

Avoiding Documentary Credit Problems

1. Sending the buyer a letter of credit proforma

To avoid problems and delays in payment, it is recommended that the exporter convey in writing some guidelines to the buyer as to what terms the credit should contain, the complete name and address of the bank to which the letter of credit should be advised by the opening bank, and details of shipment terms. If these are spelled out in advance of the issuance of the credit than costly amendments may not be required. A sample letter of credit template, or proforma, is indicated below:

SAMPLE LETTER OF CREDIT TEMPLATE / PROFORMA

TO: { BUYER }

PROFORMA INVOICE:

YOUR REF.:

YOUR REF. DATE:

We have indicated below those terms and conditions that we would find acceptable in a letter of credit issued by your bank. Your efforts to gain compliance with these terms and conditions in the issuance of this letter of credit will ensure prompt dispatch of your order. If your bank is unable to issue the credit within the following guidelines, please contact us providing information on those areas that must be altered. This will eliminate needless delay and costs involved with amendments after the credit has been opened. Only those items marked with an "X" will apply.

1. ☐ The letter of credit is to be irrevocable and subject to the Uniform Customs and practice for Documentary Credits, as published and updated from time to time by the International Chamber of Commerce.
2. ☐ The letter of credit is to be ☐ Advised ☐ Confirmed by our bank:
KeyBank National Association
Attn: International Operations
Telex No.: 212525 SNB UR
SWIFT No.: KEYBUS33
ABA.: 041001039
3. ☐ The beneficiary is to be shown as:

4. ☐ The letter of credit is to be payable upon presentation of drafts drawn at:
- A. ☐ At sight
- B. ☐ ____ days after the date of the transport document (i.e., 90 days after date of B/L)
- C. ☐ ____ days after sight (i.e., 90 days after sight)
- D. ☐ Other: _____
5. ☐ The letter of credit is to be available by negotiation with any bank.
6. ☐ The letter of credit is to be payable in:
- ☐ U.S. dollars
- ☐ Other: _____
7. ☐ The amount of the letter of credit is to be specific as:
- ☐ "Not to exceed " _____ ☐ "About " _____
8. ☐ The following documents are normally provided if required in the letter of credit. Please avoid the requirement for any other documents without prior agreement on our part.
- A. ☐ Signed Commercial Invoice, one original and _____ copies.
- B. ☐ Packing List in _____ copies.
- C. ☐ Negotiable Marine/Air Insurance policy or certificate in duplicate for 110% of invoice value covering all risks and war risks and _____
- D. ☐ Full set of clean on board ocean bills of lading issued to order of : _____
- E. ☐ Clean air waybill consigned to: _____
- F. ☐ Other documents: _____
9. ☐ The letter of credit is to specify shipment of:
- _____
- _____
- _____
10. ☐ Shipment is to be:
- ☐ FOB _____ From: _____
- ☐ CFR _____ To: _____
- ☐ CIF _____
- ☐ EXW _____

☐ Other _____ (i.e.: FCA, FAS, CIP, etc.)

11. ☐ The Bill of Lading is to be marked:
☐ Freight Prepaid
☐ Freight Collect
12. ☐ Transshipments:
☐ Are permitted
☐ Are not permitted
13. ☐ Partial shipments:
☐ Are permitted
☐ Are not permitted
14. ☐ Latest Shipment Date _____
15. ☐ Latest Presentation Date of Documents to the Negotiating bank to be _____ days after each shipment date.
16. ☐ Expiration Date of letter of credit to be _____
17. ☐ The letter of credit should specify that all banking charges outside the country of the applicant are for the account of the ☐ applicant ☐ beneficiary.
18. ☐ letter of credit to be transferable.
19. ☐ Other special instructions.

2. Complying with Documentary Requirements

Exporters and freight forwarders who frequently assist the exporter in preparing documents for shipment are aware that terms and conditions in letters of credit are to be fulfilled exactly as stated. The opening bank has set forth terms as requested by the applicant, or buyer, and neither the opening bank, negotiating bank or designated paying bank will honor documents other than those specified. Furthermore, some documents required under a letter of credit are specifically described as to the information which must be contained in the specified document.