

DOCUMENTARY CREDIT



What Is Credit ?

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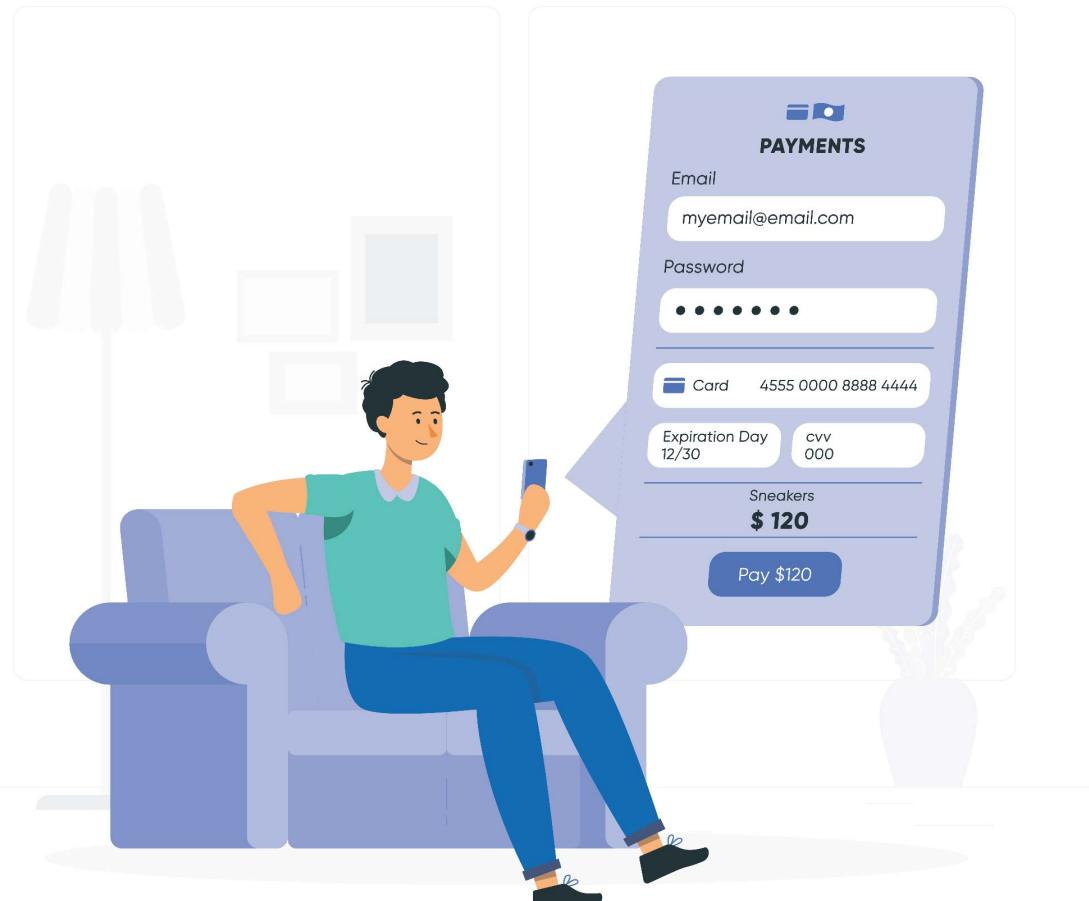
Credit In Simple Terms Is A Gap Period Between 2 Parties When The Payment Will Be Settled. So Instead Of Advance Payment They Agree On Credit Period (A Gap Or A Time Duration) Of Certain Days When Payment Is Done.



What Is Documentary Credit ?



Documentary Credit Which Is Also Called Letter Of Credit It Is A Conditional Payment Method Between Buyer And Seller Where The Buyers Bank Gives A Guarantee On Behalf Of Buyer To Seller For The Payment To Obtain The Shipping Documents Under Which Trade Is Done But On The Condition That All Terms Are Met Mentioned In The Credit.



WHY IT IS CALLED **CONDITIONAL PAYMENT METHOD ?**

Documentary Credit By Nature Itself Is Conditional As There Are Documents And Conditions Mentioned In The Credit Which Needs To Be Fulfilled By The Beneficiary (Seller) To Get Paid Under The Credit. If Conditions Are Not Met Then Issuing Bank (Buyer Bank) Has The Right To Reject The Payment And Return Back The Documents To The Beneficiary (Seller)

