



UCP 600 Part I

Global Transaction Services

Cash Management Trade Services and Finance Securities Services Fund Services

UCP 600 Understanding & Application Part I

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UCP 600 Understanding & Application

Session I:

- **Review History & Process**
- **Comparison with UCP 500**
- **Overview of UCP 600 Articles (1 - 16)**

Session II (to be offered at future date):

- **Overview of UCP 600 Articles (17 – 39)**
- **Other Related UCP Documents**
- **What Needs to Be Done To Prepare**

Review History & Process

- The UCP is the work of the ICC, a private international organization founded in 1919.
Formulated entirely by experts in the private sector.
It remains, to date, the most successful set of private rules for trade ever developed.
- UCP 600 – Sixth (6th) revision since it's inception by the International Chamber of Commerce in 1933

1933

First UCP - No. 82

1951

UCP revised - No. 151

1962

UCP revised - No. 222

1974

UCP revised - No. 290

1983

UCP revised - No. 400

1993

UCP revised - No. 500

2007

UCP revised - No. 600

Review History & Process

- **Drafting Group and Consulting Group established after approval given by ICC Banking Commission in May 2003**
- **Tasked to completely review UCP500 from a technical perspective (not line by line), to see what could be changed, if anything, to reduce queries and negate need for repetition and dispute**
- **Included in review - ICC Opinions, Decisions, DOCDEX cases, legal decisions, URR525, ISP98 and eUCP**
 - **Nearly 60% of all ICC Opinions concerned seven articles in UCP 500***
 - **Seventeen articles have none, one or two Opinions**
 - **Over 60 DOCDEX cases**

Review History & Process

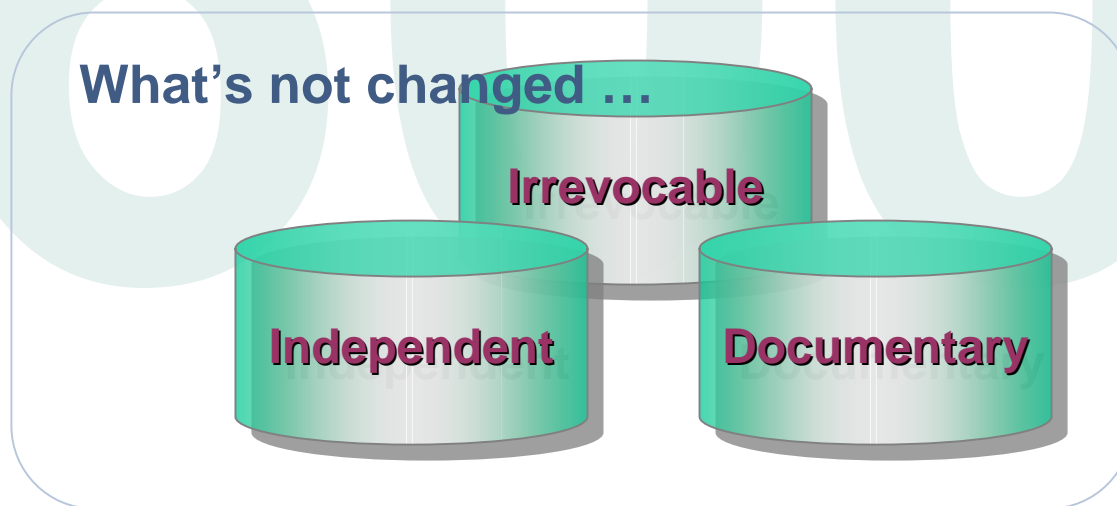
- ***Seven Articles that have lead to nearly 60% of ICC Opinions are:**
 - **Article 9** **Liability of Issuing and Confirming Banks**
 - **Article 13** **Standard for Examination of Documents**
 - **Article 14** **Discrepant Documents and Notice**
 - **Article 21** **Unspecified Issuers of Contents of Documents**
 - **Article 23** **Marine/Ocean Bills of Lading**
 - **Article 37** **Commercial Invoices**
 - **Article 48** **Transferable Credits**

Review History & Process

- **Over 5000 comments reviewed**
- **Drafting Group (9 members) met on 15 occasions**
- **Consulting Group (41 members from 26 countries)**
- **45/50 countries actively participated in 4 or more drafts**
- **ICC National Committees were requested to vote on issues such as:**
 - **“On its face”, “Reasonable time”, “Negotiation” - leave out or retain**
 - **Introduction of new articles, splitting of others, “parties” or “banks”,**
 - **Discounting of deferred payment undertakings”**
 - **Degree of review for “inconsistency” or “non conflicting”**
- **7 reviews by the ICC Banking Commission**
- **ICC unanimously approved 2007 Revision on 25th October 2006**

Comparison with UCP 500

- New terminology, concepts & wording introduced
- Re-organization of the rules
- Substantive & cosmetic changes
- Improved clarity, yet created new ambiguity



Comparison with UCP 500

UCP 600 (39 Articles)

■ New:

- Article 2 Definitions
- Article 3 Interpretations
- Article 9 Advising of Credits & Amendments
- Article 12 Nomination
- Article 15 Complying Presentation
- Article 17 Original Documents & Copies

UCP 500 (49 Articles)

■ Not included in new Revision:

- Article 5 Instructions to Issue/Amend Credits
- Article 6 (part) Revocable
- Article 8 Revocation
- Article 12 Incomplete or Unclear Instructions
- Article 38 Other Documents
- Articles 2,6,9,10,20,21,22, 30,31,33,35,36,46,47 content merged or amalgamated

Comparison with UCP 500

No Change from UCP 500 legal status

- **Rules apply to LC by incorporation into the LC - not by operation of the law**
- **Rules may be overridden by express terms in the L/C**
- **Rules are subject to interpretation by national courts**

Overview of UCP 600 Articles

General Provisions and Definitions	1 - 5
Liabilities and Responsibilities	6 - 13
Examination of Documents	14 - 17
Documents	18 - 28
Miscellaneous Provisions	29 - 33
Disclaimers	34 - 37
Transferable Credit & Assignment	38 - 39

UCP 600

39

v.

UCP 500

49

Overview of UCP 600 Article 1

Application of UCP

- **Still applicable to Standbys**
- **No reference to “unless otherwise stipulated in the credit” here and elsewhere in the 2007 Revision**
- **Applicable when the credit expressly indicates that is subject to these “rules” - (SWIFT changes have been made to bring in line)**
- **“Binding on all parties unless modified or excluded by the terms of the L/C “**

Overview of UCP 600 Article 1

Examples of express indication:

Use of SWIFT:

**40E: Applicable Rules
 *UCP LATEST VERSION***

Use of telex or letter:

This credit is subject to the Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600.

