03FC71
21: Receiver's Reference
6x NA
52A: Issuing Bank - BIC
4*35x NBOCNPKA
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
31C: Date of Issue
6n YYMMDD
30: Date of Amendment
6n YYMMDD
26E: Number of Amendment
2n 01
59: Beneficiary (before Amendment)
4*35x XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXX
XXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXX
31E: New Date of Expiry
6n YYMMDD
32B: Increase of DC Amount
3a Currency : USD (US DOLLAR)
15d Amount : #100,#
33B: Decrease of DC Amount
3a Currency : USD (US DOLLAR)
15d Amount : #100,#
34B: New DC Amount After Amendment
3a Currency : USD (US DOLLAR)

15d Amount : #100,#
39A: Percentage Crdt Amt Tolerance
2n/2n 00/00

39B: Maximum Credit Amount
13x NOT EXCEEDING
44A: On Board/Disp/Taking Charge
1*65x XXXXXXXXXX XXXXXXXXXX XXX XXXXXXXXXX XXXXXXXXXX XXXXX
44B: For Transportation to
1*65x XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
44C: Latest Date of Shipment
6n YYMMDD
79: Narrative

35*50 A/M DC IS AMENDED AS FOLLOWING I/O PREVIOUS;

01. **FIELD 48:** DOCUMENTS MUST BE
PRESENTED WITHIN **TWENTY-ONE**
DAYS FROM SHIPMENT DATE,
HOWEVER, NOT LATER THAN DC
EXPIRY DATE.

02. **FIELD 46A:7: CERTIFICATE OF**
USA ORIGIN IN ONE ORIGINAL
AND **THREE** DUPLICATE COPIES
ISSUED AND SIGNED BY **CHAMBER**
OF COMMERCE.

03. **XXXXXXXXX**

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

72: Sender to Receiver Information

6*35x PLS ADVISE THIS AMENDMENT TO THE BENEFICIARY THRU
SCBLUS33

COLLECTING YOUR CHARGES.

18.9 Annex 9: Specimen of Mail LC Amendment

MARCH 2, 2014

L/C EXPORT

NEPAL CREDIT & COMMERCE BANK LTD
CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE
BAGBAZAR, KATHMANDU, NEPAL

WE HERE BY AMEND OUR IRREVOCABLE DOCUMENTARY CREDIT NO. NCCB03NP71001S DATED MARCH 1, 2014. PLEASE ADVISE THIS AMENDMENT TO THE BENEFICIARY WITHOUT ADDING YOUR CONFIRMATION.

01. Sender's Reference;

NCCB03NP71001S

02. Receiver's Reference;

XXX

03. Issuing Bank;

NEPAL CREDIT AND COMMERCE BANK LTD.

CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE
BAGBAZAR, KATHMANDU

04. Date of Issue;

MARCH 1, 2014

05. Date of Amendment;

MARCH 2, 2014

06. Number of Amendment;

01

07. Beneficiary (before Amendment);

BENEFICIARY

ADDRESS

FAX:

TEL:

08. New Date of Expiry;

MARCH 31, 2014 AT KATHMANDU

09. Increase of DC Amount;

NPR 1,000/-

OR

Decrease of DC Amount;

NPR 000/-

10. New DC Amount After Amendment;

NPR 1,001,000/-

11. Percentage Credit Amount Tolerance;

00/00

OR

Maximum Credit Amount;

NOT EXCEEDING

12. On Board/Dispatch/Taking Charge;

KATHMANDU

13. For Transportation to;

KATHMANDU

14. Latest Date of Shipment;

MARCH 16, 2014

15. Narrative;

THIS DC IS AMENDED AS FOLLOWING INSTEAD OF PREVIOUS;

(a) **CLAUSE NO. 17e:** DELETED.

(b) **CLAUSE NO. 48k:** DELETED.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

16. Sender to Receiver Information;

PLEASE ADVISE THIS AMENDMENT TO THE BENEFICIARY.

18.10 Annex 10: Specimen of SWIFT LC Payment (MT202)

-----Message Header-----

Swift Input : FIN 202 General Fin Inst Transfer
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Transaction Reference Number
16x NCCB0371
21: Related Reference
16x XYZ123
32A: Value Date, Currency and Amt
6n Date : 19 November 2013
3a Currency : USD (US DOLLAR)
15d Amount : #100,#
52A: Ordering Institution - BIC
4*35x NBOCNPKA
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
56A: Intermediary - BIC/Name/Addr
SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US
57A: Account With Institution - BIC/Name/Addr
SCBLUS33XXX
58A: Beneficiary Institution - BIC/Name/Addr
//CP1234 (4 digit CHIPS ABA Code)
//0123456789 (Account No. With)
SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US
72: Sender to Receiver Information
6*35x /RECBEN/
/BNF/DISC CHG USD 75 DEDUCTED AS
//PER DC TERMS. BNFREF BP1234567.

18.11 Annex 11: Specimen of SWIFT TT Payment (MT103)

-----Message Header-----

Swift Input : FIN 103 Customer Fin Transfer
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Transaction Reference Number
16x
NCCB0371TT
23B: Bank Operation Code
16x CRED
32A: Value Date, Currency and Amt
6n Date : **19 November 2013**
3a Currency : **USD (US DOLLAR)**
15d Amount :
#100,#
50K: Ordering Customer
4*35x **ACCOUNT NUMBER**
APPLICANT
ADDRESS
(TAX CERTIFICATE NO. **XXXX**)
FAX: 977-1-4XXXXXXX TEL: 977-1- 4XXXXXXX
52A: Ordering Institution - BIC
4*35x NBOCNPKA
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
57A: Account With Institution - BIC/Name/Addr
SCBLUS33XXX
59: Beneficiary Customer
4*35x **ACCOUNT NUMBER/IBAN NUMBER**
BENEFICIARY
ADDRESS
FAX: 977-1-4XXXXXXX TEL: 977-1- 4XXXXXXX
70: Remittance Information

6*35x PAYMENT FOR PURCHASE OF BOOKS AS
PER BEN'S PROFORMA INVOICE NO. 123 DTD
YYMMDD.