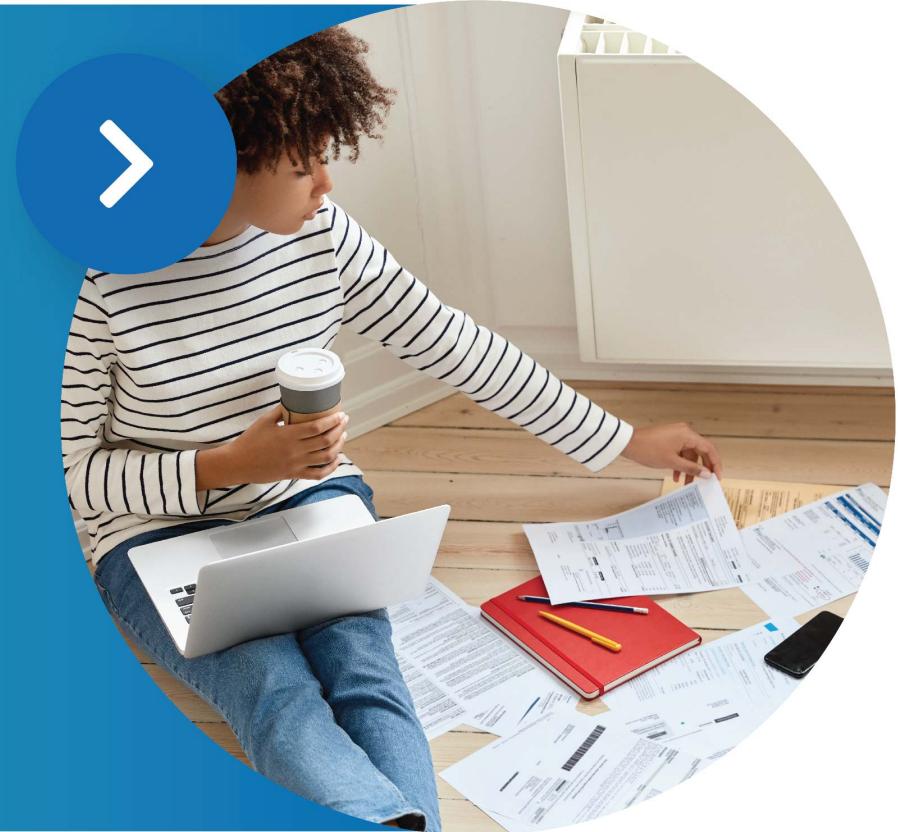


ARE ALL DOCUMENTARY CREDIT IRREVOCABLE ?

Yes, All Documentary Credits Are Irrevocable By Law Of Credit. As Only Party Which Is Allowed To Revoke The Credit Is Beneficiary Of The Credit. Rest Parties Can Only Request But Without Beneficiary Approval Cancellation Of A Credit Is Not Allowed.

TYPE OF CREDIT IN DOCUMENTARY CREDIT ?

There Are 2 Types Of Credit Under
Documentary Credit:



SIGHT USANCE

Sight:

This Type Of Credit Is Most Secured Credit For Seller As In This Credit Buyer Can Only Collect The Shiping Document Only After Accepting The Payment To Be Released Same Time When Documents Are Handed Over Him.

Usance:

Majority Buyers Prefer To Have Longer Period For Repayment Example 90 Days From Date Of Presentation So Seller Has To Wait For 90 Days For Their Payment To Come. This Only Works For Clients Whose Banks Are Financing Them For The Deals And Is Not A Cash Facility Or Conditional Facility.



WHAT TYPE OF FACILITY DOES BANKS AND OTHER FINANCIAL INSTITUTIONS PROVIDE TO ISSUE THE GUARANTEES:

MAJOR THERE ARE 3 TYPES OF FACILITIES
BUYER CAN GET:



- **Cash Facility**

Cash Facility Is When Buyer Has To Keep 100% - 110% Cash Margin Of The Amount Of Which They Want To Issue The Documentary Credit. So, To Issue Them Sight Or Usance Of The Same Value For Them As They Have To Block Those Funds For The Period The Credit Is Valid.

- **Credit Facility**

Credit Facility Is When Bank Or Other Financial Institutions Is Financing The Transaction To The Buyer And Charging Them Certain Percentage (%) For It. They Will Be Having Different Set Of Charges For Sight And Usance. Longer The Credit Period, Higher Will Be The Charges To The Buyer.



- **Conditional Facility**

Conditional Facility Is Not A Practice Of Many Banks Or Other Financial Institutions And Do Not Work Under This Model. This Model Is High Risk As This Model Is Unsecured Letter Of Credit Is Issued On Behalf Of The Buyer To The Seller. But No Cash Margin Is Taken From The Buyer And If Any Documents Are Submitted For Payment, They Can Only Be Settled If Buyer Pays For The Documents. In This Type Of Credit, Sight And Usance Transaction Are Handled In The Same Way. Released Against The Payment Only.



HOW DOCUMENTARY CREDIT IS USED IN TRADE?



As Per International Trade Study Conducted By Various Associations, It Was Found That An International Trade Is Segregated In 4 Parts When It Comes To Payment Methods:

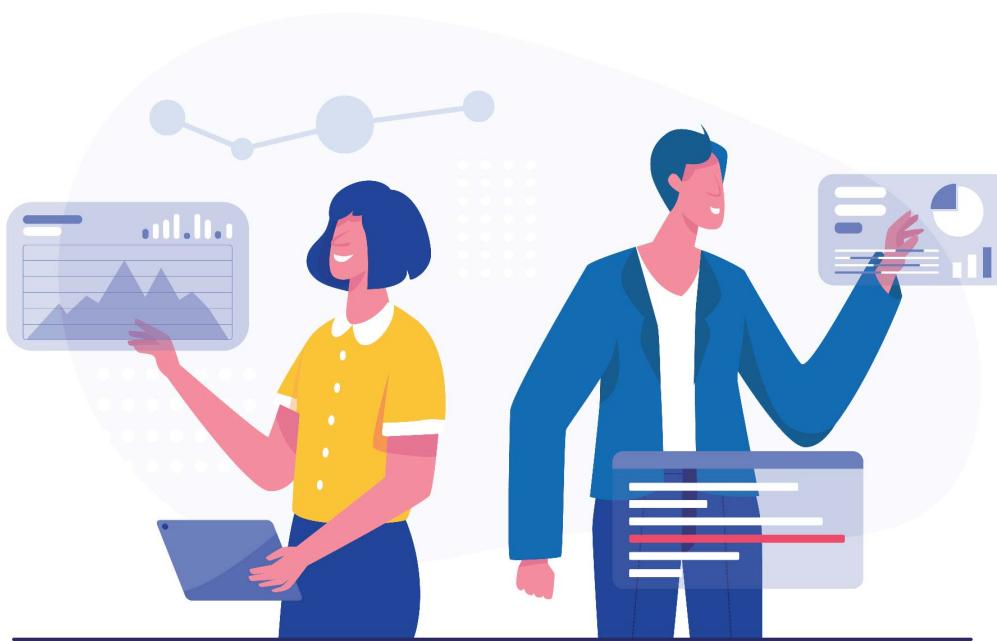


- 1 OPEN ACCOUNT**
- 2 DOCUMENTARY CREDIT OR GUARANTEES**
- 3 DOCUMENTARY COLLECTION**
- 4 ADVANCE PAYMENTS**



Open Account:

Open Account Covers 80% Of Global Trade
Open Account Means Seller Has Either Has Trust On The Buyer For Sending The Shipment And Hence The Seller Believes That The Buyer Will Make Payment On The Agreed Date. Or Seller Sell Their Invoice To A Factoring Company Against The Shipment And Take Advance Payment From Factoring Company. Or Buyer Arranges Import Lending Which Pays The Seller And Repays The Factoring Company On Date Agreed.



Docuementary Credits Or Guarantees:

Documentary Credit And Guarantee Covers 10% Of The Global Trade Either By:
Letter Of Credit Standby Letter Of Credit Bank Guarantees

Documentary Collection:

Documentary Collection Covers 5% Of The Global Trade
Documentary Collection Is Exchange Of Documents Between Buyer And Seller Banks But Without Any Risk And Responsibility. Unlike In Documentary Letter Of Credit How Buyer's Bank Takes Responsibility To Pay. But In Documentary Collection They Only Act As Collecting Bank And Do Not Issue Any Guarantee On Behalf Of Buyer.



Advance Payment:

Advance Payment The Remaining 5% Of The Global Trade Advance Payment Means Buyer Pay Advance Money To Seller For The Shipment And There Is Credit Period For The Transaction.



Why There Is A Requirement Of The Documentary Credit In Trade?

As We Read Before With 4 Types Of Payment Method Covering International Trade. There Is Only 1 Payment Method Where Seller Has Security For The Payment From Buyer Bank For The Payment Under The Documents (Shipment). So If Buyer Is Not Making Advance Payments To The Seller Then The Seller Will Prefer To Have Documentary Credit To Cover Themselves For The Trade.

Who Can Issue Documentary Credit?

As Per Icc Guidelines And Regulatory Framework Below Are Few, But Duly Note Every Country Guideline Can Be Different And We Are Just Mentioning In General:

- Commercial Banks
- Micro Finance Banks
- Micro Finance Institutions
- Leasing Companies
- Insurance Companies
- Special Trade Finance Institutions With Regulatory Approval





So Yes, Not Only Banks But Other Financial Institutions And Insurance Companies Can Also Issue Documentary Credit. But Banks Are Generally Used In All Terminology For Giving Basic Understanding To People To Understand The Process. But It Is Not Important Only Banks Will Issue The Documentary And It Can Be Any Institutions As Mentioned Before. The Basic Difference To Identify If Issuing Institution Is Bank Or Other Institutions The Terminology In Will Be Replaced By Issuer From Issuing Bank In Content Of The Documentary Credit Message.

How The Circle Of Documentary Credit Works?

Important Parties Involved In Documentary Credit

- Importer – Applicant
- Exporter – Beneficiary
- Buyer Bank – Issuing Bank/issuer
- Seller Bank – Advising Bank/advise Through Bank

Important Factors Involved In Documentary Credit

- Amount – Value Of The Transaction
- Underlying Transaction – Proforma Or Contract Showing Details Of Goods, Quantity, Etc.
- Port Of Loading And Discharge – Where The Goods Will Be Loaded And Discharge Port
- Documents Required – These Are Generally, Transport Documents, Commercial Documents, Legal Documents, Insurance Documents, Any Additional Documents Can Be Added At Request Of Buyer & Seller Mutual Agreement And Approval Of Issuing Bank.

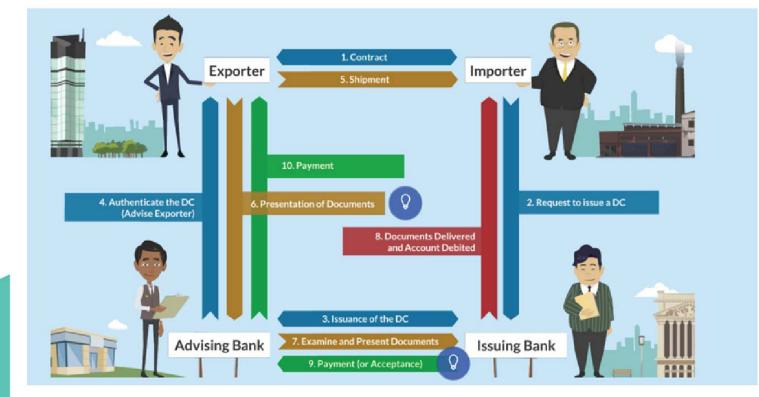


- Additional Conditions – Other Than Documents Buyer And Seller Might Be Having Other Conditions Also Kept Under The Credit Which Are Important For Them For The Transaction. Those Conditions Are Placed In Additional Conditions Which Is Again A Part Of Documentary Credit.
- Period Of Presentation – This Is An Agreed Period By Buyer And Seller That Within What Days The Documents Should Be Submitted Once Shipment Is Done.
- Expiry And Latest Shipment Date – This Is Agreed By Buyer And Seller That Within Those Dates Shipment Should Be Done Otherwise If Seller Delays The Documentary Credit Will Expire And Seller Will Not Have The Right To Draw Under The Lc Even If They Perform.



