



Unlocking the
Benefits of Export
Letters of Credit

Global Transaction Services

Cash Management Trade Services and Finance Securities Services Fund Services

Unlocking the Benefits of Export Letters of Credit

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Director/Global Product Manager
March 8, 2006

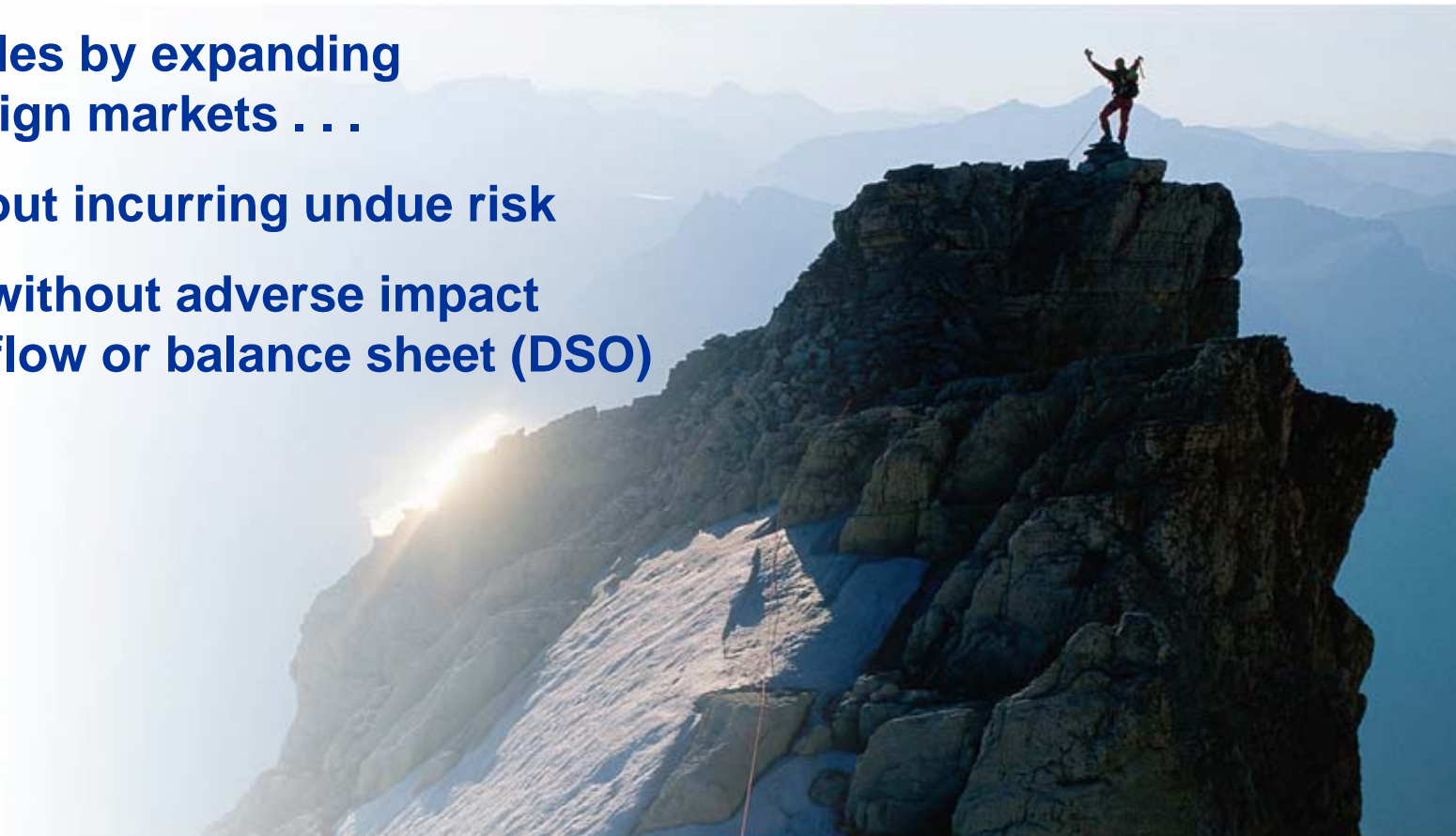
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Exporter Objectives

**Grow sales by expanding
into foreign markets . . .**

. . . without incurring undue risk

**. . . and without adverse impact
on cashflow or balance sheet (DSO)**



Exporter Needs in Cross-Border Sales

- **Risk mitigation**
- **Assistance with cross-border collections**
- **Financing / Managing working capital**
- **Information**
- **Automation and other outsourcing**

Exporter Risks

- **Commercial Risks**

- Non-payment
- Non-acceptance of goods

- **Political (Sovereign) Risk**

- Political turmoil in importing country

- **Legal / Regulatory Risk**

- Non-compliance with local regulations

- **Foreign Exchange (FX) Risk**

- Currency fluctuations

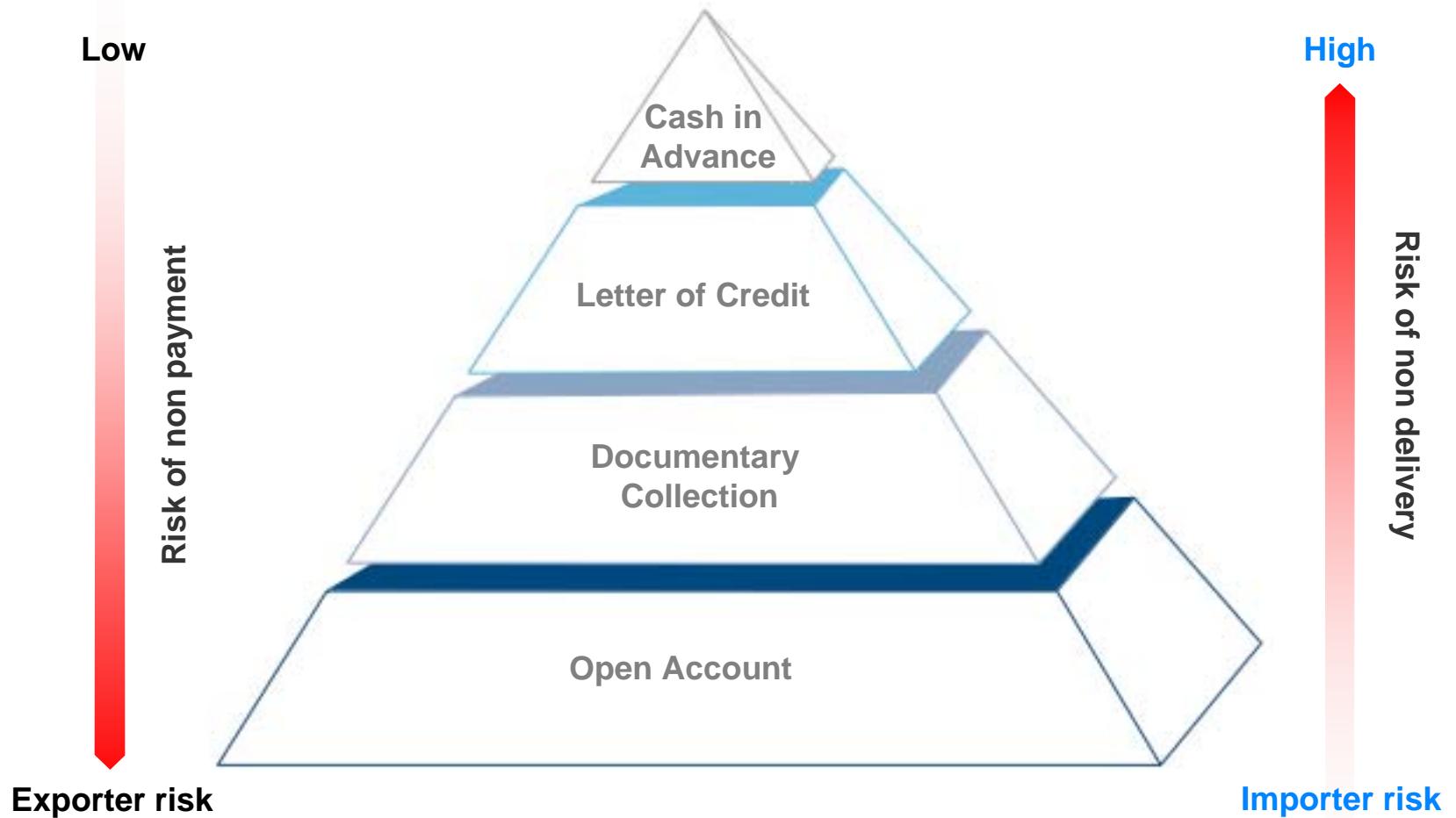
- **Transfer Risk**

- Foreign exchange controls

- **Convertibility Risk**

- Insufficient foreign currency available

Commercial Risks



Payment Types

Cash in Advance



- Importer pays for goods in advance of exporter shipment

Open account; extended terms



- Importer and exporter deal direct with one another; no bank intermediation

Time or date draft, documents
against acceptance
(aka Documentary Collection)



- Exporter makes shipment and presents draft and documents to bank; intermediary documents are released upon importer's signed acceptance of the draft

Sight draft, documents
against payment
(aka Documentary Collection)



- Same as above, but payment due immediately or documents will not be released

Irrevocable LC



- Instrument issued by importer's bank, in favor of exporter, payable against presentation of specified documents to the issuing bank; may incorporate or otherwise facilitate pre- & post-shipment financing

Confirmed Irrevocable LC



- Same as above, except importer's bank asks advising bank to add its confirmation

Standby LC



- Typically used to guarantee performance or payment; sometimes used as payment instrument; typically not drawn on

Trade Letters of Credit

	Advantages	Risks
Importer	<ul style="list-style-type: none"> ■ Assurance that payment will only be made upon exporter's compliance with LC terms and conditions ■ May finance goods until they are marketed 	<ul style="list-style-type: none"> ■ Goods may not meet specifications or may not be as represented in the documents ■ FX risk if goods are priced in a foreign currency
Exporter	<ul style="list-style-type: none"> ■ Title of goods may be controlled by banks ■ Can rely on bank's creditworthiness instead of importer's ■ May use LC to finance the production of goods ■ Mitigation of commercial, credit and country risks (if LC is confirmed) 	<ul style="list-style-type: none"> ■ Non compliance with LC terms and conditions would prevent bank from paying ■ FX risk if goods are priced in a foreign currency

Parties Involved in a Letter of Credit

1 Applicant - Importer - Buyer - Account Party:

The applicant arranges for the issuance of the Letter of Credit through its bank.