71: Details of Charges

6*35x SHA

18.12 Annex 12: Specimen of SWIFT Reimbursement Authority (MT740)

-----Message Header-----

Swift Input : FIN 740 Authorisation to
Reimburse

Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP

Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Documentary Credit Number

16x NCCB0360

31D: Date and Place of Expiry

6n29x YYMMDD AT USA

58D: Negotiating Bank

4*35x XXXXXXXXXX XXXXXXXXXX
XXXXXXXXXX

59: Beneficiary

4*35x XXXXXXXXXX XXXXXXXXXX
XXXXXXXXXX

32B: Credit Amount

3a Currency : USD (US DOLLAR)

15d Amount : #100,#

39A: Percentage Credit Amount Tolerance

2n/2n 00/00

39B: Maximum Credit Amount

13x NOT EXCEEDING

41D: Available With.. By.. - Name/Addr

4*35x ANY BANK IN USA

BY NEGOTIATION

42C: Drafts at...

3*35x SIGHT /180 DAYS FROM B/L
DATE
42A: Drawee - BIC
4*35x NBOCNPKA
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
71A: Reimbursing Bank's Charges
3a CLM
72: Sender to Receiver Information
6*35x XXXXXXXXXX XXXXXXXXXX
XXXXXXXXXX

18.13 Annex 13: Specimen of SWIFT Amendment to an Authorisation to Reimburse (MT747

-----Message Header-----

Swift Input : FIN 747 Amendment to an Authorisation to
Reimburse
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Documentary Credit Number

NCCB0365FC001S

21: Reimbursing Bank's Reference

XXXXX

30: Date of the Original Authorisation to Reimburse

YYMMDD

31E: New Date of Expiry

YYMMDD

32B: Increase of Doc Credit Amount

Currency : **USD (US DOLLAR)**

Amount : **#100,#**

33B: Decrease of Doc Credit Amount

Currency : **USD (US DOLLAR)**

Amount : **#100,#**

34B: New Doc Credit Amt After Amendment

Currency : **USD (US DOLLAR)**
Amount : **#100,#**
39A: Percentage Credit Amt Tolerance
05/05
39B: Maximum Credit Amount
NOT EXCEEDING
39C: Additional Amounts Covered (4*35x)
XXXXX
72: Sender to Receiver
Information
**PMT DUE DATE FOR EIBUS33'S
DOX REF. BP123 OF USD 100.00
IS 071231.**
77A: Narrative (20*35x)
PMT DUE DATE FOR.

18.14 Annex 14: Specimen of SWIFT Advice of Discrepancy (MT750)

-----Message Header-----
Swift Input : FIN 750 Advice of Discrepancy
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US
-----Message Text-----
20: Sender's Reference
NCCB0365FC001S
21: Related Reference
XXXX
32B: Principal Amount
Currency : **USD (US DOLLAR)**
Amount : **#100,#**
71B: Charges to be Deducted
DISC FEE **USD50 AND CABLE CHG **USD25**.**
34B: Total Amount to be Paid
Currency : **USD (US DOLLAR)**

Amount :
#25,#

72: Sender to Receiver
Information

WE ACK RECEIPT OF A/M DOX DTD **YYMMDD**
ON **YYMMDD** ANDNOTED FOLLOWING
DISCREPANCIES.

77J: Discrepancies

1. **FIELD 78:1** NOT COMPLIED WITH. PRIOR APPROVAL FROM US NOT OBTAINED BEFORE ACPTG/NEGOTG/PAYG/FORWD DISCREPANT DOCUMENTS.
2. **FIELD 78:2** NOT COMPLIED WITH. ENDORSEMENT OF DRAWING (ACPTG/ NEGOTG/PAYG/FORWDG OF DOCUMENTS) ON REVERSE OF ORIGINAL DC IS NOT CERTIFIED. YOU ARE KINDLY REQUESTED TO ENDORSE THE DRAWING ON REVERSE OF THE ORIGINAL DC IMMEDIATELY AND CERTIFY IT.
3. **FIELD 31D** NOT COMPLIED WITH. **DC IS ALREADY EXPIRED ON 061220.**
4. **FIELD 44C** NOT COMPLIED WITH. **LATE SHIPMENT** BY 2 DAYS ON **061212** WHEREAS LATEST SHIPMENT DATE IS **061210**.
5. **FIELD 48** NOT COMPLIED WITH. **LATE PRESENTATION** OF DOX BY 4 DAYS ON **060706** WHEREAS DOX MUST BE PRESENTED WITHIN 15 DAYS FROM SHIPMENT DATE **060617**.

WE REFUSE TO HONOUR THE DOCUMENTS, AS THE PRESENTATION DOES NOT COMPLY. WE HAVE INTIMATED DISCREPANCIES TO APPLICANT. MEANWHILE, WE HOLD THE DOX ENTIRELY AT YR RISK, RESPONSIBILITY AND DISPOSAL. HOWEVER, UPON WAIVER AND OR ACCEPTANCE OF DISCREPANCIES, WE RESERVE OUR RIGHTS TO DELIVER DOCUMENTS TO THE APPLICANT **UPON ACCEPTANCE/AGAINST PAYMENT**, UNLESS YOU INSTRUCT US TO THE CONTRARY PRIOR TO RECEIVING THE APPLICANT'S WAIVER OF DISCREPANCIES. AS SOON AS THE APPLICANT ACCEPTS AND RELEASES THE DOX, WE WILL **ADVISE DUE DATE FOR PAYMENT/RELEASE PAYMENT/AUTHORIZE YOU TO CLAIM REIMBURSEMENT** DEDUCTING DISCREPANCY FEE AND CABLE CHARGE OF **USD 75** AS PER DC TERMS. REGDS, TF.