GENERAL PROCESS UNDER DOCUMENTARY CREDIT

1. First Buyer And Seller Will Have An Agreement In Place, Which Will Have Clear Understanding For Goods, Shipment, Credit Period And Payment Terms.
2. With That Contract Buyer Will Apply For Documentary Credit To His Bank
3. On Approval From Credit, Risk And Compliance Buyer Bank Will Issue The Documentary Credit.
4. Once Beneficiary Bank Receive The Credit, They Will Examine The Transaction And Will Decide To Advise To Beneficiary Or Not
5. Once Beneficiary Receives The Advised Copy From Beneficiary Bank, They Will Perform Under The Credit And Submit Documents
6. Once Beneficiary Submit Documents To Beneficiary Bank, They Dispatch The Documents To Issuing Bank For Their Examination And Payment.



7. Issuing Bank On Receipt Of The Documents, Will Do Their Examination And Inform Applicant On The Same. Issuing Bank Examine Only Documents And Not Performance.
8. After Applicants Give Their Approval On The Documents, Issuing Bank Will Debit Their Account And Handover The Documents To The Applicant For Them To Clear The Shipment From Customs.
9. Issuing Bank Will Make Payment To Beneficiary Bank/beneficiary As Per The Settlement Given To Them.



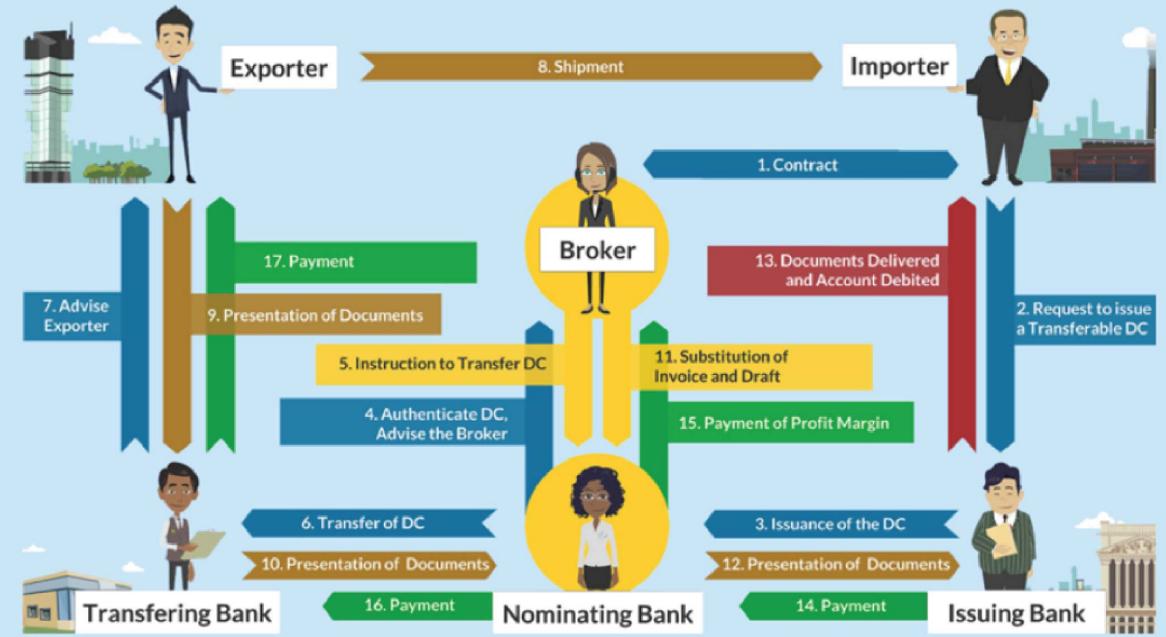
What Is Transferable Credit?

Transferable Documentary Credits Are Similar To A Normal Credit In This Additional Parties Gets Involved. As Normal The First Beneficiary Is A Trader Company And They Depend On Another Company To Perform Under The Credit To Actually Be Able To Get Paid Under The Documentary Credit. Below Is An Example For It.

1. First Buyer And Seller (But In Real Is A Broker) Will Have An Agreement In Place, Which Will Have Clear Understanding For Goods, Shipment, Credit Period And Payment Terms.



2. With That Contract Buyer Will For Documentary Credit To His Bank
3. On Approval From Credit, Risk And Compliance Buyer Bank Will Issue The Documentary Credit.
4. Once Beneficiary Bank Receive The Credit, They Will Examine The Transaction And Will Decide To Advise To Beneficiary Or Not
5. Once Beneficiary Receives The Advised Copy From Beneficiary Bank, They Will Request The Bank To Transfer The Credit To Another Beneficiary.
6. Then Beneficiary Will Transfer The Credit To Transferring Bank After Deduction Of The Value Which Is The Margin Of The Broker To End Beneficiary.