2 Beneficiary - Exporter - Seller:

The party in whose favor the Letter of Credit is issued. Entitled to payment under the Letter of Credit if it meets the terms and conditions.

3 Opening or Issuing Bank:

The applicant's bank that opens or issues the Letter of Credit in favor of the beneficiary and substitutes its creditworthiness for that of the applicant.

4 Advising Bank:

A bank authenticates the Letter of Credit and forwards it to the beneficiary.

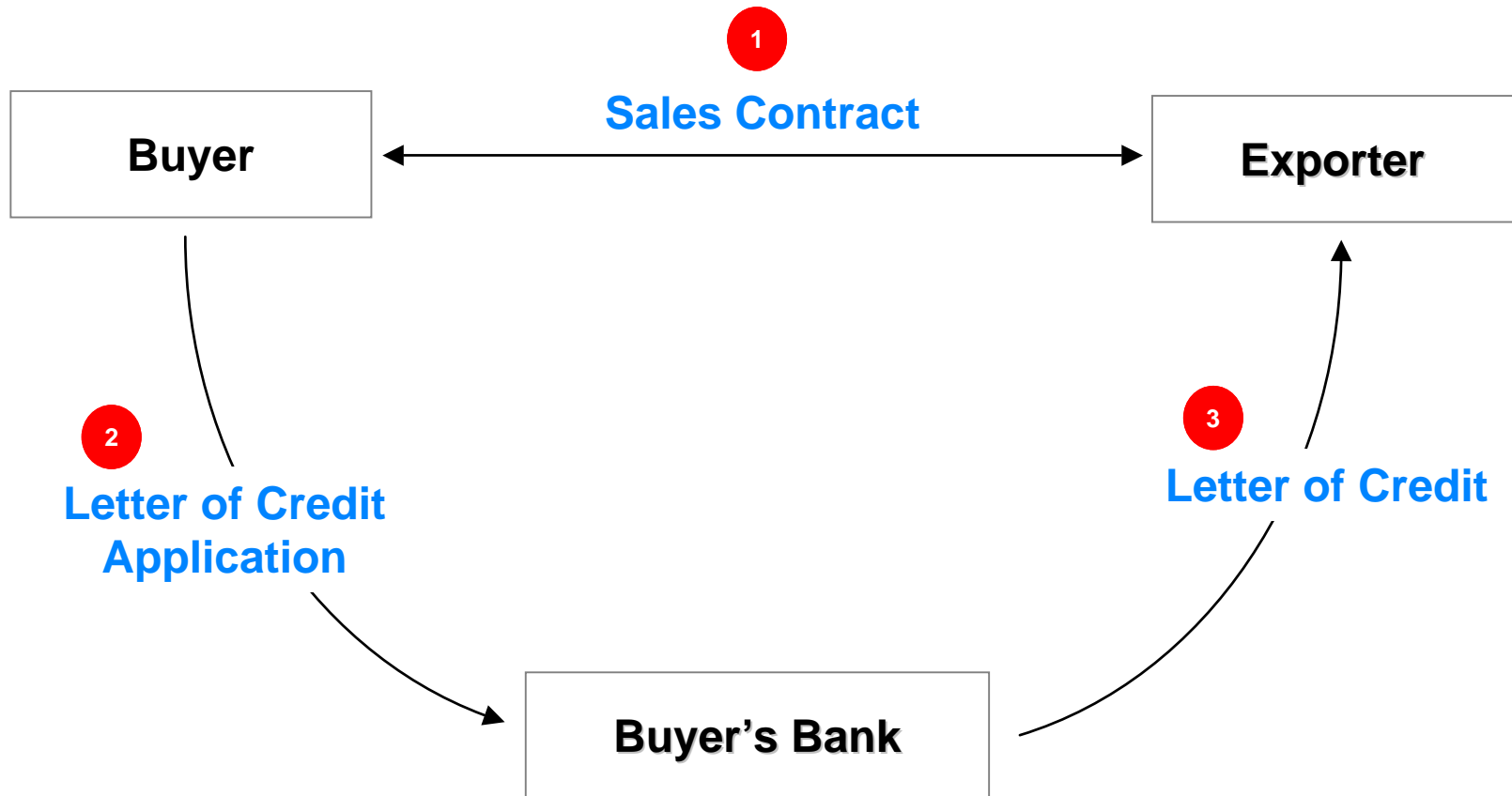
5 Paying or Reimbursing Bank:

The bank nominated in the Letter of Credit that makes payment to the beneficiary without recourse, after determining that documents conform, and upon receipt of funds from the issuing bank or another intermediary bank nominated by the issuing bank.

6 Confirming Bank:

The bank, which under the instruction from the issuing bank, substitutes its creditworthiness for that of the issuing bank, ultimately assuming the issuing bank's commitment to pay.

How Export Letters of Credit Work

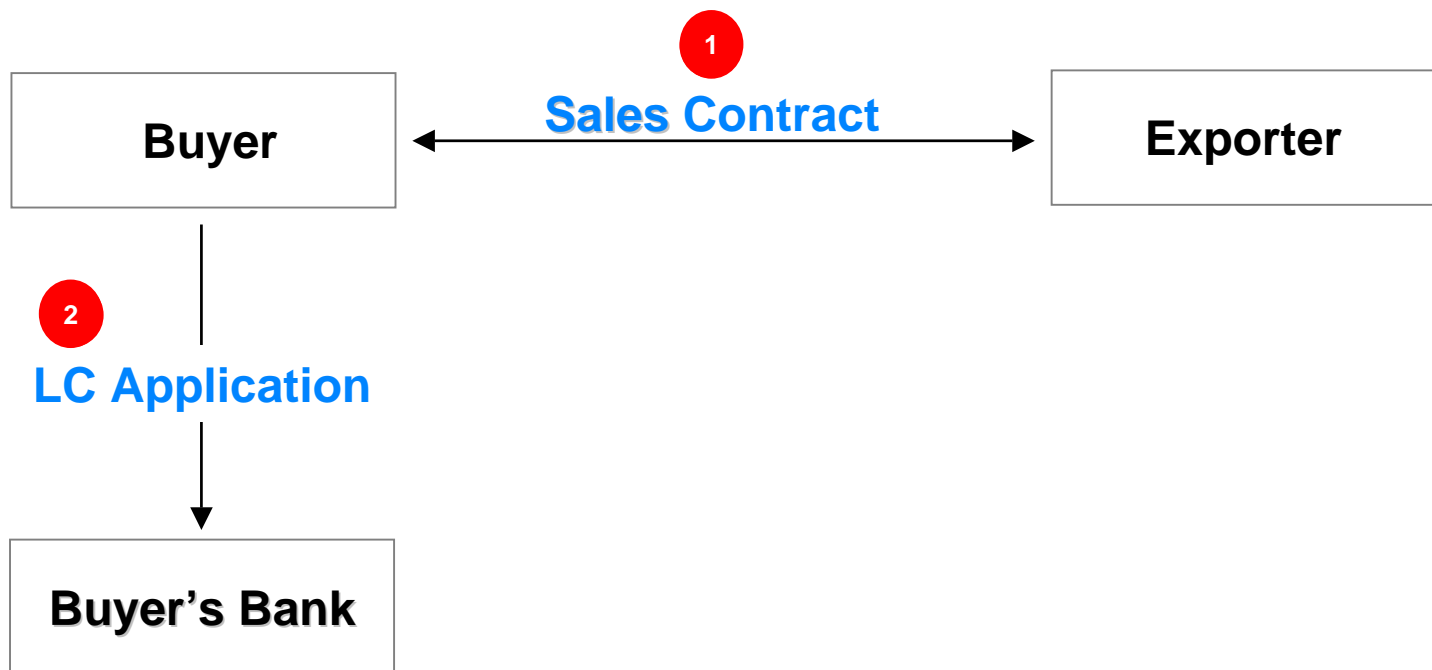


Prior to LC Issuance – A Representative Process

- **Sales to notify Finance/Credit of contracts requiring LCs**
- **Finance/Credit to approve proposed LC issuing bank in advance of LC issuance**
 - Buyer is instructed to fax the draft LC application to Finance/Credit for review prior to issuance
 - In case of unacceptable issuing bank, LC confirmation to be pursued
 - Confirmation charges may be for account of buyer, if arranged in advance
- **Finance/Credit to review payment terms specified in LC application**
 - Draft tenor
 - Financing terms and conditions, and who bears financing charges

The benefit of this process is that delays and additional expense caused by incorrect LC terms are avoided, and the exporter is assured of proper risk coverage and ability to receive timely payment.