CC: APPLICANT

18.15 Annex 15: Specimen of SWIFT Advice of Discrepancy (MT999)

-----Message Header-----

Swift Input : FIN 999 Free Format Message
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Transaction Reference Number

NCCB0365FC001S

21: Related Reference

XXX

79: Narrative

"ADVICE OF DISCREPANCY"

WE ACK RECEIPT OF A/M DOX DTD **YYMMDD** ON **YYMMDD** AND NOTED FOLLOWING DISCREPANCIES.

1. **FIELD 78:1** NOT COMPLIED WITH. PRIOR APPROVAL FROM US NOT OBTAINED BEFORE ACPTG/NEGOTG/PAYG/FORWD DISCREPANT DOCUMENTS.
2. **FIELD 78:2** NOT COMPLIED WITH. ENDORSEMENT OF DRAWING (ACPTG/ NEGOTG/PAYG/FORWDG OF DOCUMENTS) ON REVERSE OF ORIGINAL DC IS NOT CERTIFIED. YOU ARE KINDLY REQUESTED TO ENDORSE THE DRAWING ON REVERSE OF THE ORIGINAL DC IMMEDIATELY AND CERTIFY IT.
3. **FIELD 31D** NOT COMPLIED WITH. **DC IS ALREADY EXPIRED ON 061220.**
4. **FIELD 44C** NOT COMPLIED WITH. **LATE SHIPMENT** BY **2** DAYS ON **061212** WHEREAS LATEST SHIPMENT DATE IS **061210**.
5. **FIELD 46A:1** NOT COMPLIED WITH. **DRAFT NOT PRESENTED.** HENCE YOU ARE KINDLY REQUESTED TO CONTACT BENEFICIARY AND ARRANGE TO SEND DRAFT AS PER DC TERMS ASAP.
6. **FIELD 47A:8** NOT COMPLIED WITH. **PACKING LIST** PRESENTED **WITHOUT BEARING ITS DOCUMENT DATE.**
7. **FIELD 47A:10** NOT COMPLIED WITH. **CERTIFICATE OF ORIGIN** PRESENTED **WITHOUT BEARING DC NUMBER AND DC DATE.**
8. **FIELD 48** NOT COMPLIED WITH. **LATE PRESENTATION** OF DOX BY **4** DAYS ON **060706** WHEREAS DOX MUST BE

PRESENTED WITHIN **15** DAYS FROM SHIPMENT DATE **060617**.

9. FIELD 43:P AND 45A NOT COMPLIED WITH. PARTIAL SHIPMENT IS PROHIBITED. DC IS OPENED FOR **50 MT** OF GOODS WITH PARTIAL SHIPMENT PROHIBITED WHEREAS DOX ARE PRESENTED FOR PARTIAL SHIPMENT OF **26.120 MT**.

WE REFUSE TO HONOUR THE DOCUMENTS, AS THE PRESENTATION DOES NOT COMPLY. WE HAVE INTIMATED DISCREPANCIES TO APPLICANT. MEANWHILE, WE HOLD THE DOX ENTIRELY AT YR RISK, RESPONSIBILITY AND DISPOSAL. HOWEVER, UPON WAIVER AND OR ACCEPTANCE OF DISCREPANCIES, WE RESERVE OUR RIGHTS TO DELIVER DOCUMENTS TO THE APPLICANT **UPON ACCEPTANCE/AGAINST PAYMENT**, UNLESS YOU INSTRUCT US TO THE CONTRARY PRIOR TO RECEIVING THE APPLICANT'S WAIVER OF DISCREPANCIES. AS SOON AS THE APPLICANT ACCEPTS AND RELEASES THE DOX, WE WILL **ADVISE DUE DATE FOR PAYMENT/RELEASE PAYMENT/AUTHORIZE YOU TO CLAIM REIMBURSEMENT** DEDUCTING DISCREPANCY FEE AND CABLE CHARGE OF **USD 75** AS PER DC TERMS. REGDS, TF.

CC: APPLICANT

18.16 Annex 16: Specimen of SWIFT Advice of Acceptance (MT412)

-----Message Header-----

Swift Input : FIN 412 Advice of Acceptance
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Transaction Reference Number

NCCB0365FC001S

21: Related Reference

XXX

2A: Maturity Date, Currency Code, Amount Accepted (3a, 15d)

Maturity Date : XXXXXX

Currency : **INR (INDIAN RUPEES)**

Amount Accepted :

#XXXXXX,#

72: Sender to Receiver Information

18.17 Annex 17: Specimen of SWIFT Advice of Due Date (MT999)

-----Message Header-----

Swift Input : FIN 999 Free Format Message
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Transaction Reference Number

NCCB0365FC001S

21: Related Reference

XXX

79: Narrative

"ADVICE OF DUE DATE"

WE ACK RECEIPT OF A/M DISCREPANT DOX FOR **USD 100**. APPLICANT HAS ACCEPTED DISCREPANCY. WE CONFIRM DUE DATE OF THE DOCUMENTS FOR PAYMENT AS **FEBRUARY 5, 2007**. ON DUE DATE, **WE WILL REMIT THE PROCEEDS/YOU ARE AUTHORIZED TO CLAIM REIMBURSEMENT FROM AEIBUS33** DEDUCTING DISCREPANCY FEE AND CABLE CHARGE OF USD 75 AS PER DC TERMS. REGDS, TF.

