



DOCUMENTARY LETTER OF CREDIT



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What is it?

- A method of financing international trade, a letter of credit is better described as any arrangement whereby a bank, acting at the request of and on the instructions from a customer, is to make a payment to or to the order of a third party, or is to accept and pay bills of exchange drawn by the beneficiary against stipulated documents, provided that the terms and conditions of the Letter of Credit are strictly complied with.
- In documentary Letters of Credit, all parties deal in documents, not goods.
- Therefore an underlying status report on the supplier should be obtained before entering into a contract, to ensure that the supplier is a legitimately constituted and reputable concern and likely to deliver what is required.

How does it work?

- If our customer wishes to import goods they request us to open a confirmed irrevocable letter credit and we will advise it to their supplier's bank.
- Depending on the contract and agreement with the supplier, the letter of credit may be drawn 'at sight' or 'at usance', but normally not exceeding 180 days.
- Payment is then made upon presentation of documents, which strictly comply with the terms and conditions of the credit.
- This facilitates smooth operation of trade between seller and buyer and also safeguards settlement especially when Forex is scarce. Letters of credit can be opened in any currency of the following currencies e.g. Dollars, Euros or Rand.

Special requirements

- Formal limits for lines of credit to establish documentary credits are determined by the customer's service centre Manager or Account Relationship Manager.
- For non-borrowing customers upfront-cash margin will be required.

Prospective customers

- All corporate customers who import goods or raw materials into the country.
- Manufacturers who wish to source raw materials for manufacturing into final products and for re-export.
- Companies importing capital equipment.
- Importers and trading firms.

Pricing

Cash Up Front

Commission:	0.75% per 3 Months
Minimum:	MWK 28,600
Swift:	MWK 41,650
Stamp Duty:	1.00

Without Cash Up Front

Commission:	0.75% per Month
Minimum:	MWK 34,500
Swift:	MWK 41,650
Stamp Duty:	1.00

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