How Export Letters of Credit Work



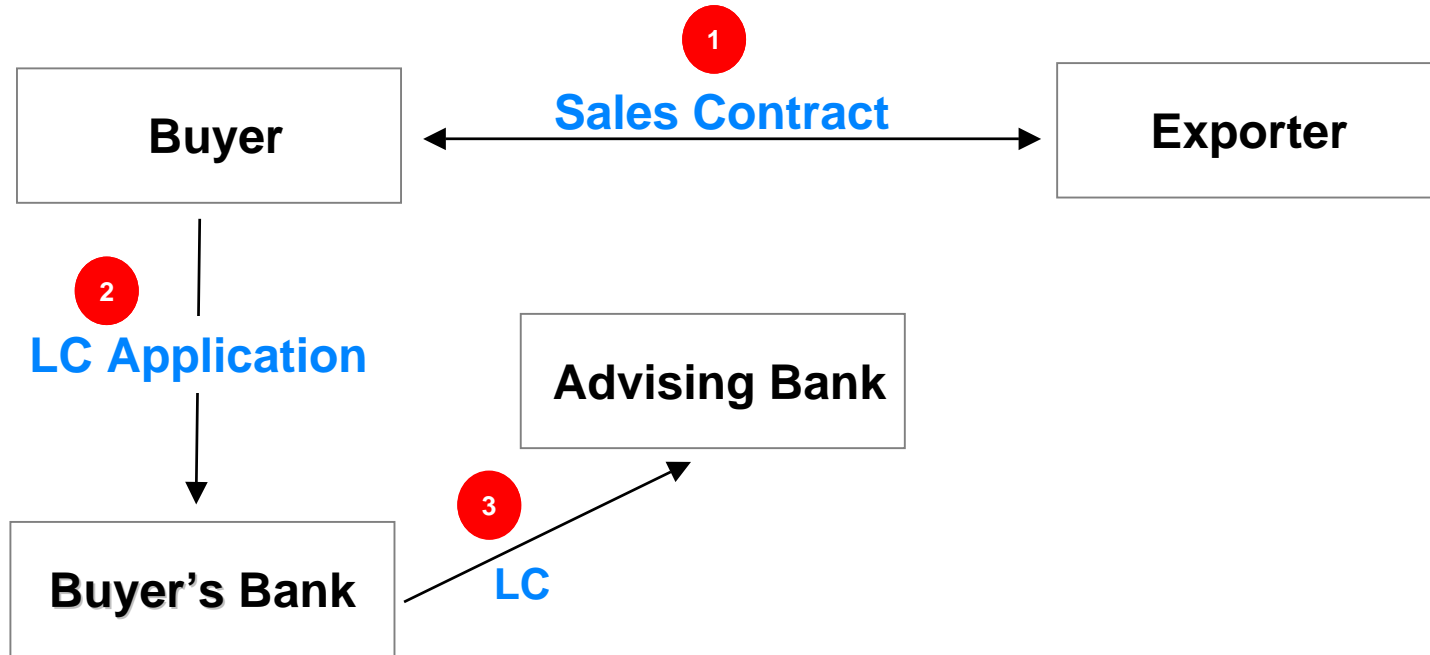
Discretion of the Issuing Bank

- Choose the advising bank
- Choose the confirming bank (if any)
- Nominate a negotiating (document examination) bank
- Choose reimbursing bank or stipulate payment method
- Refinancing terms

While the issuing bank has the right to make the above decisions, exporters can benefit from clearly specifying their required LC terms to the buyer and insisting on LCs that meet their needs.

The buyer may have more relationship leverage with their bank than you think to ensure LCs meet your requirements.

How Export Letters of Credit Work



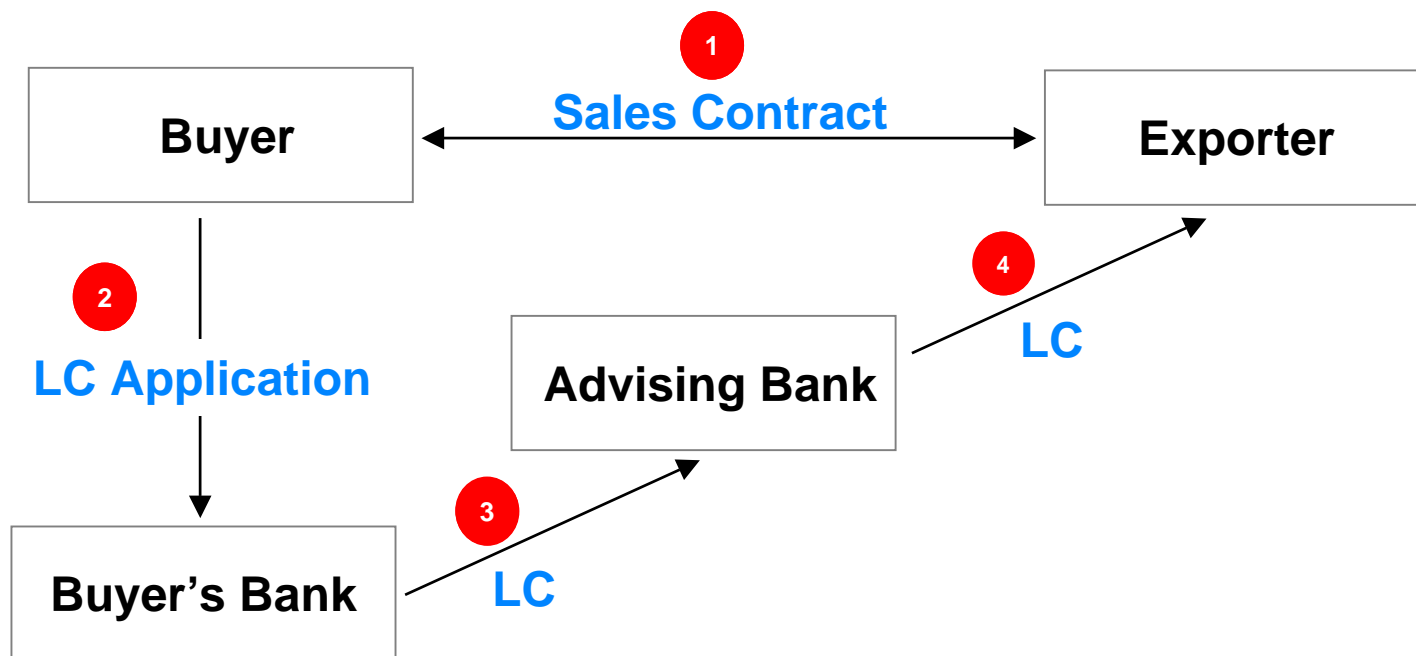
Responsibilities of the Advising Bank

- **Verify authenticity**
- **Check for workability**
- **Clarify vague conditions**
- **Deliver to beneficiary**

You can realize additional benefits by working closely with your trade bank to provide LC advising services such as:

- *agreed turnaround times on LC delivery,*
- *timely notification of workability issues, and*
- *electronic delivery of LCs while holding originals.*