This credit is subject to UCP 600

Overview of UCP 600 Article 1

Examples of an exclusion or modification to a rule:

Contrary to article 32 of the UCP, this credit remains valid for subsequent installments despite any shipment or drawing not made within the period allowed.

Sub-Article 28(c) does not apply.

Documents must not be dated earlier than the date of the issuance of this credit.

Overview of UCP 600 Article 2

NEW Article 2 – Definitions (UCP 500 - Part of Art. 2, 7, 9, & 10)

Certain terms are defined, so that they provide references when such terms are used in the articles

A	Advising bank
	Applicant
B	Banking day
	Beneficiary
C	Complying presentation
	Confirmation
	Confirming bank
	Credit

H	Honour
I	Issuing bank
N	Negotiation
	Nominated bank
P	Presentation
	Presenter

Overview of UCP 600 Article 2

Banking Day

- Day on which a bank is **regularly open for performance of an act subject to these rules**



Overview of UCP 600 Article 2

Complying Presentation

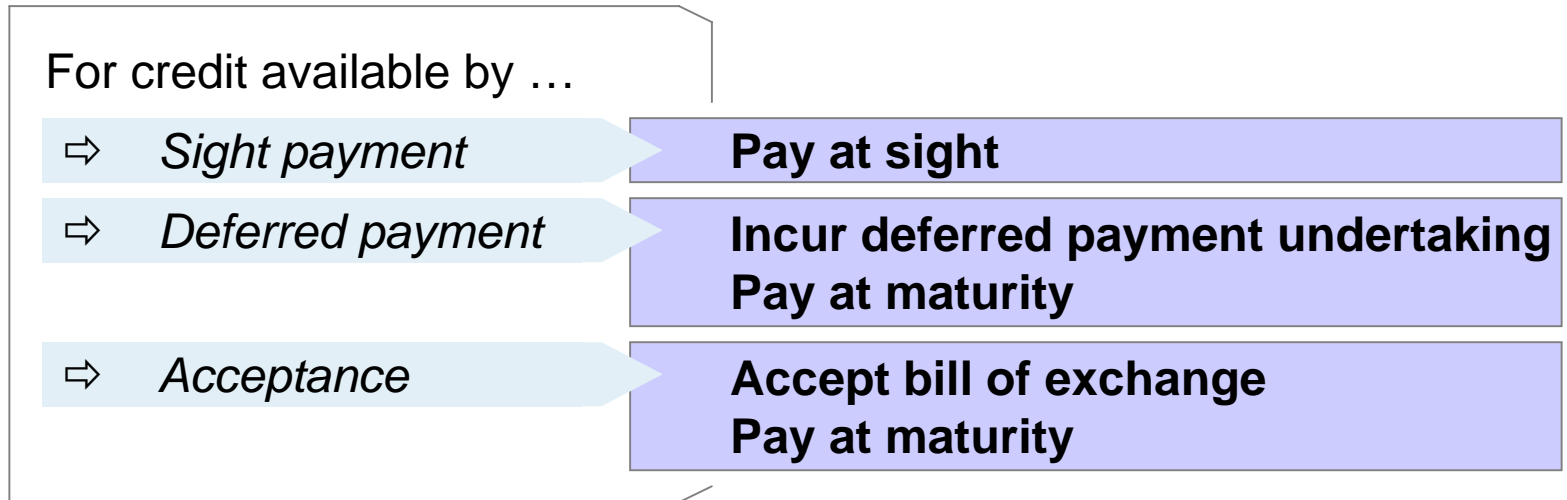
- Presentation in accordance with
 - ***Terms & conditions of the credit***
 - ***Applicable UCP provisions***
 - ***International standard banking practice***

What is international standard banking practice ?

Is it referring to the “ISBP” ?

Overview of UCP 600 Article 2

■ Honour



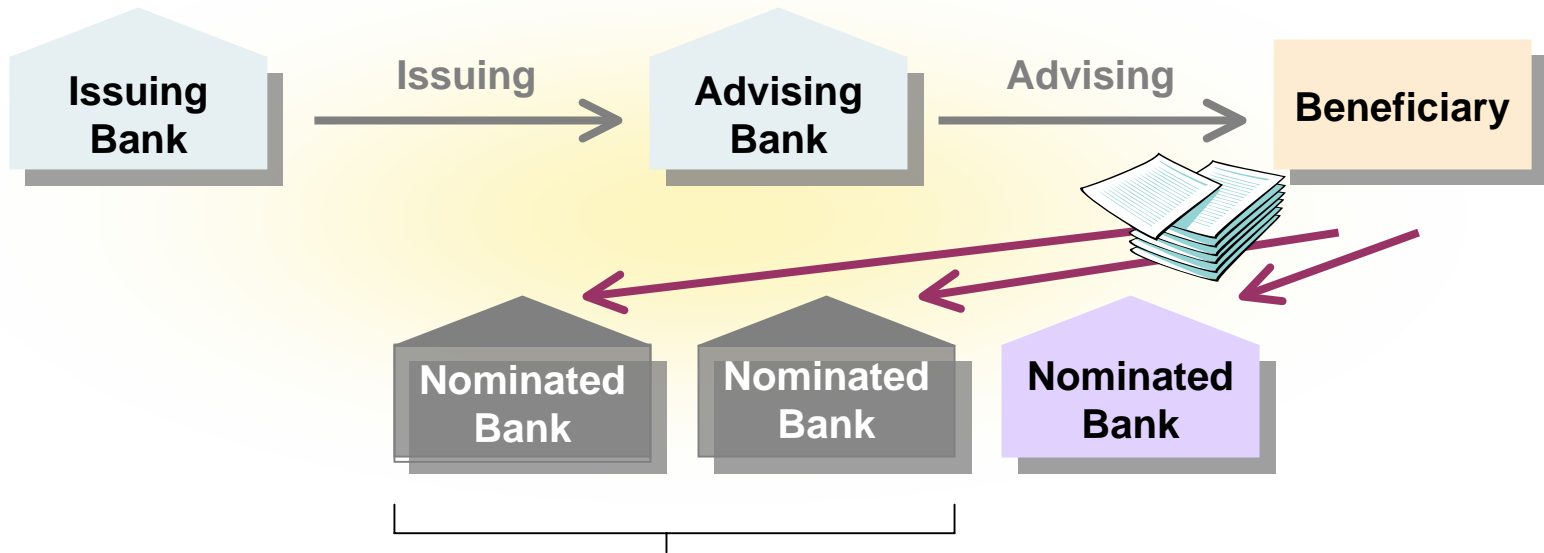
■ Negotiation

- ***Purchase by the nominated bank of drafts (drawn on another bank) and/or documents under a complying presentation,***
- ***By advancing or agreeing to advance funds to beneficiary, on or before the banking day on which reimbursement is due to the nominated bank.***