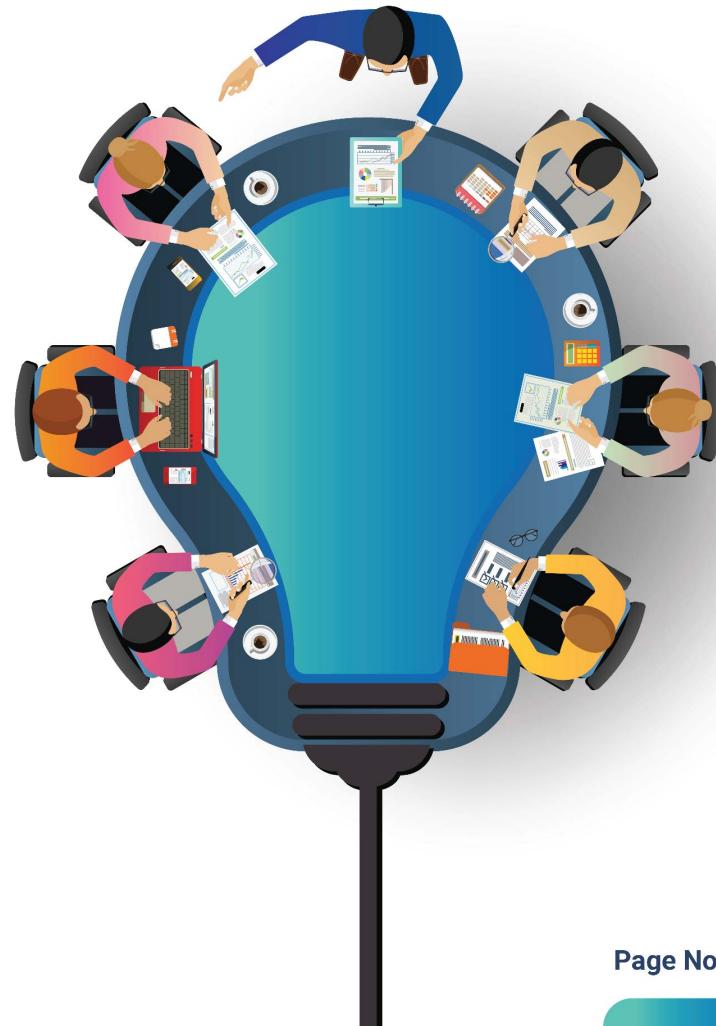


7. Once Transferring Bank Receive The Credit, They Will Examine The Transaction And Will Decide To Advise To End Beneficiary Or Not
8. Once End Beneficiary Receives The Advised Copy From Transferring Bank, They Will Perform Under The Credit And Submit Documents
9. Once End Beneficiary Submit Documents To Transferring Bank, They Dispatch The Documents To First Beneficiary Bank For Their Examination And Payment.

10. First Beneficiary Bank On Receipt Of The Documents, Will Do Their Examination And Inform First Beneficiary On The Same.
11. And After Changing Invoice Value To Draw Full Value Of Documentary Credit They Send It To Issuing Bank Examine Only Documents And Payment.
12. Issuing Bank On Receipt Of The Documents, Will Do Their Examination And Inform Applicant On The Same. Issuing Bank Examine Only Documents And Not Performance.
13. After Applicants Give Their Approval On The Documents, Issuing Bank Will Debit Their Account And Handover The Documents To Them For Them To Clear The Shipment From Customs.



14. Issuing Bank Will Make Payment To Beneficiary Bank/beneficiary As Per The Settlement Given To Them.
15. Beneficiary Will Keep The Margin Of The Credit Belong To Beneficiary And Make The Remaining Funds Under The Transferring Bank Submission.
16. Once Payment Is Done To Transferring Bank, Issuing Bank And Beneficiary Bank Role Is Finished.
17. End Beneficiary Gets Paid By The Transferring Bank





Types Of Documents In Documentary Credit?

There Are Major 4 Type Of Documents

- Transport
- Commercial
- Legal
- Insurance

Transport Document Examples:

- Bill Of Lading
- Airway Bill
- Seaway Bill



Commercial Documents Examples:

- Commercial Invoice
- Contract
- Inspection Certificate

Legal Documents Examples:

- Certificate Of Origin
- Packing List
- Health Certificate Or Any Certificate As Per The Products

Insurance Documents:

- Insurance Policy/certificate

What Is Red Clause?

In Old Times Where The Documentary Credit Used To Be Issued Only Via Hard Copy, They Used To Mark Red/green For The Special Clauses There The Red Clause Name Was Given.

Purpose Of Red Clause Is To Draw Advance Funds In Documentary Credit Without Submitting The Documents, Which Destroys The Purpose Of The Documentary Credit But If Buyer Is Comfortable With Such Structure This Practice Is Possible



What Is Revolving Credit?

Revolving Letter Of Credit Means The Same Documentary Credit Can Be Used Multiple Times Under The Period Of Expiry.

For Example:

Documentary Has Been Issued For 100,000 Usd

Additional Conditions The Clause Says:

This Letter Of Credit Can Be Revolved 4 Times In Until Expiry With A Gap 30 Days Each. It Means The Letter Of Credit If Worth 500,000 Usd As It Can Be Revolved 4 Times More After Initial Submission Is Done.



What Is Partial Shipment?