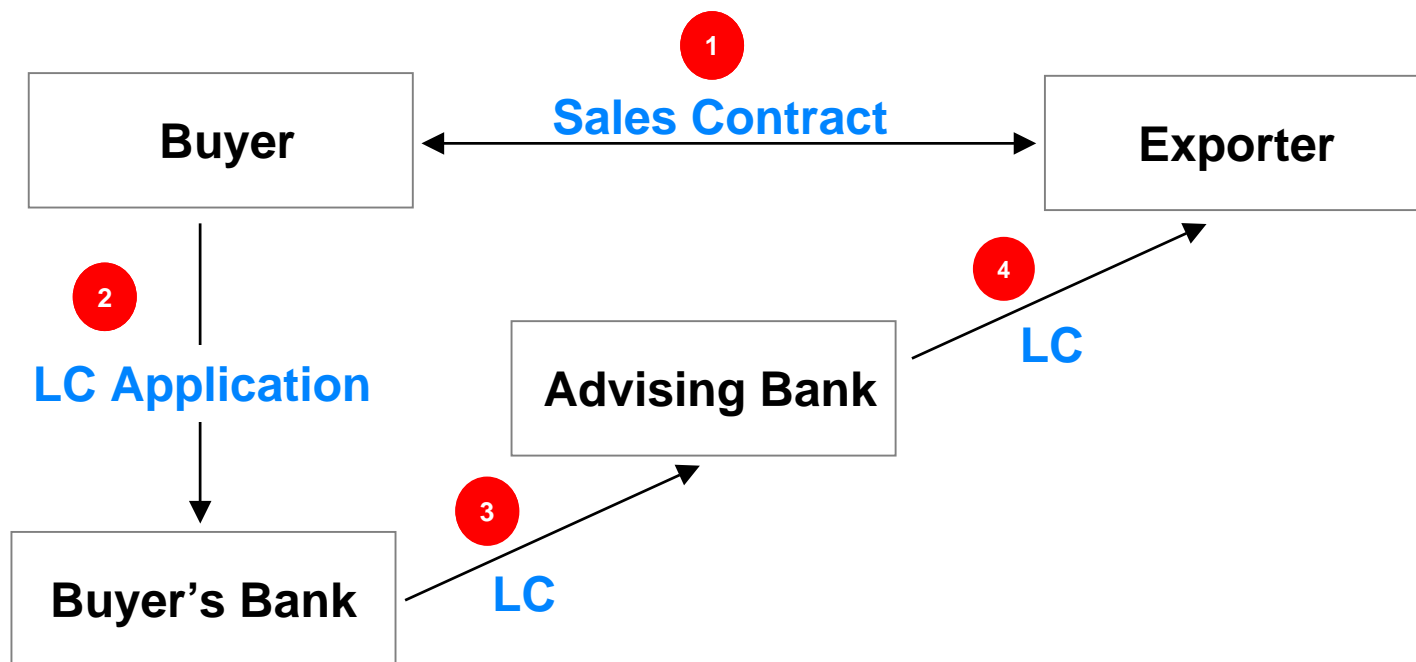
How Export Letters of Credit Work



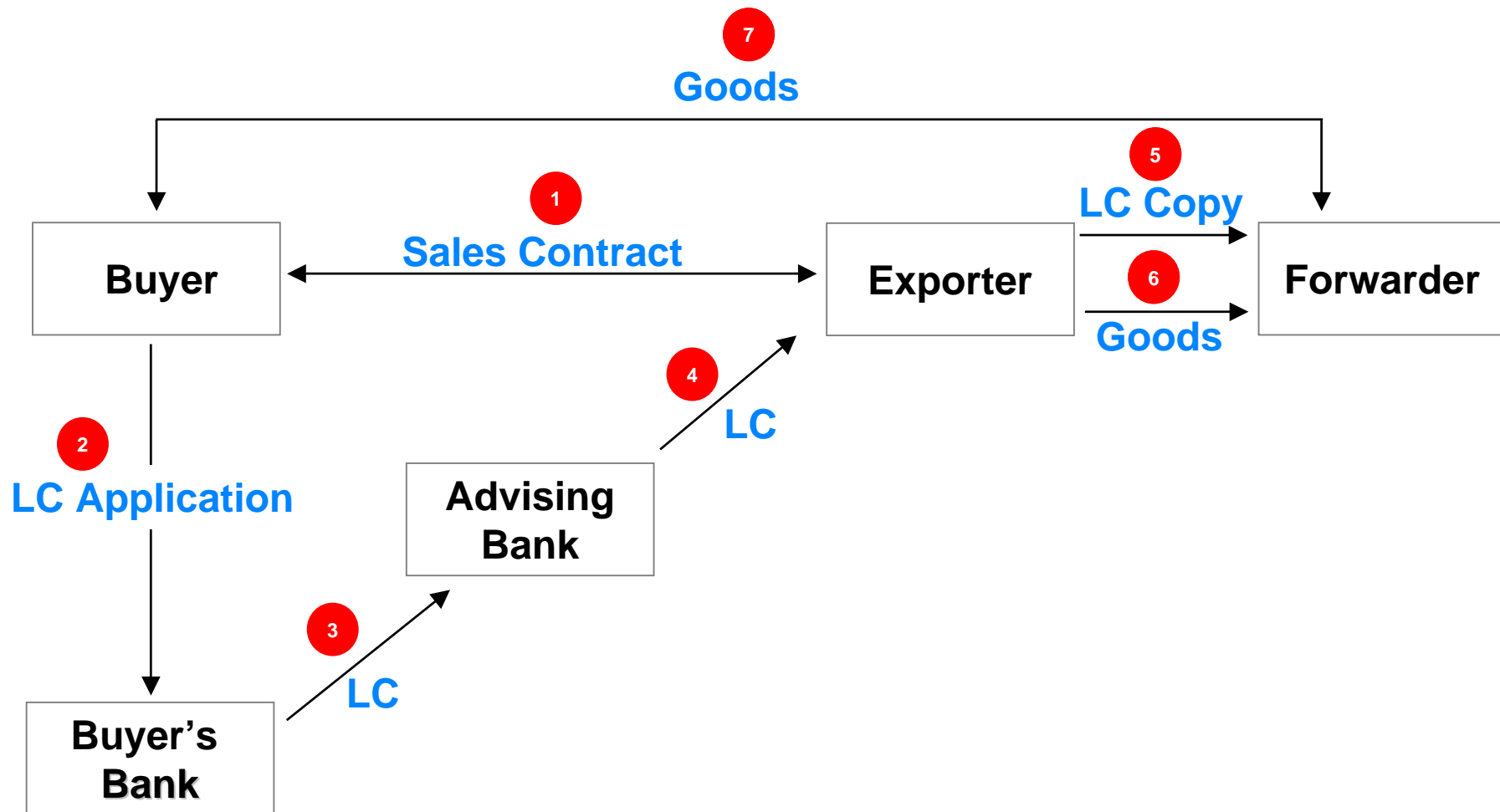
Beneficiary Review of the LC

- Irrevocable
- Letter of Credit amount
- Expiry date
- Latest shipment date
- Shipping terms
- Draft tenor (e.g., sight versus extended or “usance” terms)
- Documents
- Additional Conditions
- Payment/Reimbursement Instructions
- UCP 500
- Bank’s engagement / acceptability of issuing bank