18.18 Annex 18: Specimen of SWIFT Advice of Discharge (MT732)

-----Message Header-----

Swift Input : FIN 732 Advice of Discharge
Sender : NBOCNPKAXXX
NEPAL CREDIT AND COMMERCE BANK LTD.
KATHMANDU NP
Receiver : SCBLUS33XXX
STANDARD CHARTERED BANK
NEW YORK, NY US

-----Message Text-----

20: Sender's TRN

NCCB0365FC001S

21: Presenting Bank's Reference

XXXX

30: Date of Advice of Payment/Acceptance/Negotiation

YYMMDD

32B: Amount of Utilisation

Currency : **USD (US DOLLAR)**

Amount **#100,#**

72: Sender to Receiver Information

RTY **MT799** DTD **070205**,
APPLICANT HAS ACCEPTED
DISCREPANCY MENTIONED ON
YOUR THAT MSG. YOU ARE
AUTHORIZED TO
ACPTG/NEGOTG/ PAYG/FORWD
DOCUMENTS DEDUCTING
DISCREPANCY FEE AND CABLE
CHARGE OF **USD 75** AS PER DC
TERMS. REGDS, TF.

CC: APPLICANT

18.19 Annex 19: Specimen of Documentary Bill Schedule

DOCUMENTARY BILL SCHEDULE

Mail To		Date	March 28, 2016						
		Our Reference No.	NCCB0365BP001F01						
		Presenting Bank							
		NEPAL CREDIT & COMMERCE BANK LTD. CENTRALIZED TRADE FINANCE UNIT, CORPORATE OFFICE, BAGBAZAR, KATHMANDU, NEPAL POST BOX NO.: 12559, TEL: +977-1-42446911, FAX: 4244610 SWIFT: NBOCNPKA, CHIPS UID 634533							
<p>We enclose under noted documents negotiated by us as under for your acceptance and payment certifying endorsement of negotiated amount on reverse of original Documentary Credit. We certify that the documents constitute a complying presentation, unless otherwise stated herein.</p>									
DC No.	XXXXXXXXXXXXXXXXXXXX	Draft No. & Date	XXX DTD YYMMDD						
DC Date	YYMMDD	Draft Amount	USD 100						
Issuing Bank	AEIBUS33-AMEX NY XXXXXXXXXXXXXX	Tenor	SIGHT						
Drawee	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXX	Drawer	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXXXXX						
Shipment Date	YYMMDD								
Port of Loading	KATHMANDU TIA / CALCUTTA								
Port of Discharge	SINGAPORE/HONG KONG								
Goods/Services	GOODS AND OR SERVICES								
DOCUMENTS ATTACHED									
Draft	B/L	Com. Inv.	P/L	C/O	Insur rn Cert	Inspe cn Cert	Benf 's Cert	Othe r Dox	Courier AWB
2/2	3/3	3/3	3/3	3/3	2/2	1/1	1/1	1/1	1/1

SPECIAL INSTRUCTION TO ADDRESSEE BANK

1. Documents are dispatched by **DHL** courier service **AWB No. 120 2158 812.**
2. Please acknowledge receipt of the enclosures.
3. In all communications please quote our above-mentioned Reference Number.
4. For usance documents, please advise us due date by authenticate SWIFT/Mail.
5. Your all cost and charges are payable by applicant.
6. Deduction of your Discrepancy charges from the proceeds without advising us will not be acceptable to us. You must provide us with details of discrepancy and obtain our prior approval before deducting any charges there under.

PAYMENT INSTRUCTION

Please remit the proceeds to us by SWIFT via CHIPS UID **364533** (We have lodged our reimbursement claim to the reimbursement bank **SCBLUS33** as per DC terms by SWIFT) quoting our above-mentioned Reference Number for credit to our USD A/C No. **3582077440001** with Standard Chartered Bank, New York, USA. (NRS A/C No. **1205112 041 000 524** with Nepal Rastra Bank, Kathmandu, Nepal.)

Authorized Signature

Authorized Signature

18.20 Annex 20: Specimen of Export LC Customs Covering

NCC Bank

नेपाल क्रेडिट एण्ड बैंक

Nepal Credit & Commerce Bank Ltd.

G.P.O. Box:12559

Bagbazaar, Kathmandu, Nepal

Tel: 227415,246105

Fax:977-1-244610

Government of Nepal

.....
Customs Office.

Dear Sirs,

Date:

OUR REF:

RE: LETTER OF CREDIT NO. :

ISSUED BY :

AMOUNT :

SHIPMENT/ VALIDITY DATE :

IMPORTER :

EXPORTER :

We have received amendment on/ above-mentioned Letter of Credit and we enclose certified copy of the credit for clearance.

Yours faithfully,

Authorised Signature

Authorised Signature

18.21 Annex 21: Specimen of Export LC Advising Covering

NOTIFICATION OF IRREVOCABLE DOCUMENTARY CREDIT

Date

Our Ref. No.

Issuing Bank:

Ref. No. of Issuing Bank:

Beneficiary:

Amount:

We have been informed by our aforementioned correspondent that the above-mentioned documentary credit has been issued in your favor. Please find enclosed the advice intended for you.

Please check the credit terms carefully. In the event that you do not agree with the terms and conditions or if you feel unable to comply with any of the terms and conditions, please arrange an amendment of the credit through your contracting party (the applicant for the credit).

- This notification and the enclosed advice are sent to you without engagement on our part.
- As requested by our correspondent, we hereby confirm the above-mentioned Credit.

Yours faithfully,

For: Nepal Credit & Commerce Bank Ltd.

Authorised Signature

Authorised Signature

Advice for beneficiary

18.22 Annex 22: Specimen of Advance Payment Certificate

Serial No.

Date:

ADVANCE PAYMENT CERTIFICATE FOR EXPORT

1. Name of the Firm Receiving
Foreign Currency :

Address :

Account No. :

Date of Credit :

2. Foreign Currency Remitter:

Address :

Name of the Goods to Export:

Quantity :

Value Of Goods :

Freight :

Others :

3. Received Foreign Currency Amount : Rate

Equivalent NPR (In Words)

4. Remitting Agency Bank's Name :

Address :

Ref. No.: Agency Credit Date:

5. Mode of Receipt : Draft/SWIFT/Payment Order/Others
:

Above Foreign Currency is received as per prevailing rules of
Bank.