Overview of UCP 600 Article 2

Nominated Bank

- The bank with which the credit is available, or **any bank in the case of a freely available credit**



L/C available with any bank

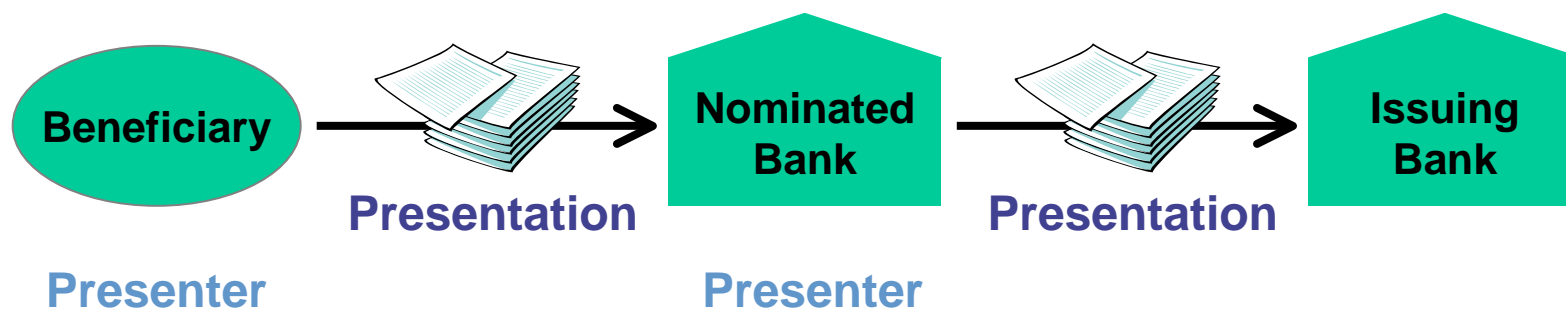
Any bank is a nominated bank

Restricted L/C

Bank named in the L/C

Overview of UCP 600 Article 2

- Presentation
 - *Delivery of documents to issuing bank or nominated bank; or*
 - *The documents so delivered*
- Presenter
 - *Party that makes a presentation*



Overview of UCP 600 Article 3

NEW Article 3 – Interpretations *(UCP 500 - Art. 47 & part of Art. 2, 20, 46)*

NEW ■ Where applicable, words in the singular include the plural and vice versa.

⇒ *No more “(s)” - “Document” instead of “Document(s)”*

NEW ■ A credit is irrevocable even if no indication to that effect.

NEW ■ For determining maturity date, the words “from” and “after” exclude the date mentioned *(ISBP – 45,d)*

30 days from shipment date

=

30 days after shipment date

Shipment date: 1 AUG 2007



Maturity date: 31 AUG 2007

Overview of UCP 600 Article 3

- For determining a period of shipment, the words “from” and “after” have different meanings
 - **“From” includes the date mentioned**
 - **“After” excludes the date mentioned**

Shipment to be effected
from August 10th

=

Earliest shipment date
is August 10th

Shipment to be effected
after August 10th

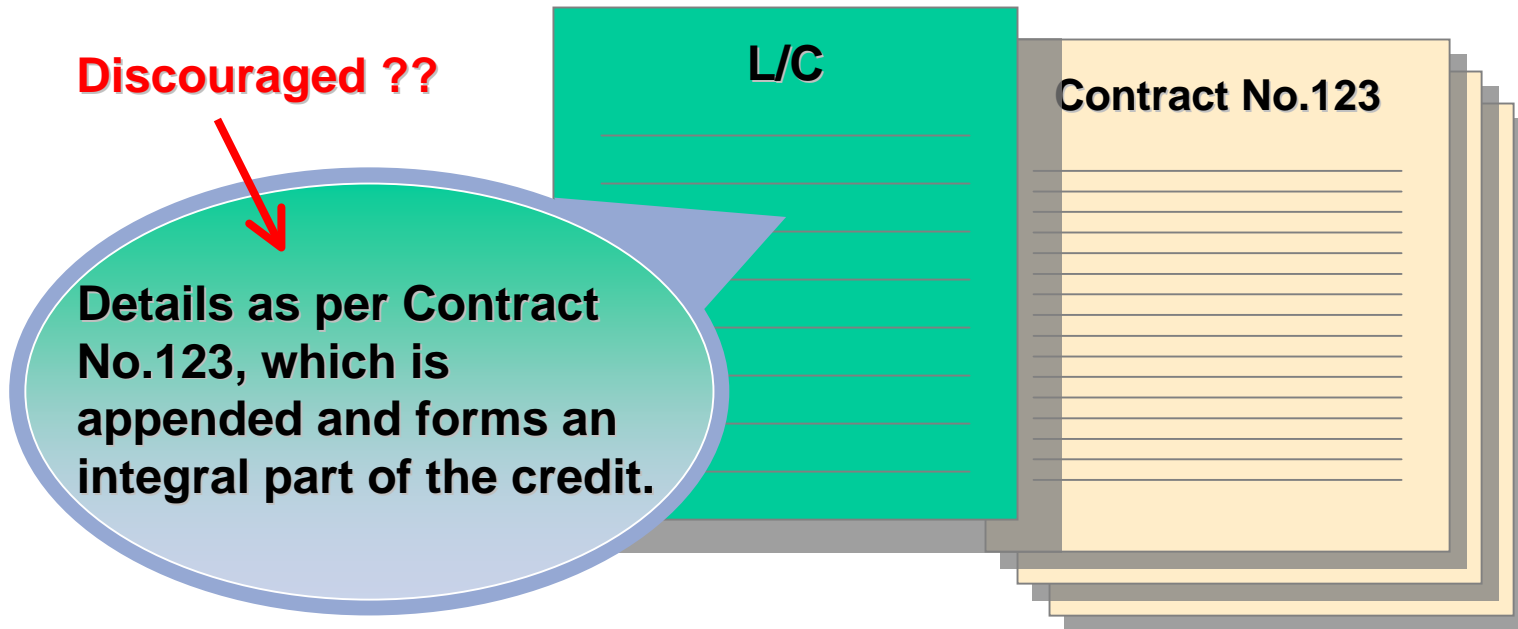
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Earliest shipment date
is August 11th