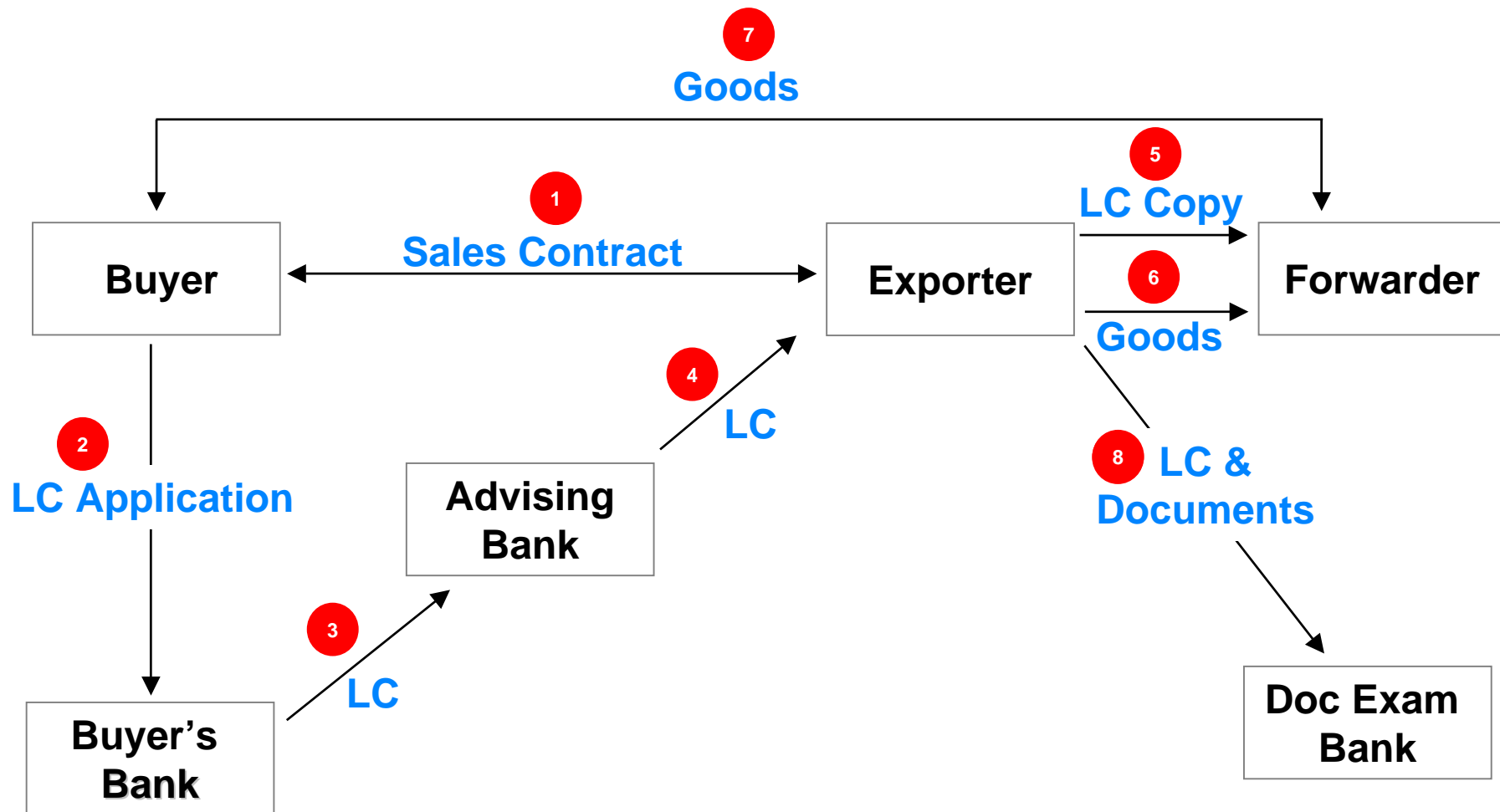
How Export Letters of Credit Work



How Export Letters of Credit Work



How Export Letters of Credit Work

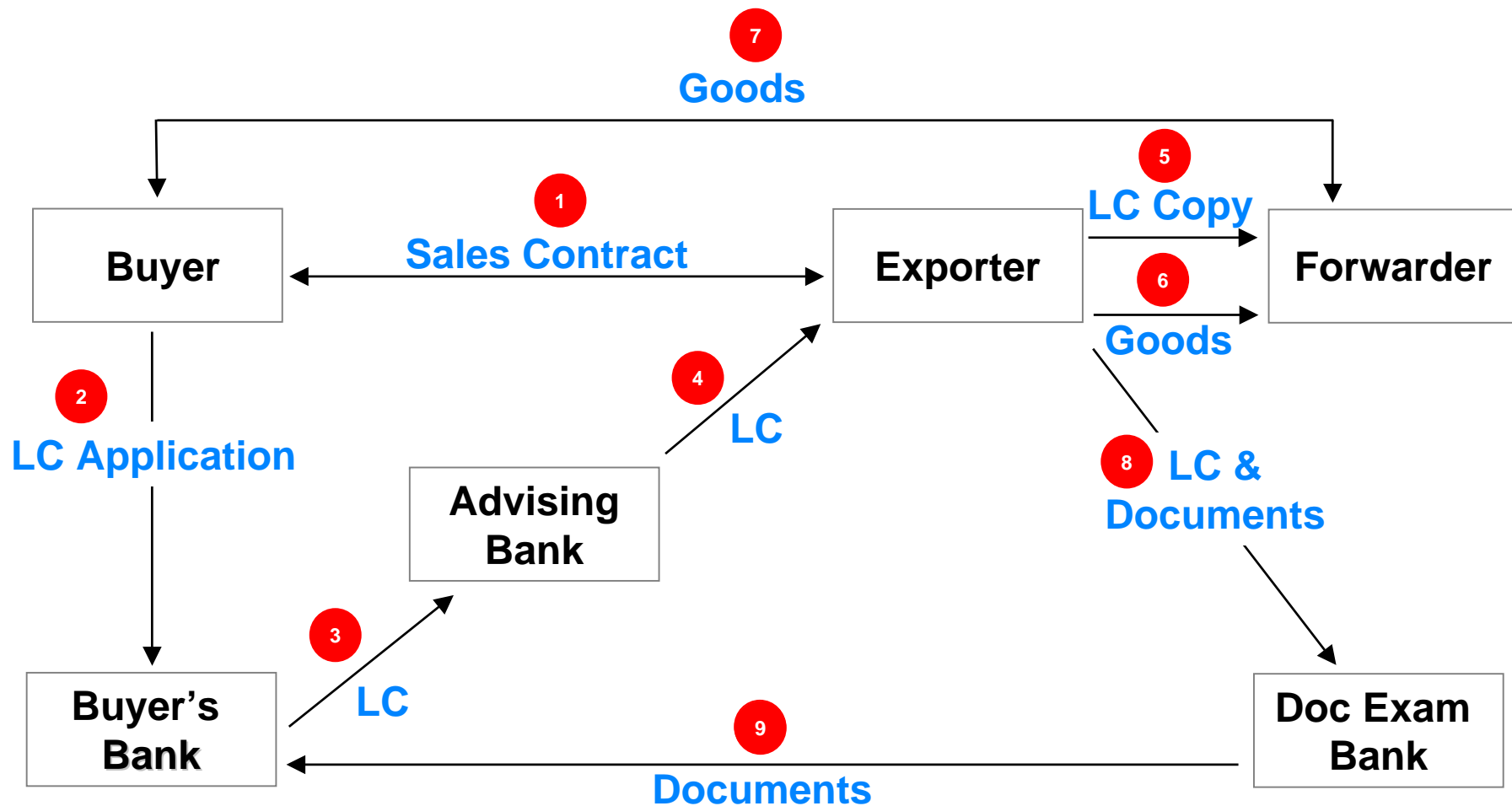


Handling Discrepancies

- **Notify beneficiary and agree on course of action**
- **Beneficiary may correct repairable discrepancies**
 - Beneficiary submits replacement document(s)
- **Beneficiary contacts buyer to arrange for waiver**
 - Bank sends documents to issuing bank on approval basis
- **Beneficiary contacts buyer to arrange for amendment**

Outsourcing export document preparation, particularly to a bank service provider, can eliminate documentary discrepancies, saving you money and speeding payment.

How Export Letters of Credit Work



Methods of Reimbursement

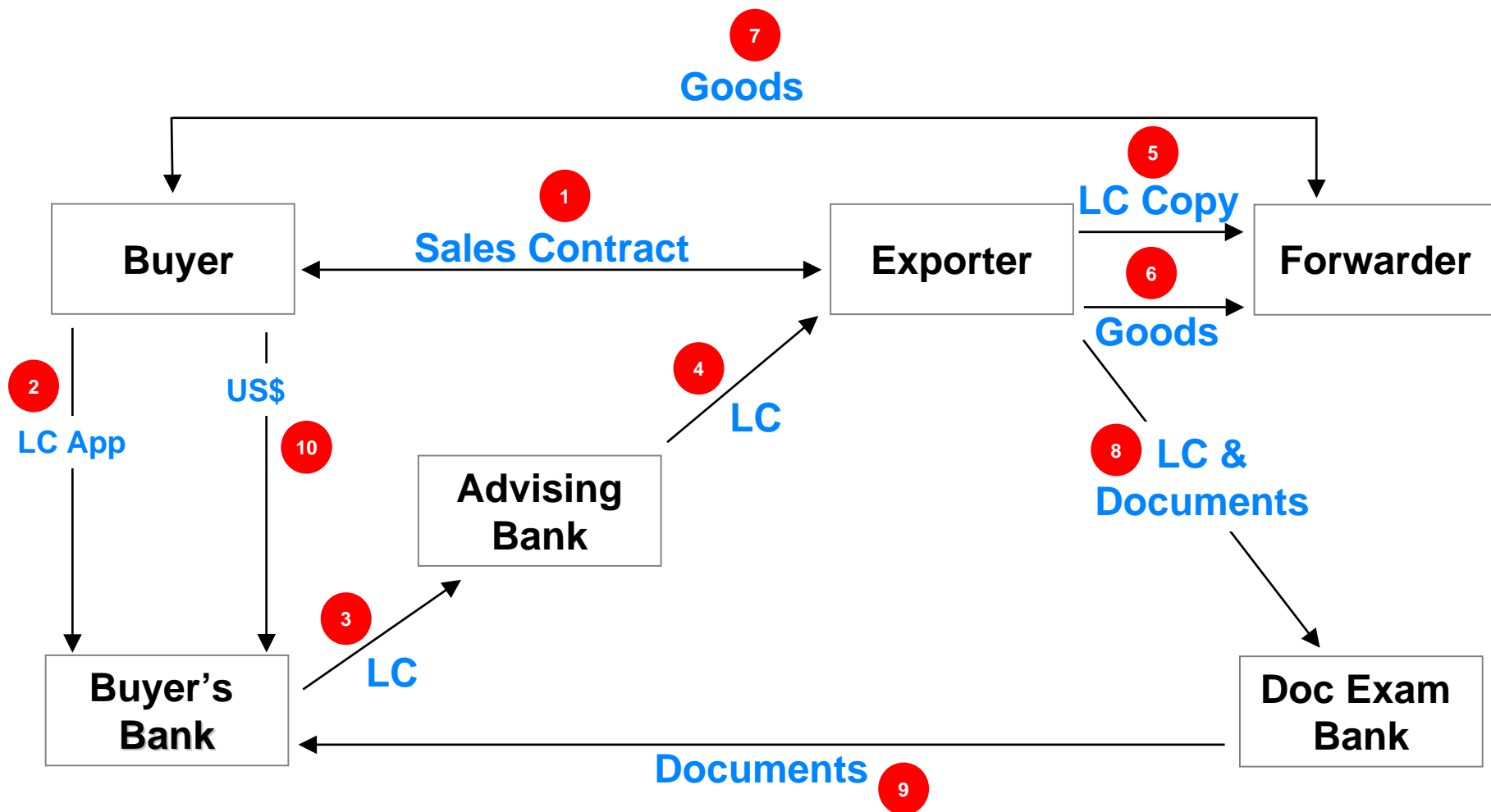
- **Debit the issuing bank's account**
- **Claim reimbursement (from a designated reimbursing bank)**
- **Send SWIFT™ reimbursement claim to issuing bank directly**
- **Send documents to issuing bank for payment**

Where possible, insist on LC reimbursement instructions that:

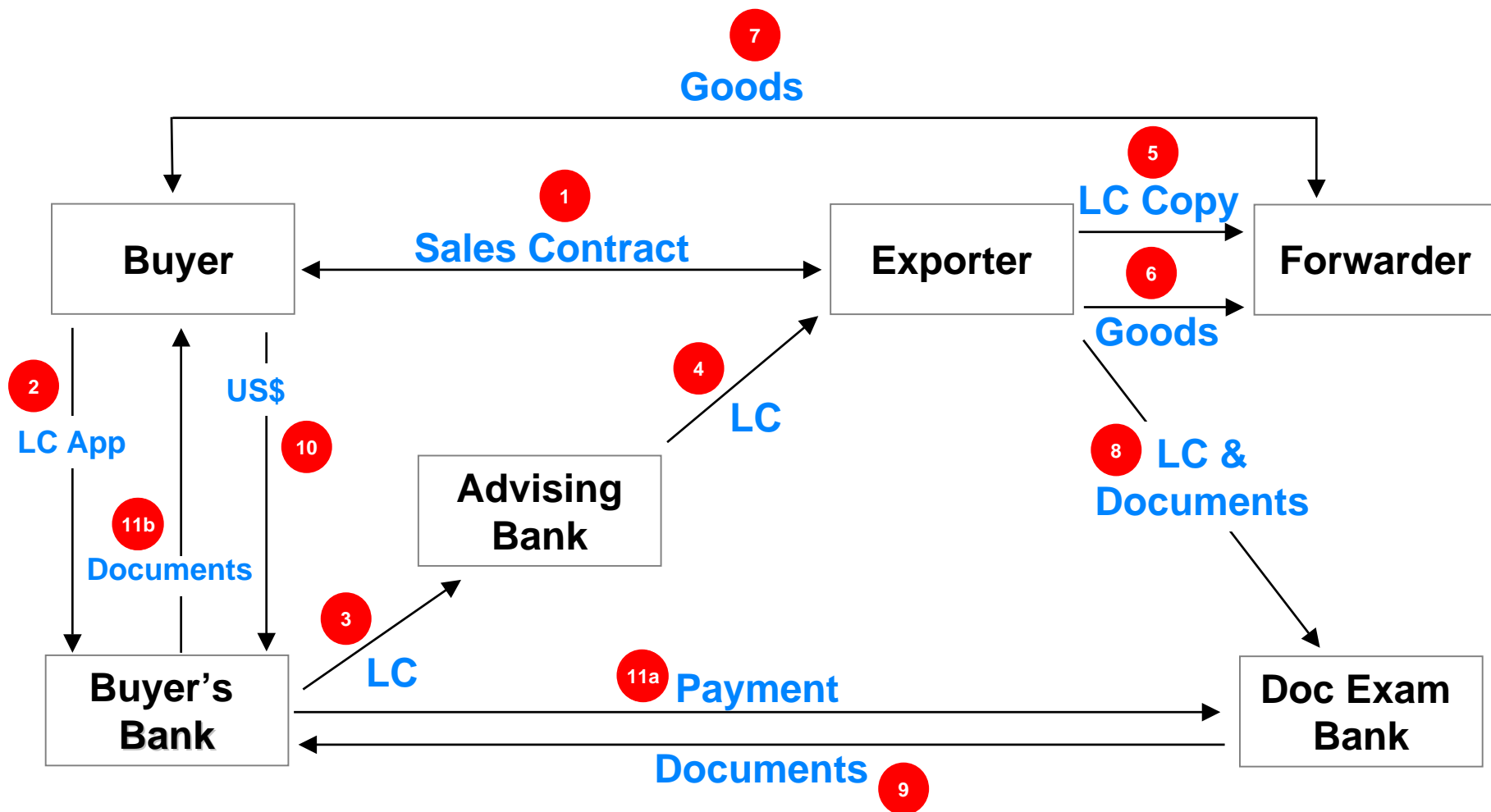
- (1) Allow electronic reimbursement claims, and*
- (2) Designate a reimbursing bank in your country.*

You will benefit by receiving payment typically 5 – 7 business days faster.

How Export Letters of Credit Work



How Export Letters of Credit Work



Risk Mitigation Techniques Using LCs

- **Unconfirmed Letter of Credit**
- **Confirmed Letter of Credit**
- **“Silent LC confirmation”**
- **Standby Letter of Credit**

Letter of Credit Confirmations

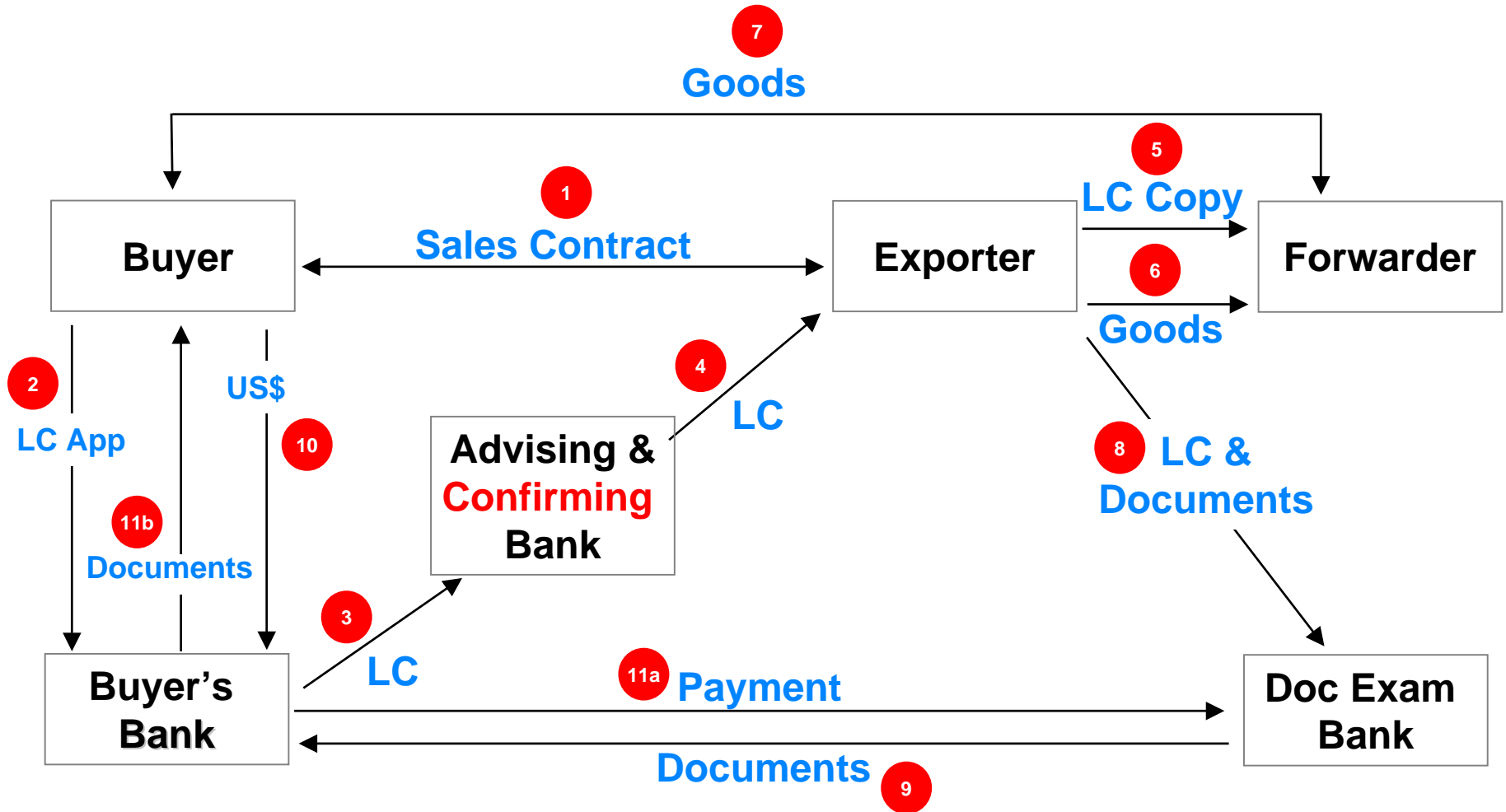
Primary exporter concerns driving confirmation:

- **Political stability of the country of the buyer**
- **Commercial credit risk of the issuing bank**
- **Protecting profit margins**

One benefit of LC confirmations is that you can choose which LCs (i.e., sales contracts) you want confirmed, thus managing your total exposure to a particular country or issuing bank.

Another benefit is that you may be able to manage the timing of your confirmation, via amendments to unconfirmed LCs or via “silent confirmations.” This saves you money!

WHAT'S WRONG WITH THIS SLIDE?



“Silent” LC Confirmations

Replacing LC confirmation:

- **Original LC issued without request to add confirmation**
- **Confirming bank gives exporter a commitment letter**
- **Issuing bank is not informed of LC confirmation**
 - Confirming bank assumes additional risks
- **Exporter may request payment without recourse (at a discount) for compliant documents**
- **Not all banks offer “silent confirmations” or take documentation risk on “silent confirmations”**

Benefits to the exporter, when combined with sale of documents, are risk mitigation, cash acceleration, and reduced DSO.