Authorized Signature

Authorized Signature

Note:

1. CC To - His Majesty's Govt. Tribhuvan International
Airport/Birgunj Custom /Biratnagar Customs.
2. CC To - Nepal Rastra Bank, Central Office, Foreign Exchange
Department.

3. CC To - Department of Commerce
Note: Air Freight Issued Our Ref. No. Permit/
Dated.....For.....Against This Payment.

18.23 Annex 23: Application for Acceptance and Retirement of Import Documents

Trade Finance Department

Date :

Nepal Credit & Commerce Bank Ltd

Application for Acceptance and Retirement of DC/DAP/DAA Documents

Applicant :

DC/DAP/DAA No. : NCCB Date :

Documents Reference No. : Date
:

Tenor : SIGHT USANCE DAP DAA
.....

Documents Retirement : COPY ORIGINAL

Documents Payment By : TR LOAN FULL CASH PAYMENT

Documents Value :

Invoice No. and Date : Date :

B/L AWB C/N No. and Date : Date :

Nepal Invoice No. and Date : Date
:

We here by request you to endorse and release above-mentioned Sight Usance DC DAP DAA COPY ORIGINAL documents for Indian and or Nepalese Custom Office in our favor or favoring our clearing agent for the release of consignment. The consignment is about to arrive/has already arrived at the Port Airport Custom Site Store. We hereby accept all the discrepancies, if any, in the original documents which you will receive later have received. Please debit our operative account with you for necessary amount.

For settlement of Sight DC/DAP documents at sight; For settlement of usance DC/DAA documents upon its maturity, upon arrival of original usance DC/DAA documents; please provide us document value's% TRUST RECEIPT LOAN for days @.....% p. a. interest and% loan service charge and debit our operative

account with you for remaining payment at your counter exchange rate. Upon maturity of Trust Receipt Loan, please debit our operative account with you for settlement along with interest.

We hereby also agree that the amount so far collected by you applying prevailing counter exchange rate for the retirement of this SIGHT DC/DAP COPY documents will be the final exchange rate. We hereby accept all the discrepancies, if any, in the original documents, which will be received by the bank at the later date, and we hereby undertake for not lodging any complain and/or compensation for the payments made against the retired document.

Please issue ... % NRB Cheque for Custom Office and or held ... % NRB Customs Margin. (for convertible foreign currency imports only)

Please handover the documents to our staff whose name and signature appears below.

.....
.....
Stamp and Signature(s) of Applicant
Signature of Staff

Name and

Operative Account No. :

18.24 Annex 24: Application for Collecton / Negotiation of Export Documents

Trade Finance Department

Date :

.....
Nepal Credit & Commerce Bank Ltd

Application for Collection Negotiation With Recourse of Export DC Documents

Applicant :

NCC Ref. No. : NCCB.....

DC No. and Date : Date :

Tenor : SIGHT USANCE

DC Value :

Documents Value :

We here by request you for the **Collection** **Negotiation With Recourse** of above-mentioned export documents. Please endorse and dispatch documents to concerned bank for realization and debit our operative account with you for necessary charges.

For Collection (Doc Bill Collection);

Upon realization of documents;

- Please credit our USD Operative/Margin Account with you.
- Please credit our NRS Operative Account with you in equivalent at your counter exchange rate.

For Negotiation (Doc Bill Purchase);

- Please credit our USD Operative/Margin Account with you.
- Please credit our NRS Operative Account with you in equivalent at your counter exchange rate.
- Upon realization of documents, we hereby agree for the settlement of the short amount at your counter exchange rate of the date of realization and authorize you to debit our operative account with you for the short amount, if any.
- Upon realization of documents, please debit our operative account with you for interest for delay in realization, if any.

.....
Stamp and Signature(s) of Applicant

Operative Account No. :

18.25 Annex 25: Application for Pre-Shipment / Post-Shipment Loan

Trade Finance Department

Date :

.....
Nepal Credit & Commerce Bank Ltd

Application for **Pre-Shipment** **Post-Shipment** Loan

Applicant :

NCC Ref. No. : **NCCB**.....

DC No. and Date :Date :.....

Tenor : **SIGHT** **USANCE**

DC Value :

Documents Value :

Purpose of Loan :

We here by request you to provide us DC/document value's%
 Pre-Shipment **Post-Shipment** Loan of Rs. for days or up to DC Expiry/Usance documents' due date @.....% p. a. interest and% loan service charge under above-mentioned export DC/documents and credit our operative account with you. Upon maturity of Pre/Post Shipment Loan or upon Negotiation/Collection of export documents, please debit our operative account with you for settlement of Pre/Post Shipment Loan along with interest.

.....
Stamp and Signature(s) of Applicant

Operative Account No. :

18.26 Annex 26: Application for Validity Extension / Amendment of Bank Guarantee

Trade Finance Department

Date :

Nepal Credit & Commerce Bank Ltd

Application for Validity Extension/Amendment of Bank Guarantee

Applicant :

Request : Validity Extension Amount De/Increase
Amendment

Bank Guarantee No. : NCCB Date :

Type : BB PB APG OTHER

Amount :

Present Validity :

Beneficiary :

Amount De/Increase : By

Validity Extension : For next Days/Months/Years from
present validity

New Amount :

New Validity :

Other Amendments :

We here by request you for Validity Extension Amount Decrease
 Amount Increase Amendment of above-mentioned Bank Guarantee.
Please debit our operative account with you for necessary charges.

Please handover the documents to our staff whose name and signature appears below.

.....

Stamp and Signature(s) of Applicant

Name and

Signature of Staff

Operative Account No. :

.....

Part G – Procedural for Centralization Process of Trade Operation

19. Procedural for Centralization Process of Trade Operation

Centralized Trade Finance Unit will cover Import/Export Documentary Credits, Documentary Bills, Advance Payment (TT), Document Against Payment and Guarantee. The operation will be carried out by two units, (a) Centralized Trade Finance (CTF) at Corporate Office, Bagbazar and (b) Trade Operation at Branch (TOB). Trade Operations at the Branch will act as the contact point directly interacting with customers of the respective branch and the CTF.