Partial Shipment In Documentary Credit Means To Deliver The Same Order In Partial To Complete The Order. For Example:

The Documentary Credit Is Issued For 100,000 Usd. But Seller Is Allowed For Sending Shipment 25,000 Usd Each Time And Submitting Documents To Issuing Bank Each Time For 25,000 Usd For 4 Times For Covering 100,000 Usd Order.

The Condition Has To Be Allowed Before Issuance Of Documentary Or Needs To Be Amended Before Any Submission.



What Is Transshipment?

Transshipment Means Beneficiary Can Route The Shipment Via Another Country For Giving Cheaper Cost Or Save More Cost For Themselves Or That Might Be Only Route Available To Send Goods To Port Of Discharge. Example:

Seller Is India

Buyer Is In Ethiopia

Seller Might The Route Shipment Via Dubai, Uae Port To Ethiopia Port. So Shipment Will Go As Below:

India Port – Dubai Port – Ethiopia Port

This Is Also A Normal Practice In Documentary Credit But Under The Condition No Sanction Ports Get Involved



What Is Adding Confirmation Under A Credit?

Adding Confirmation Means Another Bank Add's Confirmation In The Credit As It Becomes An Additional Party In The Credit. For Example:

Beneficiary Is Not Comfortable With Issuing Bank They Can Request To Add Confirmation Of A Corresponding Of Issuing Bank, Which They Will Take The Liability Under The Documentary Credit To Pay Beneficiary. So, For Beneficiary And Beneficiary Bank They Can Deal With Only The Confirming Bank And Not Depended On Issuing Bank. There Are Multiple Ways Of Doing Confirmation:



May Add

May Add In Confirmation Means, Issuing Bank As Authorised Beneficiary Bank To Add Their Confirmation But At Cost Of Beneficiary And Beneficiary Will Decide If They Wish To Add Confirmation Or Not

Confirm

Confirm In Confirmations Means, Issuing Bank Asking Another Bank (A Corresponding Bank) To Add Confirmation In Their Documentary Credit



Silent Confirmation

In Silent Confirmation, It Is Very Much Similar To May Add Confirmation But In This Issuing Bank Instructions Are Not Needed As May Add Or Confirm To Add The Confirmation. As In This Scenario, Beneficiary Bank Is Adding Confirmation At Risk And Credit Profile Of Beneficiary At Their Own Risk.



How Is Applicant And Beneficiary Secure Themselves Under The Credit?

Buyer (Applicant)

Buyer Feels More Secure To Work Under Documentary Credit Than Paying Advance Payment As They Are More Secure Until The Documents Are Submitted As Agreed By Both Parties, They Do Not Have To Pay The Seller Until They Perform

Seller (Beneficiary)

Seller Feels More Secure To Work Under Documentary Credit Because They Do Not Have To Depend On Buyer Financial Capacity And Are Dealing With Issuing Bank. As Mutually Agreeing On The Documents And Conditions Of The Documentary Credit Gives Them Assurance On Compliant Claim, They Can Get Paid.

What Are High Risk Goods?

High Risk Goods Refers To Such Comodities And Products Which Holds Red Flags In The Trade Industry And There Can Be Higher Chances Of Fraud, Sanctions And Non-performance. Goods Such As: Gold, Diamonds, Oil, Etc

As The Above-mentioned Goods, It Is A Daily Issue In Trade Industry For Fraud Happening By People Who Cannot Perform And Submit Fake Documents Under The Credit. So, There Is Very High Chances Of Banks To Reject To Issue If Underlying Goods In The Transaction Are High Risk.





What Is Ucp 600?

Uniform Custom Practice Is The Rules For Documentary Credit Which Are Used Globally In International Trade. The Rules Are For Understanding: How Documentary Should Work Responsibility Of Issuing Bank Responsibility Of Beneficiary Bank Right Of Beneficiary Right Of Applicant How To Examine The Documents How To Conduct Transfer Of The Credit And All There Are Total Of 39 Article Explained Below In One Lines



Ucp Article In One Liners

1. Ucp Is Laws For Documentary Credit – Which Can Be Lc And Sblc
2. Notes For Definitions For Meaning Of Words
3. Notes For Interpretation
4. The Documentary Credit Has Nothing To Do With A Contract Terms. If Lc Is Issued As A But Contract Says B. It Does Not Create Any Additional Liability On The Bank Even If They Mention Them In The Documentary Credit.
5. Bank Does Not Care Or See Performance They Only Check Documents

6. It Is Issuers Responsibility To Mention Where Payment Is Available And Which Country/time Zone/counters The Credit Will Expire
7. Undertaking Of Issuing Bank As Per The Payment Terms – Sight/usance/sblc
8. Responsibility Of Confirming Bank Under The Credit
9. Role And Responsibility Of Advising Bank To Advise Or Non-advice The Credit Or Even Amendments
10. How To Handle An Amendment Under The Credit
11. Pre-advise Of Documentary Credit And Non-operative Credit Issuance
12. What Is A Nominated Bank?
13. Reimbursement Via Third Banks If Mentioned In The Credit
14. Examination Of The Documents, If Document Are Compliant, Discrepant And What Actions To Be Taken.
15. What Is A Complying Presentation?
16. How To Manage Discrepant Documents, What Is Applicant Waiver And Discrepancy Notice





