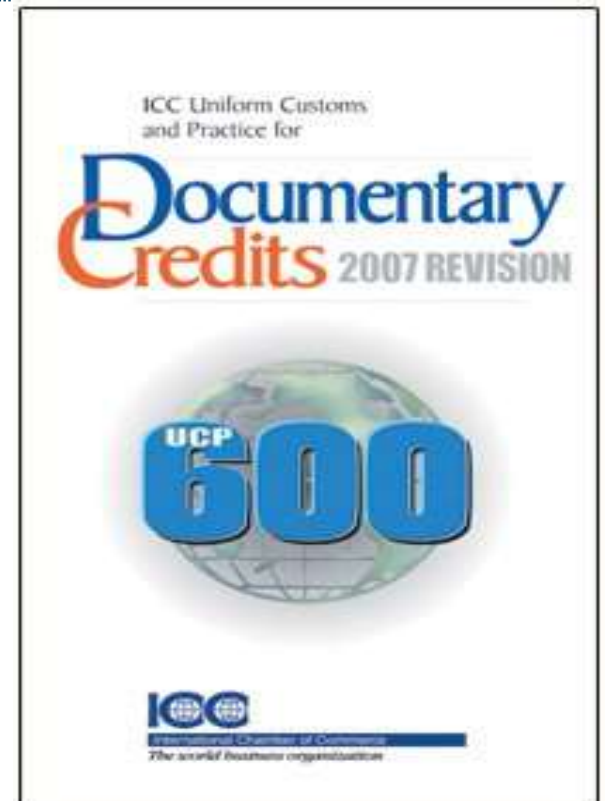


UCP-600: An Overview



Md. Maznuzzaman
SVP & Head of Training
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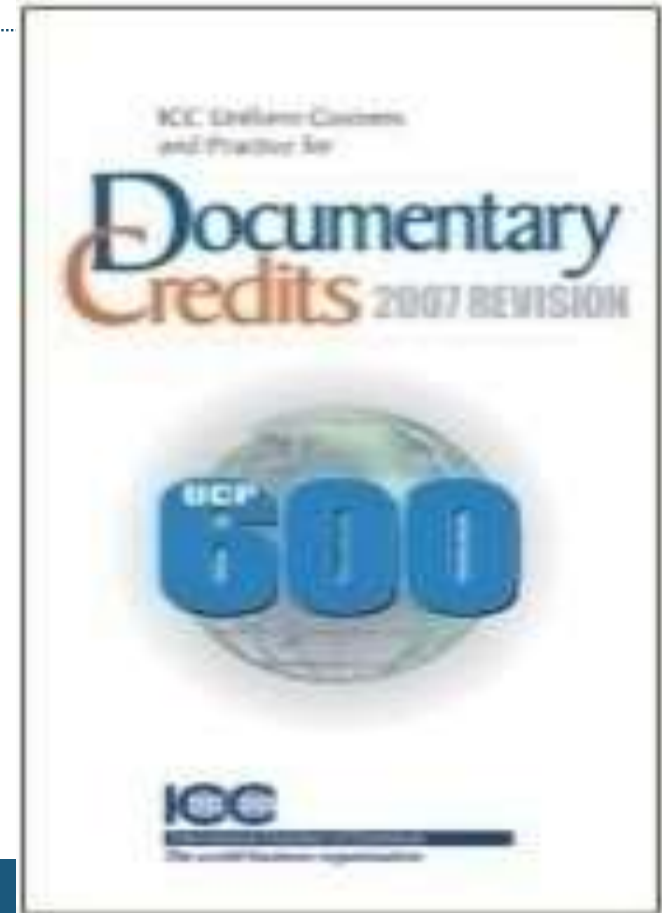
What is UCP ?



- UCP IS A SET OF PRIVATE RULES FORMULATED BY INTERNATIONAL CHAMBER OF COMMERCE (ICC) USED IN GOVERNING LETTER OF CREDIT (DOCUMENTARY CREDIT) PRACTICE.