19.1 Issuance of Import Letter of Credit and its amendment:

Trade Operations at Branch (TOB)

- Receives all required documents from applicant, verifies/scrutinizes and forwards all compliant documents to CTF thru email or fax and original documents will be sent by courier. In case of valley branches, same can be done thru messenger service or if the customers feel convenient, they may deliver same documents directly to CTF.
- Provides approved approval sheet for the further process to CTF. If approval sheet needs approval from higher authority thru Credit Risk Department, Corporate Office, Bagbazar, Kathmandu, same approval to be sent directly to CTF instead of branches.

Centralized Trade Finance (CTF)

- Checks availability of fund in customer's account before processing of LC. Any shortfall amount to be communicated to concerned ROs/RMs/BMs of the branches concerned.
- Process LC after the received of verified application and required documents and approved approval sheet.
- Checks for compliance of NRB, Govt and internal circular/regulations related to LC.
- Ensures the text content of the LC as per the application and dispatches the same.
- Prints and forwards the customer debit/credit advice to respective branch. In case of urgency branches may print the same at the branch.
- Creates new file for each LC.
- Reports NRB for the issuance/amendment of LC.

TOB

- Inquires with CTF whether the LC has been issued and verified.

- Once the LC is verified by CTF, prints the desired number of copies and delivers to the customer after getting reviewed and signed by the authorized signatories in the branch.

19.2 Forward Booking

TOB

- Trade operations at branch will receives forward contract application from the customer and confirm forward rate with Treasury and advice the same to the customer and once the contract is finalized with customers then photo copy of forward booking contract/agreement letter signed by the authorized signatory of the Treasury and the customer has to be sent to CTF.

CTF

- After receipt of the agreement/contract copy, books it into the system if it allows or keeps record manually in separate register and also keeps it in concern LC file.
- Provides the list of expired contract to the branch for further extension if require.

19.3 Documents checking and settlement

CTF

- Will checks the documents for conformity with LC terms and conditions.
- Forwards the documents along with covering letter of negotiating/presenting bank to the respective branch after retaining one set of documents and also intimate discrepancies if any.
- Intimate the discrepancies if any to the negotiating/presenting bank.

TOB

- At the end of every day, checks the list sent by CTF and ensures all the documents are as per the list, if not, follow up with CTF for non receipt of any missing documents if any.
- Prints the intimation letter after receipt of the documents and advises the applicant of the arrival of the documents.
- Advise CTF of the acceptance or rejection of the documents by the applicant within three working days after receipt. (although UCP says five day but communication from customer to branch may take time we can discuss on it)
- Forwards the acceptance of the customer to CTF (along with approved approval sheet in case import loan is to be booked for the bill).

CTF

- After receipt of customer's acceptance of documents, processes for the realization/acceptance of the bill and effects payment or communicates maturity date (in case of usance bills) to the presenting/negotiating bank.
- In case of clean documents regardless of the acceptance by the customer, CTF will without fail release payment/advise acceptance (maturity) of documents to the presenting bank within five working days (as per UCP 600) by booking into PAD-Payment Against Documents Loan (BLC- Bills against Letter of Credit) for sight LC. In case of usance LC, send maturity date to the negotiating/presenting bank after booking bill amount in acceptance liability.

TOB

- If the customer has requested to endorse the BL in favor of clearing agent not listed in the bank's panel, obtains approval for the same from Head Trade Finance.
- Delivers the documents (for Calcutta and or Custom purpose) to the customer after ensuring that the customer has been charged for the document value or acceptance. For this, Trade Operations at branch should check the status of the bill and should ensure that the realization of bill along with the related transaction has been verified. The same is to be noted on the office copy of the documents.
- Prepares BBN 4 and NRB margin cheque (for the amount entered by CTF).
- Forwards the third and fourth copy of the BBN 4 to CTF.
- In liaison with CTF, makes follow-up with customers for submission of Pragyapan Patra etc.
- Due record of such follow-up of outstanding submissions to be maintained by Trade Operations at Branch.

CTF

- After receipt of BBN4 from Branch, records the same in the system or register.
- Reports NRB for the settlement of LC and forwards the third copy of BBN 4 to NRB.
- Reports NRB for non-submission of such BBN 4 fortnightly.
- In liaison with the branch will follow up for the submission of Pragyapanpatra.

19.4 Settlement by copy documents**TOB**

- Receives copy documents from the customer along with the authority (acceptance of discrepancies to be mentioned) letter in the bank's prescribed format. (In case of valley branches, copy documents may be received directly at CTF)
- Immediately forwards to CTF the all required documents (customer's request, commercial invoice, insurance policy, transport document) along with approved approval sheet in case import loan is to be booked for the bill.

CTF

- Checks the documents and realizes the same after charging the customer for the same.
- The process thereafter will be same as in the case of original documents.

TOB

- Prepares BBN 4 and NRB margin cheque and delivers the documents to the customer after ensuring that the customer has been charged for the document value.
- Forwards the full set of documents and the copies of BBN 4 to CTF.
- In case of urgency, branch can itself realize the copy documents after blocking the customer account and handed over to the customer on case to case basis. Copies of those documents are to be forwarded to CTF for actual settlement of documents from blocked amount.

CTF

- After receipt of original documents, releases payment to the negotiating/presenting bank or will confirm maturity (in case of usance bills) after verifying the documents and deducting necessary discrepancy and other charges if any.

19.5 Rejection of Discrepant Documents by the customer**TOB**

- Receives customer's rejection letter of the documents along with the details of further course of action regarding disposal of documents and forward to CTF.

CTF

- After receipt of the customer letter for rejection of documents, notifies the presenting bank that the customer has refused to accept the discrepancies as notified earlier and the documents are being held at the risk and disposal of the presenting bank.
- Follow up with TOB for further course of action regarding the disposal of documents, if not already provided.