17. Interpretation Of Original Documents
18. What Is Commercial Invoice
19. Mutimodal Documents (Mutile Shipment Methods Used For Same Transaction)
20. What Is Bill Of Lading How To Check It?
21. What Is Non-negotiable Seaway Bill?
22. What Is Chartered Party Bill Of Lading
23. Air Transport Documents
24. Road And Inland Water Trasnport Documents
25. Courier Receipt/delivery Note
26. Shipper's Load And Count Acceptable Term
27. Clean Transport Document Meaning
28. Insurance In Credit
29. Special Terms How Expiry Can Be Extended Automatically

30. Tolerance In Amount/quantity/ Unit Price
31. What Is Partial Drawing And Shipment
32. Installment Drawing, Same Nature As Partial Drawing
33. Banks Right When They Have To Accept The Presentation As Per Working Hours
34. Bank Does Not Check The Accuracy Of The Claim Documents That Is Responsibility Of The Client To Do So.
35. Disclaimer On Transmission (Movement Of Documents Like Courier) And Translation (Language Used In Documents)
36. Force Majore (When Act Of God Or Any Major Event Delays Anything From Anyones End It Is Acceptable)
37. Responsibility Of Banks To Other Banks When They Instruct Then To Do Anything Like Advising, Confirmation, Etc
38. How To Conduct Transfer Of Credit
39. Assign To Proceed (In Simple Words How Assignable Works)





How Icc Uniform Customer Practice 600 Is Used In The Documentary Credit?

Ucp Article Helps All Parties Involved In The Credit As A Rule Book How The Transaction Can Be Conducted And Rights Of Each Party. So, Before Any Transaction Is Conducted Or Even When Documents Are Submitted All Parties Know How The Procedure Will Work And How Documents Will Be Examined.

What Is Discrepancy Notice In The Lc?

Once Documents Are Submitted In Documentary Credit To The Issuing Bank, Then Issuing Bank Will Do Their Examination Of Documents To Check Document Met With The Requirement Under The Documents And Conditions Of The Documentary Credit. In Case, Documents Do Not Met With The Conditions Of Documentary Credit. It Is A Responsibility Of Issuing Bank To Send A Discrepancy Notice To Beneficiary Bank Also Called Presenter In Presentation Of Documents Within 5 Working Days As Maximum. Because If Issuing Bank Do Not Inform The Presenter Within 5 Working Days It Is Assumed Accepted By Issuing Bank As Per Current Trend In Industry, 80% Of Submissions Are Discrepant Submissions



What Is Acceptance Under Documentary Credit?

Acceptance Means Acceptance Of Documents By The Applicant (Buyer) And Agree To Pay. In Case, Beneficiary Has Submitted Discrepant Document Under The Documentary Credit. But Applicant Is Comfortable With The Submission, With Approval Of Issuing Bank Applicant Has The Right To Accept Discrepant Documents And Pay The Beneficiary.

What Is Negotiation Of The Documents?

As We Have Understood By Now, Documentary Credit Submissions Can Be Complicated. Beneficiary Has The Complete Right To Submit The Documents Right To Issuing Bank Directly By Themselves But It Can Get Difficult For Them To Handle The Transaction. So Why It Is Preferred To Handle The Documents Via The Beneficiary Bank Or Any Other Bank They Have Working Relationship To Handle The Documents On Their Behalf To Issuing Bank To Collect The Payment. And Beneficiary Cover All Charges Of The Negotiating Services By The Beneficiary Bank.

Why Traditional Banks Are Losing Business To Non-banks And Other Financial Institutions?

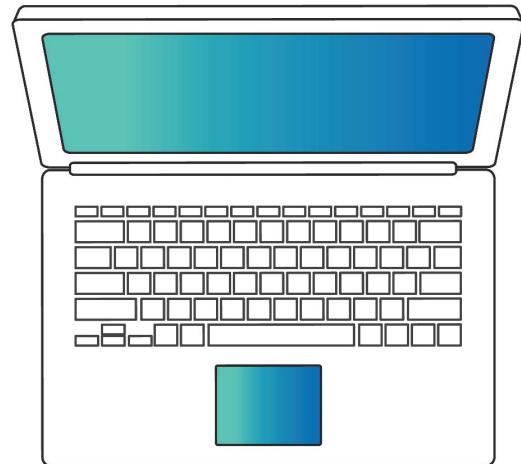
Now Days Traditional Banks Are Losing Business To Other Financial Institutions And Non-banks Because Of Their Timely Response And Delivery. As Non-banks And Other Financial Institutions Have More Risk Appetite And Have Less Regulatory Oversight Than Banks. So, Now Days More Number Of Imports And Buyers Are Moving Their Business To Non-banks And Other Financial Institution Instead Of Traditional Banks

Major Reasons Banks Are Strict In Today's Time For Trade Finance Activities?

Trade Finance Is A High-risk Industry Globally And Major Issues Are Highlighted Below:

- Fraud And Sanctions Break Are Very Common In Trade Industry And Which All Banks Try Their Best To Avoid It. Sometimes It Is Hidden In Such A Way It Only Gets To Know When Regulator Gets A Compliant And Fines The Issuing Bank.
- Unutilized Documentary Credit Is Again Main Issues With Issuing Bank, When For A Client They Keep Issuing Documentary But They See Beneficiary Is Not Performing Or Submitting Under The Credit, Which In Banks Compliance Raise Issues As Under Money Laundering.
- Disputes In Discrepancy Is Also Again A Big Issue, As That Can Increase Their Legal Fees In Case In Dispute Of Beneficiary And Applicant And They Wish To Go To Court For Settlement.
- Applicant Dispute With Issuing Bank On Acceptance On Documents, Because As Per Ucp Applicant Do Not Have The Right To Reject The Document If They Are Compliant. And Such Issues Creates More Legal Issues For Issuing Bank Because They Have To Debit The Account Of Applicant And Pay To Beneficiary If Documents Are Compliant But Sometimes Applicant Companies Do Not Want To Follow These Rules Which Creates This Dispute So, To Stay Away From Such Hassles Majority Of Time Banks Rejects The Transaction If They Do Not Wish To Entertain The Client





How Sanctions Affects The Credit?