Session Outline

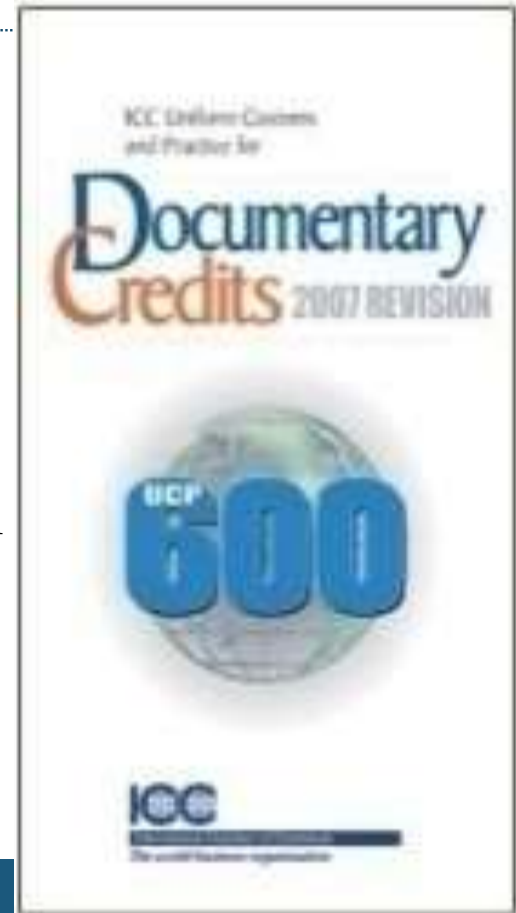
- Background
- Evolution
- Significance
- Functions
- Applicability
- Articles in group
- Article wise review



Background

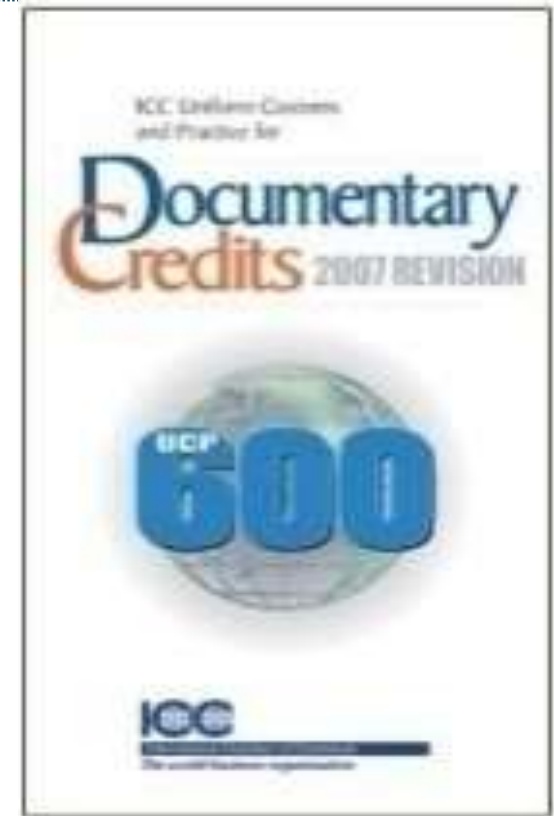


- Necessity of cross border trade
- Consequences of First World War
- Role of ICC
- Threats of nationalism and Protectionism



Evolution

- First introduced in 1933
- Revision 01 (UCP 151) – 1951
- Revision 02 (UCP 222) – 1962
- Revision 03 (UCP 290) – 1974
- Revision 04 (UCP 400) – 1983
- Revision 05 (UCP 500) - 1993
- Revision 06 (UCP 600) – 2007