Overview of UCP 600 Article 4

Article 4 - Credits v. Contracts *(UCP 500 - Art. 3)*

- Independence Principle - L/C is a separate transaction from the underlying contract
- NEW** ■ Banks **should discourage** any attempt to include contract as integral part of L/C



Overview of UCP 600 Article 5

Article 5 - Documents v. Goods/Services/Performance *(UCP 500 - Art. 4)*

- **Banks** deal with documents and not with goods, services or performances to which the documents may relate.
- **In Credit operations all parties concerned deal with documents, and not with goods, services and/or other performances to which the documents may relate. (UCP 500 Article 4)**

Overview of UCP 600 Article 6

Article 6 - Availability, Expiry Date and Place for Presentation

(UCP 500 - Art.42 and part of Art. 9,a,b, 10)

- L/C must ...
 - ***State the bank with which it is available, or that it is available with any bank (available with a nominated bank also available with the issuing bank)***
 - ***State that it is available by sight payment, deferred payment, acceptance or negotiation***
 - ***Not be available by draft on applicant***

Examples:

Available with issuing bank by deferred payment

Available with Bank XYZ by payment

Available with any bank by negotiation

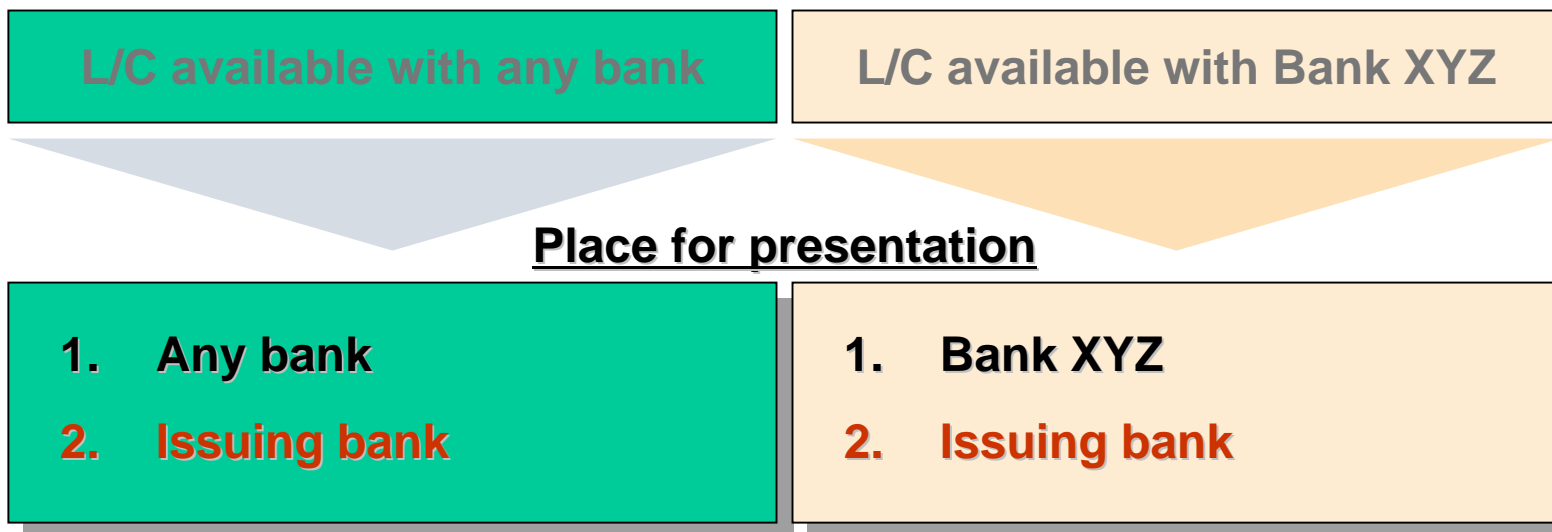
Overview of UCP 600 Article 6

- Expiry date

⇒ *Last day for presentation of documents*

- Place for presentation

- **Bank with which the L/C is available, or**
- **Any bank, if the L/C is available with any bank, and**
- **Issuing bank**

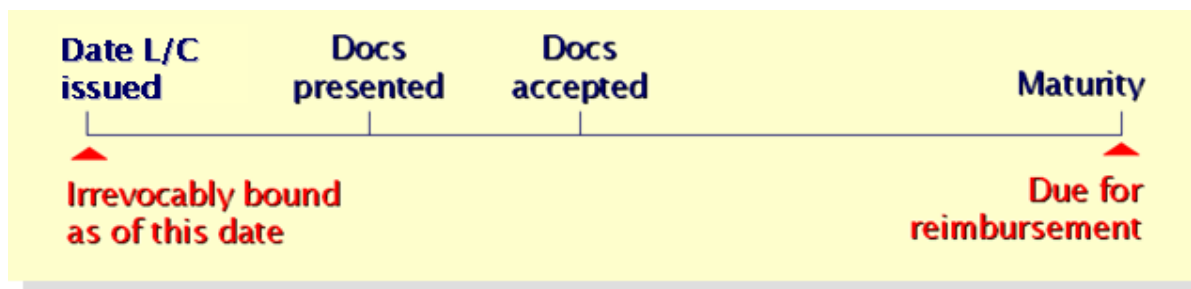


Overview of UCP 600 Article 7

Article 7 – Issuing Bank Undertaking *(UCP500 – part of Art. 9,a)*

- Honour complying presentation made to nominated bank or to issuing bank itself
- Reimburse nominated bank that has honoured/negotiated and forwarded complying documents to issuing bank
- Irrevocably bound as of the time L/C is issued
- For usance L/C, reimbursement is due at maturity of deferred payment undertaking or acceptance, whether or not nominated bank prepaid or purchased before maturity

NEW



NEW

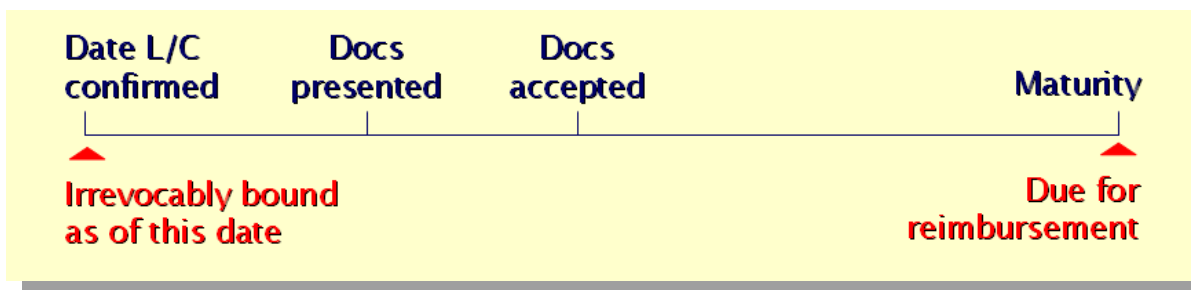
- Issuing bank's undertaking to reimburse nominated bank is independent of its undertaking to beneficiary