Select Terms from “Commitment to Negotiate”

Conditions to Issuance of Commitment: In its sole discretion, the Bank may commit to Negotiate documents under the Credit, provided that, among other things, the following conditions have been met at the time the Requester requests such commitment to Negotiate: The Credit (including any amendment thereto) (i) **nominates the Bank or "any bank" as negotiating bank**, (ii) **is subject to the Uniform Customs and Practice for Documentary Credits (the “UCP”)**, and (iii) **is acceptable (in both form and substance) to the Bank in its sole discretion**. If the Bank decides to commit to Negotiate documents under the Credit, the Bank shall send the Requester a notification in the form of Exhibit A hereto. ...

In addition to any requirements stated in the Credit, the Bank must be provided with the original Credit instrument and all amendments thereto at the time of presentation of documents (or at the time of the request to purchase). ...

The Requester has fully performed its obligations in the transaction underlying the Credit, ...

The Requester has complied with all applicable export control laws and regulations and has no knowledge of (i) any pending or threatened injunction or similar proceeding affecting the Credit, (ii) any violation of law or regulation applicable to the Credit or any underlying transaction, or (iii) any claim by the applicant of Requester non-performance or other applicant objection to payment under the Credit or any indication that the issuing bank will not honor the Credit; ...

These are a few, select, representative terms from a “Commitment to Negotiate.”

Reasons a Bank May Not Confirm an LC

- **Weak country credit risk**
- **Issuing bank credit line constraints**
- **Reimbursement instructions**
- **Draft and tenor**
- **Documentary conditions / Legal issues**

You may still arrange an LC confirmation despite any of the above!

- *Consult with your trade bank to identify potential alternative issuing banks*
- *Work with a trade services bank that has risk distribution capabilities*
- *Identify possible amendments to the LC that will make the terms and conditions acceptable to your bank*
- *Structure the confirmation to cover partial risks (e.g., political risk only)*

Trade vs. Standby Letters of Credit

Trade Letter of Credit

- For the payment of goods and/ or services
- Designed to be drawn on when product is shipped and documentary conditions are met
- Typically used for cross-border transactions, but can be used domestically

Standby Letter of Credit

- Two types: guarantee (“default”) and payment (“direct-pay”)
- Used to support performance under a contract and payment obligations (e.g., unpaid open account invoices)
- Payment type SBLCs are used to effect payments directly to beneficiaries
- May be used to manage risks associated with complex projects or contracts

Sample Key Terms – SBLC for Payment Back-stop

At the request and for the account of XYZ Associates, London, England we hereby issue our Irrevocable Standby Letter of Credit No. 5656, in your favor, for an amount(s) not to exceed in the aggregate U.S. \$200,000.00, effective immediately and expiring on December 31, 20__.

Funds under this Letter of Credit are available to you against **your sight draft(s)** drawn on us, mentioning thereon our Letter of Credit No. 5656.

Each such draft must be accompanied by **your written and dated statement**, purportedly signed by an authorized signer of your company, that “The amount of the draft being presented represents the full payment for unpaid invoices in accordance with the terms and conditions of Purchase Order No. 345-62.”

We hereby undertake with you to honor each draft drawn under and in compliance with the terms of this Letter of Credit, if duly presented together with the documents specified to us at Citicorp North America, Inc., Servicer for Citibank, N.A., 3800 Citibank Center, Tampa, Florida 33610 on or before the stated expiration date.

Why Standby Letters of Credit?

Benefits:

- **Less documentation required to draw**
- **No need to evidence sale and shipment of goods**
- **Useful for complex transactions**
 - Flexible enough to support multiple transaction types

But, ... keep in mind:

- **You must maintain the original SBLC and all amendments**
- **You must monitor expiry dates**
- **SBLCs may be more costly for your buyer**
- **“Silent confirmation” rarely available**

Using LCs to Manage Cash and Receivables

- **Sight Letters of Credit**
- **Usance (Time) Letters of Credit**
- **Time Draft under LCs, which are payable at sight**

Letters of Credit may be used as a sales tool, enabling a company to offer extended payment terms while reducing risk, with little to no DSO impact.

Sample Sight Draft Letter of Credit

message type : 700-Issue of Documentary Credit N-Normal Message

:40A:form of doc credit : IRREVOCABLE

:20 :doc credit number : LC1234567

:31C:date of issue : 060108

:31D:date/place of expiry: 060331 IN U.S.A.

:50 :applicant : SUPER IMPORTER COMPANY
11815 GOOD FORTUNE STREET
SINGAPORE 650650

:59 :beneficiary : XYZ COMPANY
3282 WHICHEVER STREET
HOME TOWN, CA 90066 USA

:32B:currency/amount : USD160,000.00

:41D:available with...by... : ANY BANK
BY NEGOTIATION

:42C:drafts at : SIGHT

:42D:drawee : CITIBANK NA, NEW YORK, NY

:43P:partial shipments : NOT ALLOWED

:43T:transshipment : ALLOWED

:44A:load/disp/take at/from : USA PORT

:44B:for transportation to : SINGAPORE

:44C:latest date of shipment : 060315

:45A:description of goods : 8 (EIGHT) UNITS - FORTUNE COOKIE MAKER, MODEL : FCM237-22

AS PER APPLICANT'S P/O NO. 12345 FOB USA PORT

:

Sample Sight Draft Letter of Credit

446A: Documents Required : ++ BENEFICIARY'S SIGNED COMMERCIAL INVOICE IN ONE ORIGINAL AND THREE COPIES
++ FULL SET ORIGINAL CLEAN ON BOARD OCEAN BILLS OF LADING AND ONE NON-NEGOTIABLE COPY MADE OUT TO ORDER OF SHIPPER BLANK ENDORSED MARKED FREIGHT COLLECT AND NOTIFY APPLICANT INDICATING THIS CREDIT NUMBER.
++CERTIFICATE OF USA ORIGIN IN ONE ORIGINAL AND ONE COPY ISSUED BY BENEFICIARY/CHAMBER OF COMMERCE
++ PACKING LIST IN ONE ORIGINAL AND ONE COPY

:47A: Additional Conditions: +ALL DOCUMENTS MUST BE DISPATCHED TO US IN ONE LOT BY COURIER + INSURANCE WILL BE COVERED BY APPLICANT + THIS CREDIT IS SUBJECT TO UCP 500.

:71B:Charges : ALL BANK CHARGES AND COMMISSIONS OUTSIDE SINGAPORE INCLUDING REIMBURSEMENT CHARGES ARE FOR BENEFICIARY'S ACCOUNT

:49 :Confirmation Instructions : WITHOUT

: 53A:Reimbursing Bank : CITIBANK NA, NEW YORK, NY

:78 :Instr to Nominated Bank: REIMBURSEMENT : PLEASE REIMBURSE YOURSELVES TO THE DEBIT OF OUR ACCOUNT WITH CITIBANK NA, NEW YORK, UNDER TESTED TELEX ADVICE TO US. A DISCREPANCY FEE OF USD60.00 (OR ITS EQUIVALENT) SHALL BE DEDUCTED FROM THE REIMBURSEMENT CLAIM/ PROCEEDS UPON EACH PRESENTATION OF DISCREPANT DOCUMENTS AND THE LEVY OF THE DISCREPANCY FEE DOES NOT IN ANY WAY ALTER THE TERMS AND CONDITIONS OF THIS CREDIT.

Fastest Payment

Sample Time (Usance) Letter of Credit

message type : 700-Issue of Documentary Credit N-Normal Message

:40A:form of doc credit : IRREVOCABLE

:20 :doc credit number : LC1234567

:31C:date of issue : 060108

:31D:date/place of expiry: 060331 IN U.S.A.

:50 :applicant : SUPER IMPORTER COMPANY
11815 GOOD FORTUNE STREET
SINGAPORE 650650

:59 :beneficiary : XYZ COMPANY
3282 WHICHEVER STREET
HOME TOWN, CA 90066 USA

:32B:currency/amount : USD160,000.00

:41D:available with...by... : ANY BANK
BY NEGOTIATION

:42C:drafts at : 90 DAYS AFTER SIGHT

:42D:drawee : ISSUING BANK, SINGAPORE

:43P:partial shipments : NOT ALLOWED

:43T:transshipment : ALLOWED

:44A:load/disp/take at/from : USA PORT

:44B:for transportation to : SINGAPORE

:44C:latest date of shipment : 060315

:45A:description of goods : 8 (EIGHT) UNITS - FORTUNE COOKIE MAKER, MODEL : FCM237-22
AS PER APPLICANT'S P/O NO. 12345 FOB USA PORT

:

Extended Payment Terms

Sample Time (Usance) Letter of Credit

446A: Documents Required : ++ BENEFICIARY'S SIGNED COMMERCIAL INVOICE IN ONE ORIGINAL AND THREE COPIES

++ FULL SET ORIGINAL CLEAN ON BOARD OCEAN BILLS OF LADING AND ONE NON-NEGOTIABLE COPY MADE OUT TO ORDER OF SHIPPER BLANK ENDORSED MARKED FREIGHT COLLECT AND NOTIFY APPLICANT INDICATING THIS CREDIT NUMBER.