Significance

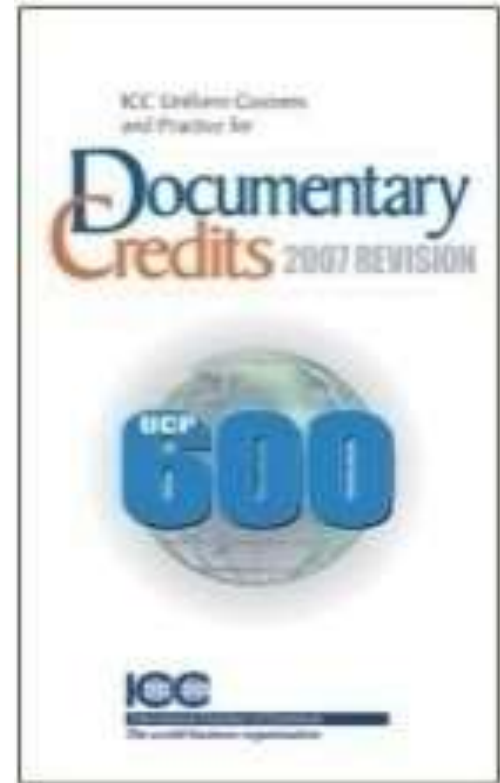


- Methods of payment
 - Cash in Advance
 - Open Account
 - Documentary Collection
 - Documentary Credit [LC]
- Banker's relationship with the Documentary Credit operations
- Win win situation for both buyer and seller
- Avoiding trade disputes
- To cope up country's trade with international standard

Functions

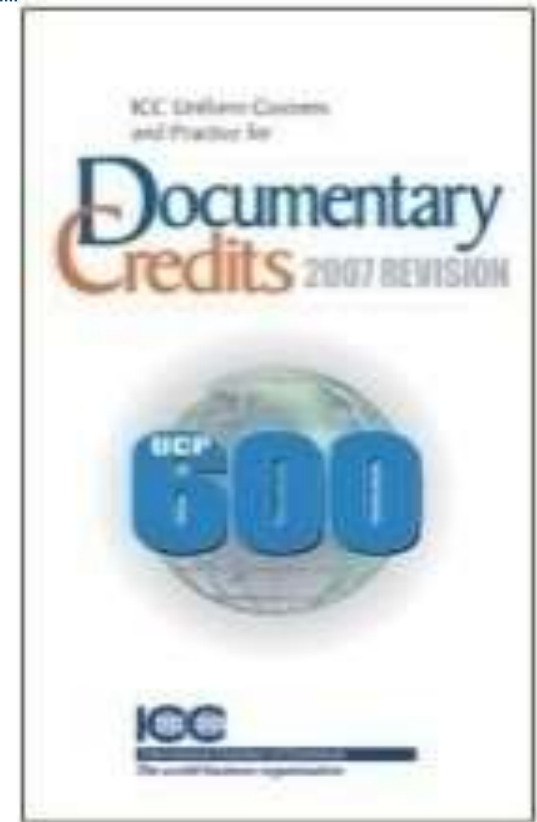


- **Issuance of Documentary Credit**
- **Determining the responsibilities of parties**
- **Handling of documents**
- **Role of Transport Industry**
- **Role of Insurance Industry**
- **Making payment**
- **Protections under Documentary**



Applicability

- Buyers
- Sellers
- Banking Industry
- Transport Industry
- Insurance Industry
- Related regulatory authority
- Judiciary




Articles in group



- **Application, Definitions and Interpretations (Article 1-5)**
- **Availability, Expiry Date and Place for Presentation (Article 6)**
- **Undertaking of banks (Article 7-8)**
- **Advising, Amendment and Transmission (Article 9-11)**
- **Nomination (Article 12)**
- **Reimbursement (Article 13)**
- **Examination of documents and nature of documents (Article 14-17)**

Articles in group (Continued)

- 
- **Commercial Invoice (Article 18)**
 - **Transport documents (Article 19-27)**
 - **Insurance documents (Article 28)**
 - **Extension of expiry date (Article 29)**
 - **Tolerance, partial & installment drawing or shipment (Article 30-32)**
 - **Hours of presentation (Article 33)**
 - **Disclaimer and force majeure (Article 34-37)**
 - **Transferable credit and assignment of proceeds (Article 38-39)**

Article 01: Application



- Apply to any documentary credit including any standby letter of credit when the text expressly indicates that it is subject to these rules
- Binding to all parties unless expressly modified or excluded.

Article 2



Definitions

Advising bank

Applicant

Banking day

Beneficiary

Complying presentation

Confirmation

Confirming bank

Credit

Honour

Issuing bank


Negotiation

Presentation

Presenter



Article 2 Credit



Credit means any arrangement however named or described that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honor a complying presentation.