Overview of UCP 600 Article 8

Article 8 – Confirming Bank Undertaking *(UCP500 - 9,c and part of Art.9,b)*

- Honour a complying presentation, or negotiate without recourse
- Reimburse nominated bank that has honoured/negotiated and forwarded complying documents to confirming bank
- Irrevocably bound as of the time of confirmation
- For usance L/C, reimbursement is due at maturity of deferred payment undertaking or acceptance, whether or not nominated bank prepaid or purchased before maturity

NEW



NEW

- Confirming bank's undertaking to reimburse nominated bank is independent of its undertaking to beneficiary

Overview of UCP 600 Article 9

Article 9 - Advising of Credits and Amendments (UCP500 - Art.7, 11,b)

- By advising an L/C, the advising bank signifies:
 - ***Its without any undertaking to honour or negotiate***
 - ***It has satisfied itself as to the apparent authenticity of the L/C or amendment***
 - ***The advice accurately reflects the L/C's terms and conditions***

NEW

L/C

Available with: Any Bank
By: Negotiation
Reimburse: Claim at sight
on Bank XYZ,
New York Branch

Advice

Available with: **Advising Bank**
By: Negotiation
Reimburse: **Advising Bank**
holds special reimbursement instruction

NEW

- An advising bank may utilize the services of another bank to advise the credit - second advising bank

Overview of UCP 600 Article 10

Article 10 – Amendments *(UCP500 - Art. 9,d)*

- Amendment must be agreed to by the issuing bank, confirming bank, if any, and the beneficiary
- Issuing bank/Confirming bank is irrevocably bound as of time of issuance and advising of amendment
- Confirming bank must inform issuing bank of election not to extend confirmation to an amendment and may advise beneficiary of amendment without it's confirmation
- Notification of acceptance or rejection received should be given by second advising bank to the advising and the advising bank to the issuing bank
- Partial acceptance = Notice of rejection

NEW

Overview of UCP 600 Article 10

NEW

- Disregard any provision that the amendment shall be in force unless rejected by beneficiary within certain time

Silence \neq Consent

Disregard



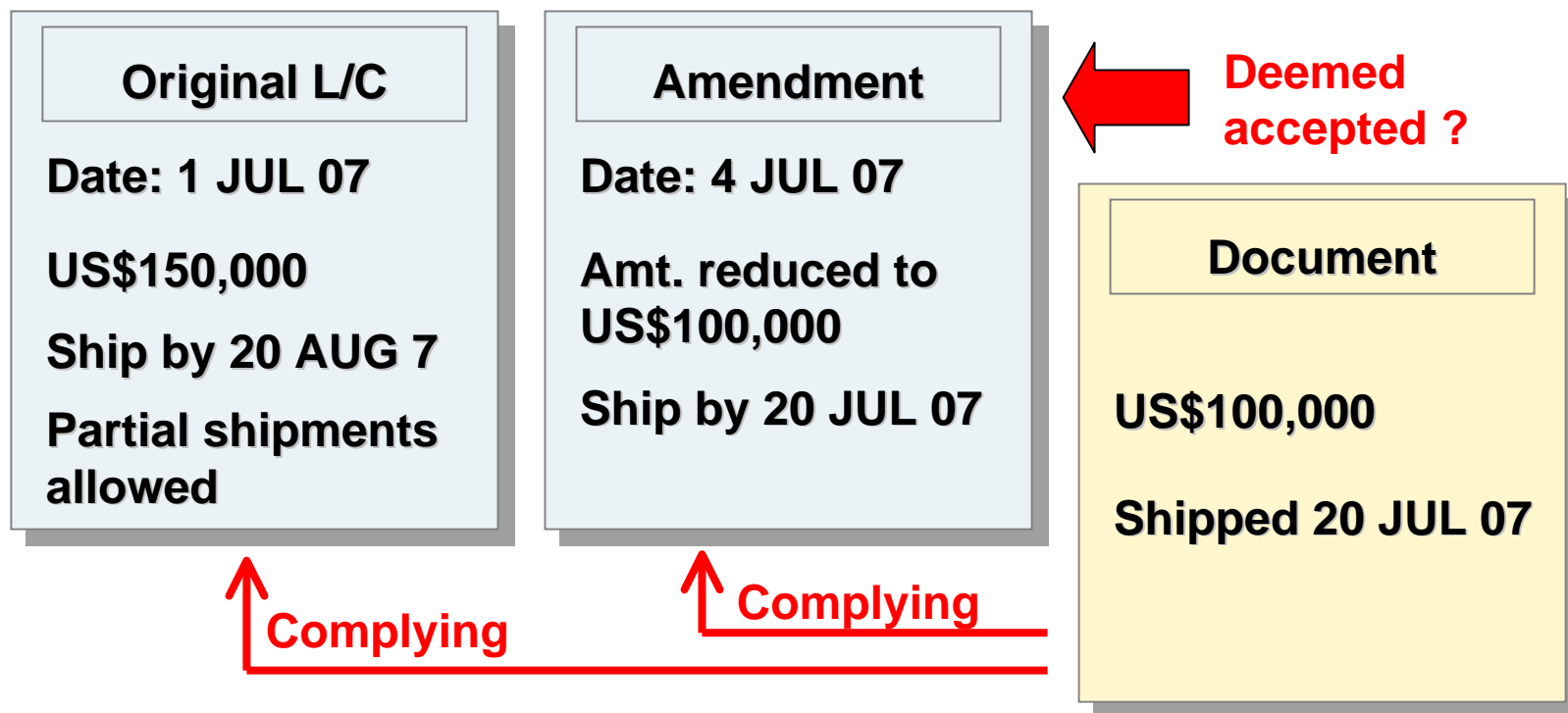
Amendment No.1

- Amount reduced by USD100,000.00

This amendment shall be in force unless rejected by beneficiary on or before 30 Nov 2007.