++CERTIFICATE OF USA ORIGIN IN ONE ORIGINAL AND ONE COPY ISSUED BY BENEFICIARY/CHAMBER OF COMMERCE

++ PACKING LIST IN ONE ORIGINAL AND ONE COPY

:47A: Additional Conditions: + INSURANCE WILL BE COVERED BY APPLICANT + THIS CREDIT IS SUBJECT TO UCP 500.

:71B:Charges: ALL BANK CHARGES AND COMMISSIONS OUTSIDE SINGAPORE INCLUDING REIMBURSEMENT CHARGES ARE FOR BENEFICIARY'S ACCOUNT

:49 :Confirmation Instructions : WITHOUT

: 53A:Reimbursing Bank :

:78 :Instr to Nominated Bank:**++ALL DOCUMENTS MUST BE DISPATCHED TO US IN ONE LOT BY COURIER.**

ACCEPTANCE COMM AND DISCOUNT CHARGES, IF ANY, ARE FOR ACCOUNT OF BENEFICIARY.

. A DISCREPANCY FEE OF USD60.00 (OR ITS EQUIVALENT) SHALL BE DEDUCTED FROM THE REIMBURSEMENT CLAIM/ PROCEEDS UPON EACH PRESENTATION OF DISCREPANT DOCUMENTS AND THE LEVY OF THE DISCREPANCY FEE DOES NOT IN ANY WAY ALTER THE TERMS AND CONDITIONS OF THIS CREDIT.

:

Early Payment at Exporter's Expense

Sample Time Draft LC, Payable at Sight

message type : 700-Issue of Documentary Credit N-Normal Message

:40A:form of doc credit : IRREVOCABLE

:20 :doc credit number : LC1234567

:31C:date of issue : 060108

:31D:date/place of expiry: 060331 IN U.S.A.

:50 :applicant : SUPER IMPORTER COMPANY
11815 GOOD FORTUNE STREET
SINGAPORE 650650

:59 :beneficiary : XYZ COMPANY
3282 WHICHEVER STREET
HOME TOWN, CA 90066 USA

:32B:currency/amount : USD160,000.00

:41D:available with...by... : ANY BANK
BY NEGOTIATION

:42C:drafts at : 120 DAYS AFTER SIGHT

:42D:drawee : ISSUING BANK, SINGAPORE 628998

:43P:partial shipments : NOT ALLOWED

:43T:transshipment : ALLOWED

:44A:load/disp/take at/from : USA PORT

:44B:for transportation to : SINGAPORE

:44C:latest date of shipment : 060315

:45A:description of goods : 8 (EIGHT) UNITS - FORTUNE COOKIE MAKER, MODEL : FCM237-22
AS PER APPLICANT'S P/O NO. 12345 FOB USA PORT

Extended Payment Terms

:

Sample Time Draft LC, Payable at Sight

446A: Documents Required: ++ BENEFICIARY'S SIGNED COMMERCIAL INVOICE IN ONE ORIGINAL AND THREE COPIES

++ FULL SET ORIGINAL CLEAN ON BOARD OCEAN BILLS OF LADING AND ONE NON-NEGOTIABLE COPY MADE OUT TO ORDER OF SHIPPER BLANK ENDORSED MARKED FREIGHT COLLECT AND NOTIFY APPLICANT INDICATING THIS CREDIT NUMBER.

++CERTIFICATE OF USA ORIGIN IN ONE ORIGINAL AND ONE COPY ISSUED BY BENEFICIARY/CHAMBER OF COMMERCE

++ PACKING LIST IN ONE ORIGINAL AND ONE COPY

:47A: Additional Conditions: +ALL DOCUMENTS MUST BE DISPATCHED TO US IN ONE LOT BY COURIER + INSURANCE WILL BE COVERED BY APPLICANT + THIS CREDIT IS SUBJECT TO UCP 500.

:71B:Charges: ALL BANK CHARGES AND COMMISSIONS OUTSIDE SINGAPORE INCLUDING

REIMBURSEMENT CHARGES ARE FOR BENEFICIARY'S ACCOUNT EXCEPT ACC COMM AND DISCOUNT CHGS.

:49 :Confirmation Instructions: WITHOUT

: 53A:Reimbursing Bank :

:78 :Instr to Nominated Bank: +BENEFICIARY'S TIME DRAFT SHALL BE NEGOTIATED ON AT SIGHT BASIS AND SHOULD BE FORWARDED TO THE DRAWEE BANK FOR THEIR ACCEPTANCE AND DISCOUNT, TOGETHER WITH YOUR CERTIFICATE OF COMPLIANCE. ACCEPTANCE COMM AND DISCOUNT CHGS ARE FOR ACCOUNT OF APPLICANT.

A DISCREPANCY FEE OF USD60.00 (OR ITS EQUIVALENT) SHALL BE DEDUCTED FROM THE REIMBURSEMENT CLAIM/ PROCEEDS UPON EACH PRESENTATION OF DISCREPANT DOCUMENTS AND THE LEVY OF THE DISCREPANCY FEE DOES NOT IN ANY WAY ALTER THE TERMS AND CONDITIONS OF THIS CREDIT.

**Exporter paid at sight;
Buyer pays finance charges**

Using LCs as Flexible Financing Instruments

- **Manage the timing of your LC financings to reduce expenses and generate positive financial impact on key fiscal dates**
- **LCs payment terms may be structured to allow sharing of financing costs between buyer and seller, for example**
 - Draft drawn at 80 days after shipment date on Issuing Bank
 - Additional Conditions: All banking charges under this LC, except for discount and acceptance charges for 30 days, are for account of applicant

View your letters of credit as versatile instruments to facilitate your international sales while reducing your risks in a cost-effective manner. Accomplish this by:

- ***Managing your portfolio of outstanding LCs based on payment due dates, LC payment terms, and utilizing the trade finance capabilities of your bank***
- ***Managing LC terms and conditions prior to issuance!***

A Tool for Managing LC Terms & Conditions

- **Design a Letter of Credit Instruction Form for buyers**
 - Provides buyers with your company's required LC terms/conditions
 - Can be customized for different countries, products and regions
 - May be detailed or contain only key data elements
- **Provide the LC Instruction Form to your sales representatives to present to buyers in advance or to attach to sales contracts**
- **Post your LC Instructions on your company's Web site**

Sample Letter of Credit Instructions

Exporter's Letterhead/Logo

Letter of Credit Instructions

1. The Letter of Credit must be **IRREVOCABLE**.
2. The Letter of Credit must be advised through **Citibank N.A., New York, NY USA (SWIFT: CITIUS33)**
3. **The credit is to expire in the country of the beneficiary (U.S.A.)**
4. The credit shall show as the beneficiary:
 - Company Name**
 - Exporter's Street Address**
 - Exporter's City, State, Zip/Postal Code**
 - Exporter's Country**
5. The credit is to be payable in **U.S.A. currency** in the amount **exactly as the purchase order**.
6. Merchandise is to be described in the Letter of Credit as according to the **purchase order, referencing the purchase order number. Description must also be generic.**
7. Latest shipment date shall be **90** days after opening date of Letter of Credit.
8. **The credit shall be payable at sight after the shipment date and must allow TT Reimbursement. Draft drawn on buyer not acceptable. Reimbursement bank must be in USA. LC must be freely negotiable.**
9. Insurance to be covered by the Buyer.
10. **All bank fees and bank charges** are for the account of the Applicant.
11. Partial shipments **allowed**.
12. Transshipment is **allowed**.
13. The credit shall allow a minimum of **21** days after the required transport document date for presentation of documents at the counters of the bank stated above.
14. The required documents should include:
 - Signed Commercial Invoice
 - Packing List
 - Air Waybill consigned to issuing bank and marked FREIGHT COLLECT notify Buyer.
15. The Letter of Credit state that it is issued subject to the International Chamber of Commerce Uniform Customs and Practice for Document Credits, Publication currently in effect.

CHANGES TO THESE TERMS REQUIRE SELLER'S APPROVAL

Key Technical Points to Remember

- **The issuing bank substitutes its credit rating for that of the buyer**
- **The seller can mitigate issuing bank/country risk via confirmation**
- **Banks deal in documents, not goods or the underlying contract**
- **The LC is a conditional payment undertaking to the seller, i.e., payment is made against presentation of compliant documents**
 - LC coverage is lost when non-compliant documents are presented
- **LCs are subject to UCP 500 or ISP 98**

Unlocking the Benefits of LCs in Cross-Border Trade

- **Letters of credit are versatile instruments that can**
 - Mitigate risk
 - Accelerate cash
 - Improve DSO
 - Facilitate international sales
- **Understanding the letter of credit process is key to deriving the greatest benefits from your LC transactions**
- **Managing the process prior to LC issuance results in letters of credit that meet the needs of the seller and buyer**
- **Partnering with a strong trade bank provides technical expertise, committed service, innovative structuring, and opportunities to streamline the order-to-cash lifecycle when payment terms are “Letter of Credit”**

Any Questions?

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

Percil Simmons in Tampa, FL

Phone: 1-813-604-7044

E-Mail: percil.r.simmons@citigroup.com

Blesilda Romero – San Francisco, CA

Phone: 1-415-658-4439

E-Mail: blesilda.romero@citigroup.com

Our **Trade Bankers** are available to provide additional information about our trade services, our trade finance capabilities, and our global network. Please contact:

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