BANKING DAY

Banking Day: Two Principles

- i. Banks are regularly open.**
- ii. Banks are open at their places to perform an act**

- issue**
- advise**
- amend**
- examine**
- honor**
- negotiate**



COMPLYING PRESENTATION

International Standard Banking Practice

for the Examination of Documents
under Documentary Credits

2007 Revision for UCP 600



Complying Presentation: Three Standards

- i. The presentation must comply with the terms and conditions of the credit.
- i. The presentation must comply with the UCP600 rules (except those which are excluded or modified by the credit).
- i. The presentation must comply with International Standard Banking Practice.

Article 02

Honour



Three means:

- ❑ to pay at sight if the credit is available by sight payment.
- ❑ to incur a deferred payment undertaking and pay at maturity if the credit is available by deferred payment.
- ❑ to accept a bill of exchange (“draft”) drawn by the beneficiary and pay at maturity if the credit is available by acceptance.

Article 3

Interpretations



- A credit is irrevocable even if there is no indication to that effect.
- Branches of a bank in different countries are considered to be separate banks.

Article 4

Credits v. Contracts



- **A credit by its nature is a separate transaction from the sale or other contract on which it may be based.**
- **Banks are in no way concerned with or bound by such contract, even if any reference is included in the credit.**

Article 5

Documents v. Goods, Services or Performance



BANKS DEAL WITH DOCUMENTS AND NOT WITH GOODS, SERVICES OR PERFORMANCE TO WHICH THE DOCUMENTS MAY RELATE.

Article 07


Issuing Bank Undertaking

An issuing bank is irrevocably bound to honour (a complying presentation) as of the time it issues the credit.





Article 8 Confirming Bank's Undertaking




A confirming bank is irrevocably bound to honour or negotiate (subject to availability) as of the time it adds its confirmation to the credit.





Article 9

TWO RESPONSIBILITIES OF THE ADVISING BANK

- 
- i. To have **apparent authenticity** of the credit or amendment.

 - i. To advise **accurately** the **terms and conditions** of the credit or amendment received.

Article 12

Nomination



OBLIGATION OF A NOMINATED BANK

Nominating a bank does not obligate that bank to receive or examine documents or to honor or negotiate **EXCEPT** when

- (i) The nominated bank is the confirming bank **OR**
- (ii) The nominated bank expressly communicates its agreement to honor or negotiate to the beneficiary.

Article 14

Who will
examine
documents?

Nominated Bank, Confirming Bank, if any, and the Issuing Bank must examine a presentation to determine a complying presentation.



Article 14(b)

Time period for
examination of
Documents



A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank shall **each** have a maximum of five banking days **following the day of presentation** to determine if a presentation is complying.

Article 15


Complying Presentation

- a. When an issuing bank determines that a presentation is complying, it must honour.
- b. When a confirming bank determines that a presentation is complying, it must honour or negotiate and forward the documents to the issuing bank.
- c. When a nominated bank determines that a presentation is complying and honours or negotiates, it must forward the documents to the confirming bank or issuing bank.



Article 16

Discrepant
Documents,
Waiver and
Notice



When a nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank determines that a presentation does not comply, it may refuse to honour or negotiate.



Article 16

NOTICE OF REFUSAL



A single notice stating:

- i. that the bank is refusing to honor or negotiate; and**
- ii. each discrepancy**
- iii. Fate of the document**

Article 17

Original Documents and Copies



- a. At least one original of each document stipulated in the credit must be presented.

- b. A bank shall treat as an original any document bearing an apparently original signature, mark, stamp, or label of the issuer of the document, unless the document itself indicates that it is not an original.

Article 18

Commercial Invoice



a. A commercial invoice:

i. must appear to have been issued by the beneficiary (except as provided in article 38);


ii. must be made out in the name of the applicant (except as provided in sub-article 38 (g));

iii. must be made out in the same currency as the credit; and

iv. need not be signed.



TRANSPORT DOCUMENTS

- 
- ❑ Transport Document Covering at Least Two Different Modes of Transport**
 - ❑ Bill of Lading**
 - ❑ Non-Negotiable Sea Waybill**
 - ❑ Charter Party Bill of Lading**
 - ❑ Air Transport Document**
 - ❑ Road, Rail or Inland Waterway Transport Documents**
 - ❑ Courier Receipt, Post Receipt or Certificate of Posting**

Article 20

Bill of Lading

If a credit requires presentation of a bill of lading (“marine”, “ocean” or “port-to-port” or similar) covering sea shipment only, UCP 600 article 20 is applicable.