Overview of UCP 600 Article 10

- Presentation that complies with the credit and not yet accepted amendment – deemed to be beneficiary's acceptance of the amendment



Overview of UCP 600 Article 11

Article 11 – Teletransmitted and Pre-Advised Credits and Amendments *(UCP 500 - Art. 11,a,c)*

- Authenticated teletransmission of credit and amendment deemed to be operative, unless otherwise stated.
- If teletransmission states “full details to follow” (or words of similar effect), issuing bank must then issue the operative credit or amendment in terms not inconsistent with the teletransmission
- Preliminary advice of issuance of a credit or amendment **obligates the issuing bank** to issue the operative credit or amendment.

Overview of UCP 600 Article 12

Article 12 – Nomination (UCP500 - Art. 10,c)

- Nomination does not obligate nominated bank to honour
- By nominating a bank to accept a draft or incur a deferred payment undertaking, an **issuing bank authorizes that nominated bank to prepay or purchase** a draft accepted or a deferred payment undertaking incurred by that nominated bank

NEW

L/C

Available with
**Citibank N.A. by
deferred payment
at 90 days after
date of shipment**

Citibank N.A. is authorized to :

1. **Incur a Deferred Payment Undertaking (“DPU”); and**
2. **“Prepay” its DPU (ie early payment before maturity)**

Overview of UCP 600 Article 13

Article 13 – Bank to Bank Reimbursement Agreements *(UCP500 - Art.19)*

If a credit states that reimbursement is to be obtained from a reimbursing bank, it must state if the reimbursement is subject to the ICC rules for bank-to-bank reimbursements in effect on the date of issuance of the credit.

Overview of UCP 600 Article 14

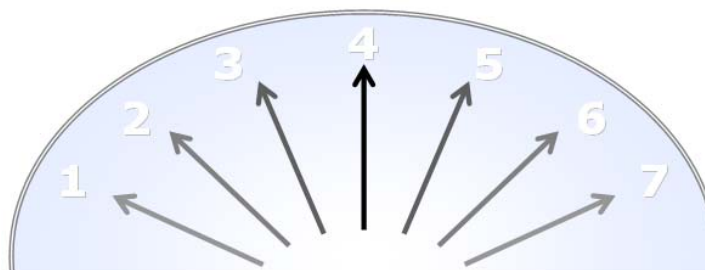
Article 14 - Standard for Examination of Documents *(UCP 500 - Art. 13, 21, 22)*

- Must examine documents on their face to determine compliance
- Other than the commercial invoice, description of goods, **services or performance**, may be stated in general terms
- Disregard documents not required by L/C and may be returned
- Disregard non-documentary condition
- Documents may be dated prior to issuance date of LC, but not later than date of presentation

Overview of UCP 600 Article 14

- UCP 500: Reasonable time not to exceed SEVEN banking days following the day of receipt of documents
- UCP 600: **Max. of FIVE banking days** following day of presentation. Not curtailed or affected by other events.

	M	Tu	W	Th	F	Sa	S	M	Tu	W
UCP 600	0	1	2	3	4	X	X	5		
UCP 500	0	1	2	3	4	X	X	5	6	7



What is reasonable ?

Overview of UCP 600 Article 14

Presentation Period

- Presentation including an **original transport document** must be made not later than 21 calendar days after date of shipment
- Transport document - Subject to **Articles 19-25**

UCP 500

- ... Every Credit which calls for a transport document should also stipulate a specified period of time after the date of shipment during which presentation must be made ...
- No later than 21 days after shipment, if no such time period is stipulated
- Transport document – As defined in Articles 23-29

Overview of UCP 600 Article 14

Data Not Conflicting

- Data in a document **must not conflict** with data in that document, other stipulated documents or the L/C

UCP 500

- Documents which appear on their face to be **inconsistent** with one another will be considered as not appearing on their face to be in compliance with the terms and conditions of the Credit.

Overview of UCP 600 Article 14

Unspecified Issuer or Content

- Other than invoice, transport document or insurance document, banks will accept the document if (1) its content appears to **fulfill the function**, and (2) it complies with 14(d)

Example: L/C calls for Inspection Certificate

Inspection Certificate

Goods have been inspected and are certified to be in order.

Signed 

Dated 1 AUG 2007



Inspection Certificate

Goods are certified to be of Singapore origin.

Signed 

Dated 1 AUG 2007



Goods have been inspected and are certified to be in order.

Signed 

Dated 1 AUG 2007



Overview of UCP 600 Article 14

Addresses of Beneficiary & Applicant

- Need not be the same between stipulated documents & the credit; but
- Must be **within the same country** as in the credit
- Disregard contact details of beneficiary and applicant (fax, phone, email) stated in the credit (*ISBP 61*)
- However, if they form part of **consignee and notify party details in transport document**, applicant's contact details must be as stated in the credit

Overview of UCP 600 Article 14

Letter of Credit

Applicant: ABC Inc.
3 Temasek Avenue
16-00 Centennial Tower
Singapore 039190
Fax No. 6328 5201