TOB

- If the documents are finally to be returned, obtains customer's request accordingly along with the authority to debit customer's account for necessary handling charges (CTF may ask these charges with presenting bank also).
- Forwards the documents to CTF along with Branch recommendation to return the documents unpaid and authority to debit customer's account for necessary charges.

CTF

- Notifies the presenting bank that the documents are being returned.
- Returns the documents to the presenting bank.

19.6 Guarantee**TOB**

- Receives application, contract paper and any other additional documents as per the requirement of Gtee from the customer.
- Verifies/scrutinizes the application for compliance and forwards the same to CTF by email/fax.
- Provides approved approval sheet to CTF. If the approval sheet is required to be sent beyond the branch for approval or HO the final approving authority will route the approved approval sheet to CTF and to the respective branch. Branches may maintain a record of applications and approval sheet sent to CTF and credit risk dept and track when the same has been approved and processed.
- The original applications will be sent by courier to CTF.

CTF

- Checks availability of fund in the customer's account before processing of Gtee. Any shortfall of fund to be communicated to the respective ROs/RMs/BMs of the branch itself. CTF will normally not process the GTee without availability of fund/limit unless the same is approved by appropriate authority.
- Processes Gtee after receiving the verified application and approved approval sheet.

- Checks for compliance of NRB and other internal regulations regarding issuance of the GTEE.
- Charge customer account for necessary commission and margin and books liability.
- Prepares and keeps Gtee file.

TOB

- Prints the gtee from system (received from CTF by email/fax) and signs once it is issued and verified by CTF.
- After ensuring that the customer has been charged for the necessary commission and margin, delivers the signed copy of the gtee to the customer.
- Gtee shall mention that any claim; under the Gtee to be lodged at the counters of the respective branch.

19.7 Invocation

TOB

- Advices the claim received under the gtee to the customer on a pre printed intimation letter.
- Forwards the claim letter and a copy of the intimation letter along with respective account ROs/RMs/BMs comment for further action to CTF.

CTF

- Books the claims in memo account/manual register and will prepare exhibits of all such outstanding claimed under gtee.
- Follow up the respective branch for the settlement of the gtee claim.
- If release letter or request for extension (along with necessary approval for extension) is not received within reasonable time as specified in the circular, CTF will honor the claim and release the payment to the beneficiary as requested. If the customer's operative account does not have sufficient balance, the same shall be overdrawn or Force Loan to be booked to honor the claim, however a memo to the respective BM/RM/RO will be forwarded before debiting the account.

19.8 RELEASE

TOB

- Forwards the release letter received from beneficiary to CTF.

CTF

- CTF will carry out further process of release and refund of margin, if any.

19.9 Issuance/amendment of Counter Gtee

- All the counter gtee will be issued from CTF. Delivery of the gtee to the beneficiary by the branch itself in case of outside the valley branches.

19.10 Export LC Advising

CTF

- All the export LCs received through SWIFT shall be handled by CTF.
- CTF will record the LC in the system or in register and will print the arrival advice.

- CTF will forward the arrival advice along with certified copy of LC to the customer directly (wherever possible) or thru the branch.
- Original LC copy will be retained by CTF if pre-shipment loan is provided against such LC.

TOB

- For LCs received directly at the branches, same will be routed to CTF from the branches by fax or email after scanning and original copy to be sent thru courier after retaining a copy for branch record.
- For such LCs, TOB will print the arrival advice itself once it is lodged or recorded by CTF.
- Delivers the arrival advice along with the copy of LC retained at the branch.
- For LC received at CTF, TOB will deliver the arrival advice along with the LC to the customer once it is received from CTF.

19.11 Document Negotiation/Collection

TOB

- Receives the export documents from the customer.
- Verifies the customer's request.
- Scans all the documents (one copy of each) and forwards to CTF along with customer's request.

CTF

- Checks the documents received from branches.
- CTF can directly receive the documents from the customers wherever possible.
- Advises the status of documents (clean or discrepant) to the branch/customer along with the lists of discrepancies (if any).

TOB

- Communicates the customer of the discrepancies (if any).
- Wherever possible the branch will get the discrepancies rectified by the customer.
- TOB prepares approval sheet (wherever applicable) highlighting the discrepancies.
- Forwards the approved approval sheet to CTF. If the approval sheet is required to be sent beyond the branch for approval, the final approval sheet approving authority will route the approved approval sheet to CTF and not to the respective branch, they may maintain a record of applications approval sheets sent to CTF and credit risk dept can track when the same has been approved and processed.

CTF

- After receipt of approved approval sheet, CTF will lodge/purchase/negotiate the documents.
- Applies the proceeds as instructed in the approval sheet.

TOB

- Prints the covering schedule for the bill.
- Forwards the documents to the issuing bank. Alternately, the documents can be forwarded to CTF along with the approved approval sheet from the branch. CTF will print the covering schedule and forward the documents to the issuing bank.

19.12 Realization of Export Bills

CTF

- CTF will follow up the issuing bank for nonpayment/acceptance of bills within reasonable time.
- CTF will realize the bills once payment of the same is confirmed through the Nostro.
- Any less payment which needs NRB approval will be referred to NRB by CTF, copy of which will be given to the respective customer thru branches.
- Payment of any back to back import LC to be effected after the realization of export bills will be tracked by CTF.
- Settlement of Pre-shipment Loan outstanding to be done after realization of collection documents.

TOB

- Upon customer's request, issues payment certificate for the realized bills. (which can be confirmed from System)

19.13 Rejection of Export Bills

CTF

- Document refusal advice received from the issuing bank will be forwarded to respective customer thru the branch.
- Will correspond with the issuing bank as per the customer's message.
- Will debit customer's account if the documents are returned unpaid.
- Returns the documents to the customer thru the respective branch.
- Reports NRB on periodical basis for such unpaid documents.

TOB

- Delivers the returned documents to the customer.
- Represents the documents if so requested by the customer.