International
Standard Banking
Practice

As the Foundation of Documents
under Documentary Credits

ISBP Revision for UCP 600



ICC

'BILL OF LADING'



- ❑ **MUST INDICATE THE NAME OF THE CARRIER.**

EXAMPLES:

- ✓ **ABC Co Ltd., the carrier (in the body of the document)**
- ✓ **For ABC Co Ltd., as carrier. (while signing)**

'BILL OF LADING'



SIGNED BY:

- the carrier or
- a named agent for or on behalf of the carrier, or
- the master or
- a named agent for or on behalf of the master

'BILL OF LADING'



If signed by an agent:

- The name of the agent must be shown.
- Any signature by an agent must indicate whether the agent has signed for or on behalf of the carrier or for or on behalf of the master.

'BILL OF LADING'



If signed by **the master** or by **an agent** for or on behalf of the master :

The name of the master (captain) need not be stated.

Bill of Lading

Transshipment



For the purpose of this article, transshipment means **unloading** from one vessel and **reloading** to another vessel during the carriage from the port of loading to the port of discharge stated in the credit.

(If it does not occur between these two ports, unloading and reloading is not considered to be transshipment.) ISBP681



HOUSE BL



Does a House BL acceptable?



Article 27

Clean transport document




A bank will only accept a clean transport document.

A clean transport document is one bearing no clause or notation expressly declaring a defective condition of the goods or their packaging.



Article 27

Clean transport document




The word “clean” need not appear on a transport document, even if a credit has a requirement for that transport document to be “clean on board”.



Article 28

Insurance Documents



If a credit requires presentation of an insurance document such as an insurance policy, insurance certificate or declaration under an open cover, UCP 600 article 28 is applicable.



ARTICLE 28

Cover Notes



**Cover notes will not
be accepted.**

ARTICLE 28

COVERAGE

- ✓ The insurance document must indicate the amount of insurance coverage.
- ✓ Insurance coverage must be in the same currency as the credit.





**MINIMUM
AMOUNT OF
COVERAGE
REQUIRED**




When there is no indication in the credit regarding the amount of insurance coverage required:

**Minimum Coverage Required =
110% of (the CIF or CIP
value of the goods.)**



Article 31




Partial drawings or shipments are allowed. (even when the credit is silent on this point.)



Article 32

Instalment Schedule




If a drawing or shipment by instalments **within given periods** is stipulated in the credit and any instalment is not drawn or shipped within the period allowed for that instalment, the credit ceases to be available for that and any subsequent instalment.




Article 33


Hours of Presentation



A bank has **no obligation** to accept a presentation outside of its banking hours.



**Loss of
documents
in Transit:
Can the
Issuing
bank deny
honor?**




When an issuing bank states in the reimbursement condition- 'we will reimburse the nominated bank upon receipt of the documents at our counter in compliance with the terms and conditions of the credit', does it allow the issuing bank to deny honor when the documents are lost in transit?




Article 36

Force Majeure




A bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by Acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control.




Article 38

Eligibility of a Transferring Bank

- 
- i) Transferring bank means a nominated bank that transfers the credit**
 - ii) Or, in a credit available with any bank, a bank that is specifically authorized by the issuing bank to transfer and that transfers the credit**
 - iii) An issuing bank may be a transferring bank.**




Transfer of Credit by the Beneficiary

- 
- **A credit may be transferred in part to more than one second beneficiary provided partial drawing or shipments are allowed.**
 - **A transferred credit cannot be transferred at the request of the second beneficiary to any subsequent beneficiary.**



Article 38

Substitution of invoice and draft by the first beneficiary




The first beneficiary has the right to substitute its own invoice and Draft, if any, for those of a 2nd beneficiary for an amount not in excess of that stipulated in the credit, and upon such substitution the first beneficiary can draw under the credit for the difference, if any, between its invoice and the invoice of a 2nd beneficiary.



Article 39

Assignment of Proceeds



Even if a credit is not transferable, the beneficiary has the right to assign any proceeds to which it may be or may become entitled under the credit. But it cannot assign the right to perform under the credit.



T h a n k s



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