B/L to notify applicant

Invoice

Bill to: ABC Inc.
10 Coleman Street
Singapore 179809
Fax No. 6328 5464

Bill of Lading

Notify: ABC Inc.
10 Coleman Street
Singapore 179809
Fax No. 6328 5464

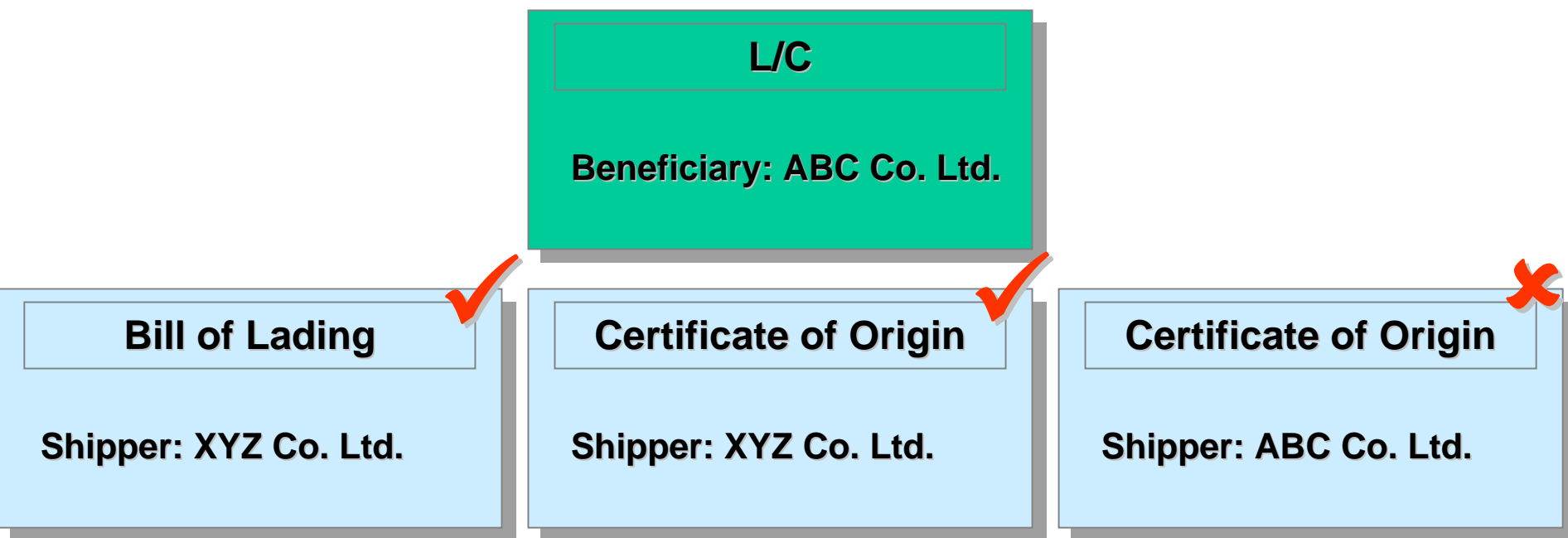
Bill of Lading

Notify: ABC Inc.
3 Temasek Avenue
16-00 Centennial Tower
Singapore 039190
Fax No. 6328 5201

Overview of UCP 600 Article 14

Shipper, Consignor, Transport Document Issuer

- Shipper or consignor of goods indicated on any documents need not be the L/C beneficiary, but must be consistent among all documents



NEW

- Transport document may be issued by party other than carrier/ owner/ master/ charterer, provided it meets the requirements of articles 19, 20, 21, 22, 23 or 24

Overview of UCP 600 Article 15

Article 15 – Complying Presentation NEW

When ...

Issuing bank determines a presentation is complying

It must honour and release documents to the applicant

Without delay

Confirming bank determines a presentation is complying

It must honour or negotiate and forward documents to issuing bank

Nominated bank determines a presentation is complying, and honours or negotiates

It must forward documents to confirming bank or issuing bank

Overview of UCP 600 Article 16

Article 16 – Discrepant Documents, Waiver and Notice (UCP 500 – Art. 14,b,c,d,e)

- Nominated/Confirming/Issuing bank may refuse to honour or negotiate discrepant documents
- Issuing bank, in its sole judgment approach applicant for waiver
- Notice of refusal **must be given no later than close of the fifth banking day** following day of presentation
- Failing to act in accordance with this article precludes the bank from claiming the presentation does not comply
- After providing notice of refusal
 - The bank may return documents to presenter at any time
 - ***Issuing bank or confirming bank may claim refund for any reimbursement made, with interest***

NEW

Overview of UCP 600 Article 16

- **Single** Notice of Refusal must state:
 - *the bank is refusing to honour or negotiate,*
 - *each discrepancy in respect of the refusal, and*
 - *one of the following:*

The bank is holding documents pending presenter's further instructions

NEW

The issuing bank is holding documents until it receives waiver from applicant and agrees to accept it, or receives further instructions from presenter prior to agreeing to accept the waiver

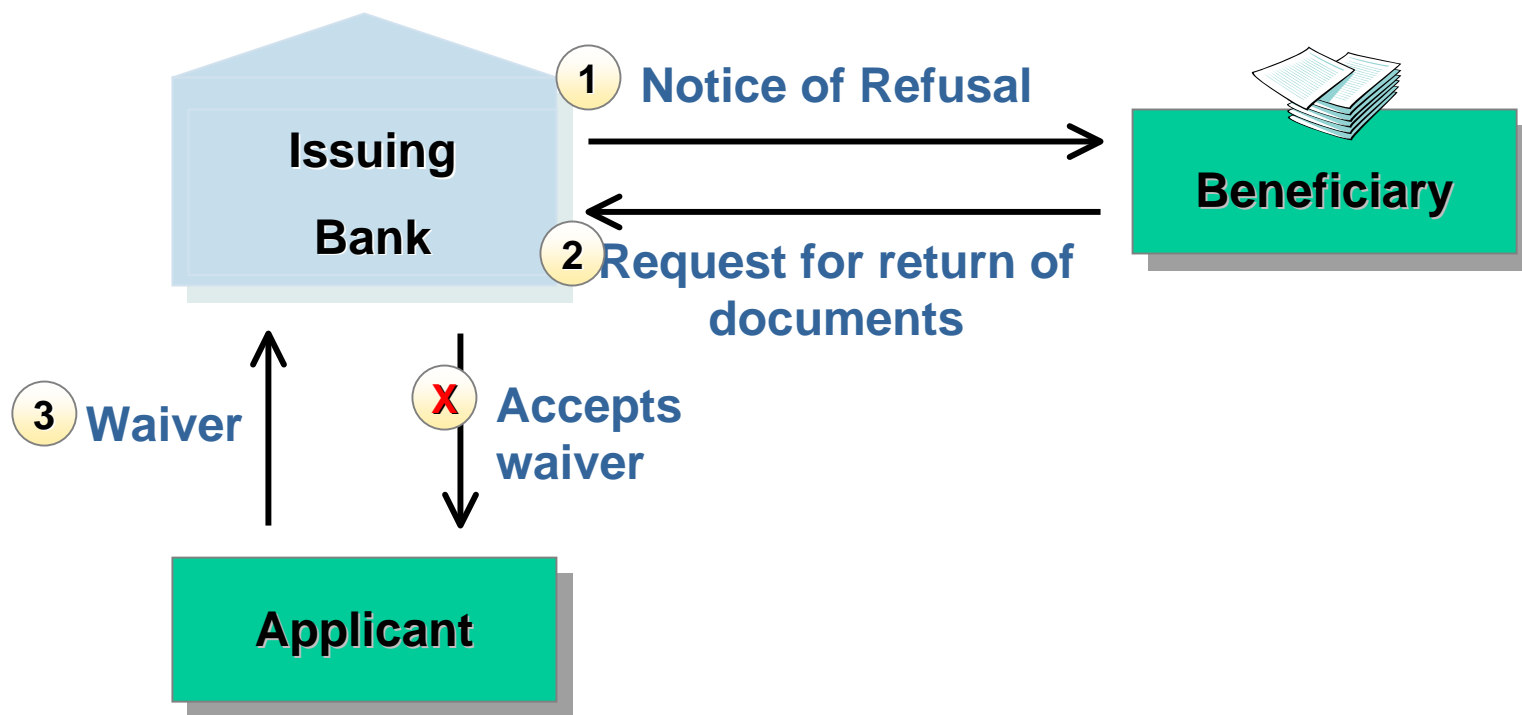
The bank is returning the documents

NEW

The bank is acting in accordance with instructions previously received from the presenter