Sanctions Are Becoming Difficult To Manage On Day To Day Basis For Issuing Bank And Other Financial Institutions. Because Beneficiary Indirect To Sanctions Or Sanction Port Being Involved But Smartly Being Removed From All Documents Is A Big Concern In Todays Time. Banks And Other Financial Institutions Are Fined Very Often From Regulators Because Of Such Issues. This Has Made Banks & Institutions Be More Aware And Started Doing Enhance Due Diligence On Each Deals Which Can Cause Delays Or Rejection On The Deals.



MULTIPLE CHOICE QUESTIONS:

Q:1 IS DOCUMENTARY CREDIT AN UNCONDITIONAL PROMISE TO SELLER?

- A** Yes
- B** No

Q:2 WHY BENEFICIARY WILL PREFER TO WORK UNDER DOCUMENTARY CREDIT?

- A** Safety Of Documents And Shipment
- B** Payment Is Not Dependent On Applicant But A Bank Or Financial Institution
- C** A & B Both

Q:3 BENEFICIARY BANK ELECTING NOT TO ADVISE THE CREDIT TO BENEFICIARY, WHICH ARTICLE THEY USE NOT TO ADVISE THE CREDIT AS THEIR LEGAL PROTECTION?

- A** Article 8
- B** Article 19
- C** Article 5
- D** Article 9



Q: 4 WHO CAN ISSUE THE DOCUMENTARY CREDIT?

- A** Only Banks
- B** Bank, Non-bank And Other Financial Institutions
- C** Only Central Banks
- D** Only Insurance Companies

Q: 5 CAN ISSUING BANK AND BENEFICIARY BANK BE THE SAME?

- A** Yes
- B** No

Q: 6 CAN CONFIRMING BANK BE ADVISING BANK ALSO?

- A** Yes
- B** No



Q:7 IS BILL OF LADING A COMMERCIAL DOCUMENT?

- A** Yes **B** No

Q:8 CASH AND CREDIT FACILITY HAS SAME RISK ON ISSUING BANK?

- A** Yes **B** No

Q:9 WHO ASK BENEFICIARY BANK TO ADD SILENT CONFIRMATION?

- A** Beneficiary
B Issuing Bank
C Applicant

Q:10 APPLICANT AND BENEFICIARY ARE 100% SECURE UNDER THE CREDIT?

- A** Yes **B** No



Q:11 ISSUING BANK HAS TO ACCEPT ALL DISCREPANCIES OF DOCUMENTS SUBMITTED UNDER THE CREDIT?

- A Yes**
- B No**

Q:12 WHY BANKS ARE STRICT WITH TRADE FINANCE ACTIVITIES?

- A Money Laundering And Sanctions**
- B Unfair Submissions By Beneficiary Under The Credit**
- C Complication Of Transaction Have Increased With Time**
- D All Of The Above**

Q:13 WHO CAN ACCEPT DISCREPANCIES UNDER THE CREDIT?

- A Applicant With Approval Of Issuing Bank**
- B Beneficiary Can Negotiate Discrepancy That With Issuing Bank**
- C Beneficiary Bank Can Accept Discrepancies**



Q:14 IS UCP 600 FOLLOWED BLINDLY BY THE BANKS AS GUIDELINE?

- A** No, They Use Them According To Their Working And Apply Them
- B** Yes, All Banks Are Binded To It

Q:15 WHAT IS UNUTILIZED CREDIT?

- A** When Beneficiary Does Not Submit The Documents Under The Credit
- B** When Applicant Does Not Accept The Discrepancies Of Documents
- C** When Beneficiary Bank Does Not Advise The Credit To Beneficiary

Q:16 PARTIAL SHIPMENT ALLOWED MEANS?

- A** Beneficiary Can Submit Documents Of Partial Shipments, It Does Not Have To Be Full Value
- B** Beneficiary Can Route Their Shipment Via Third Countries



Q:17 WHY NON-BANKS AND OTHER FINANCIAL INSTITUTIONS ARE FASTER THAN TRADITIONAL BANKS?

- A** Less Regulatory Oversight
- B** More Focus Approached And Team
- C** Less Care In Their Compliance, Aml And Saction
- D** All Of The Above

Q:18 WHAT IS RED CLAUSE?

- A** The Draw Money Before Performance
- B** Able To Transfer The Credit To Another Party
- C** Able To Use The Credit Multiple Times
- D** COPPER



Q:19 WHAT DOES ISSUING BANK | ISSUER DEALS IN?

- A** Documents
- B** Performance

Q:20 WHICH OF THE BELOW DOCUMENTS ARE NOT A TRANSPORT DOCUMENT?

- A** Bill Of Lading
- B** Airway Bill
- C** Commercial Invoice
- D** Seaway Bill





THANK YOU