19.14 Outward Documentary Collection/Purchase (without LC)

TOB

- Receives the export documents from the customer.
- Verifies the customer's request.
- Prepares approval sheet (wherever applicable).
- Forwards the approved approval sheet to CTF. If the approval sheet is required to be sent beyond the branch for approval, approving authority will route the approved approval sheet to CTF and not the respective branch. Branches may maintain a record of applications and approval sheets sent to CTF and credit risk dept track when the same has been approved and processed.
- Scans all the documents (one copy of each) and forwards to CTF along with customer's request and approved approval sheet.

CTF

- Checks the documents received from branches.
- CTF can directly receive the documents from the customers wherever possible.

- After receipt of approved approval sheet, CTF will lodge/purchase the documents.
- Applies the proceeds as instructed in the approval sheet.

TOB

- Prints the covering schedule for the bill.
- Forwards the documents to the collecting bank. Alternately, the documents can be forwarded to CTF along with the approved approval sheet from the branch. CTF will print the covering schedule and forward the documents to the collecting bank.

19.15 Realization of Export Bills (without LC)

CTF

- CTF will follow up the collecting bank for nonpayment/acceptance of bills within reasonable time.
- CTF will realize the bills once payment of the same is confirmed.
- Any less payment which needs NRB approval will be referred to NRB by CTF, copy of which will be given to the respective customer thru the branches.

TOB

- Upon customer's request, issues payment certificate for the realized bills (which can be verified from System).

19.16 Rejection of Export Bills (without LC)

CTF

- Document refusal advice received from the collecting bank will be forwarded to respective customer thru the branches.
- Will correspond with the collecting bank as per the customer's message.
- Will debit customer's account if the documents are returned unpaid. (In case of purchased bills)
- Returns the documents to the customer thru the respective branch.
- Reports NRB on periodical basis for such unpaid documents.

TOB

- Delivers the returned documents to the customer.
- Represents the documents if so requested by the customer.

19.17 Inward Documentary Collection (without LC)

- Inward Documentary Collection will be centralized within valley branches only. Since the documents are forwarded by the presenting bank directly to customer's branch, re-routing them again to CTF is not practical and efficient. For valley branches, all such documents will be received at CTF.
- Lodges the documents in the system/maintain manual register.
- Prints the intimation letter after receipt of the documents and advises applicant of the arrival of the documents.
- After receipt of customer's acceptance of documents, processes for the realization/acceptance of the bill and effects payment or communicates maturity date (as per approval, in case of usance bills) to presenting bank.

- Delivers the documents to customer after ensuring that the customer has been charged for the document value or acceptance (as per approval, in case of usance bills).
- Records the BBN 4 in the system.
- Reports NRB of non-submission of such BBN4
- Will follow up for the submission of Pragyapan Patra.

19.18 Rejection of Documents

CTF

- Receives customer's rejection letter of the documents along with the further course of action regarding disposal of documents.
- After receipt of the customer letter for rejection of documents, notifies the presenting bank that the customer has refused to accept the documents and is being held at the risk and disposal of the presenting bank.
- If the documents are finally to be returned forwards the documents to the presenting bank and will claim the incurred charges.

19.19 Reporting/Follow ups

- All NRB and internal reporting regarding Trade Finance Operation shall be done by CTF.
- Any queries regarding Trade Finance to be routed to CTF.
- Queries requiring customer intervention shall be forwarded to Trade Operations at Branch and will be responded after receipt of customer's instruction.
- MIS coding and CIC/form no 1 coding will be done by the branches for the time being.

19.20 Responsibilities of the Branch Manager/RM/RO at the respective branch

- BM/RM/RO will obtain the approval of concerned authority for transactions to carry out pending any documentation and will also indicate the expected date of submission of such documents.
- BM/RM/RO will be responsible for obtaining such pending documents within the time stipulated in the approval as obtained above.
- Non submission of such pending documents within the stipulated time will be reported to Chief Operating Officer with copy to Head Credit Risk Dept whoever appropriate.
- Repetition of such cases may result the dishonor of the customer's other request pending any documentation.
- If the balance in customer's operative account is not sufficient for the charges regarding issuance/amendment/advising/settlement of LC/Gtee etc for which approval sheet is already approved, CTF will overdraw the account without obtaining further approval. Respective BM/RM/RO will be responsible for regularizing the account/collecting the overdrawn amount. However CTF will not process the transactions if the balance is insufficient for amount other than these charges without receiving appropriate approval to overdraw.
- BM/RM/RO will also be responsible for following up the customer for any overdue liabilities.
- BM/RM/RO will obtain BCI report of the requested party. BM/RM/RO will also be responsible for assessing the information/risk and to ensure that the report is acceptable for us to effect the transaction with that particular party
- RO/RM/BM of concerned branch has to (1) process memo for approval from competent authority for requested facilities (2) obtain/execute complete set of security, charge and compliance documents/documentation as per the approval (3) do

needful/request for insertion/updating/maintenance/renewal of the limits of the approved regular/one-off facilities on prevailing banking accounting system (Pumori Plus) accordingly thru Centralized Credit Administration Unit (4) provide complete set of copies of a) firm registration/renewal certificate b) PAN registration certificate c) income tax clearance certificate of last fiscal year d) Article of Association and Memorandum of Association e) list of Board of Directors with their corporate title and share holding composition duly attested by office of company registrar f) board minute/authorization letter regarding authorized signatories and stamp for operation of non-funded and funded facilities of LC/Gtee/DD/TT/DAP/DAA/TR/PC/PS/BP/BC under import/export/guarantee business g) approved credit appraisal memo h) facility offer/sanction letter accepted by the customer and i) originals of facility application forms of the customers of the branch, with signatures and stamp on the application forms being verified by the compliance officer/authorized signatory of the branch to Centralized Trade Finance Unit for ultimate operation/execution of the approved facilities of Guarantees/LCs. CTFU is just an operation department in corporate office.