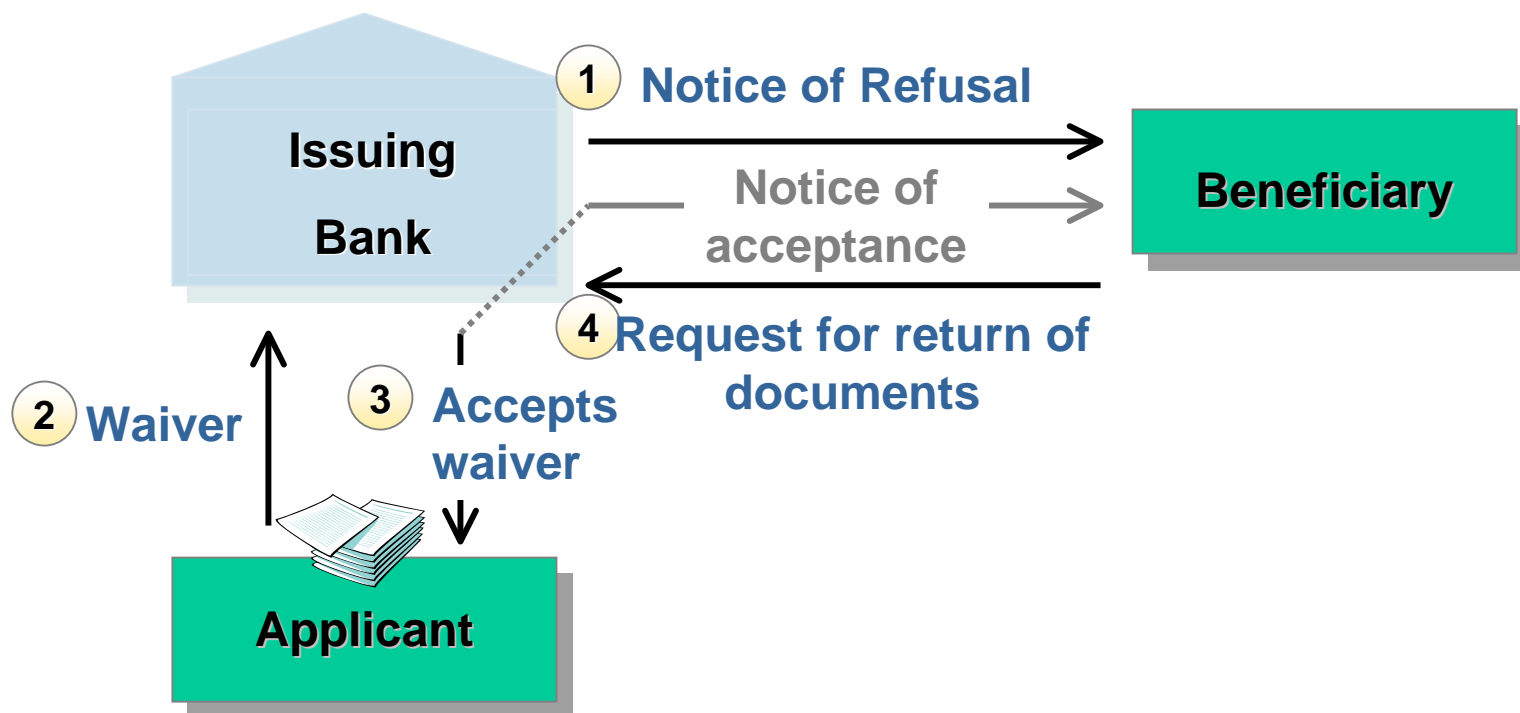
Overview of UCP 600 Article 16

- Notice of Refusal: “The issuing bank is holding documents until it receives waiver from applicant and agrees to accept it, or receives further instructions from presenter prior to agreeing to accept the waiver.”



Overview of UCP 600 Article 16

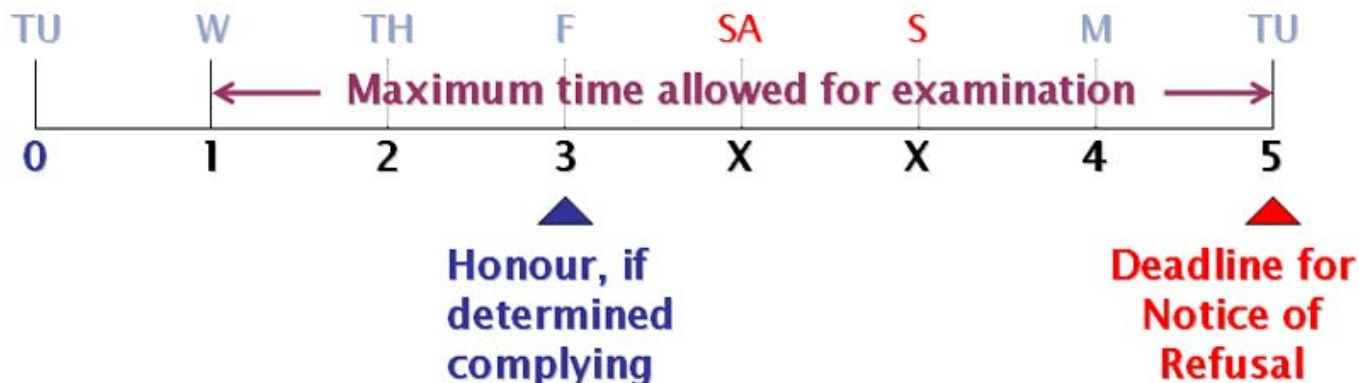
- Notice of Refusal: “The issuing bank is holding documents until it receives waiver from applicant and agrees to accept it, or receives further instructions from presenter prior to agreeing to accept the waiver.”



Overview of UCP 600 Article 16

Important Timelines (UCP 600 14, 15 and 16)

- Document Examination:
 - Max. 5 banking days following the day of presentation
- Complying Presentation:
 - When an issuing bank determines that a presentation is complying, it must honour
- Refusal:
 - Notice of refusal by the close of the fifth banking day following the day of presentation



Any Questions?

Our **Technical Trade Specialists** are happy to answer your technical LC questions. Please mention that you attended our Webinar!

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