

INTERNATIONAL STANDARD BANKING PRACTICE

ISBP your “manual” to on how use the UCP and
an integral part of working with Letters of Credit

- ▶ What is it?
- ▶ What can you do with it ?
- ▶ And in more detail some of the important parts of the ISBP

ISBP

- ▶ The first ISBP (645) was approved in October 2002 and published on 2003
- ▶ Updated in 2007 (681)
- ▶ Revised in April 2013 (745), this revision ensured a better connection to the UCP 600 and way it was written made it better to read (it basically follows the set up of the UCP 600 rules)
- ▶ New documents were added (packinglist, weighlist, analysis inspection and quality certificates, beneficiary certificates)
- ▶ a/o examination of copy transport documents

ISBP

- ▶ To quote the UCP 600; *Complying presentation means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules (UCP) and **INTERNATIONAL STANDARD BANKING PRACTICES***
- ▶ The ISBP therefore forms an integral part of the way l/c's are issued and documents are checked
- ▶ The current revision of the ISBP (2013, 7 years after the implementation of UCP 600) does not change the UCP, it explains and clarifies the rules and shows how do deal with certain clauses
- ▶ The ISBP is in line with Opinions and Decisions of the ICC Bank commission

UCP 600

- ▶ Each time 2 banks or a client and a bank do not agree how to interpret the UCP + ISBP when working with a letter of credit, and if no previous jurisprudence is available (in the form of an Opinion) they can ask the ICC Banking commission to Opine on this matter. Once agreed (quite lengthy process!) the Opinion will form part of the rules, usually when a new UCP is rolled out (so for instance from UCP 500 to 600 these opinions were integrated in the new rules.
- ▶ These rules can also be integrated in the ISBP before a UCP revision and could lead to an ISBP revision

TO CLARIFY, IN CASE YOU ARE NOT FAMILIAR WITH THE “OPINIONS”

- ▶ To give you just a random example of what the ISBP clarifies ; article A23, misspellings or typing errors, a misspelling or typing error that does not affect the meaning of a word or a sentence does not make a document discrepant
- ▶ Or
- ▶ A29d.i. if the I/c asks for invoice in 1 copy it will be understood to be a requirement for an ORIGINAL invoice (which perhaps looks a bit in contradiction with article 17d of the UCP which states that if the I/c requires copies of documents originals and copies are allowed)

LET'S GET INTO MORE DETAIL

- ▶ Usage of Commas and Virgules (slash“/”) means any one of the options or all”
- ▶ Singapore, Hong Kong, Beijing
- ▶ Singapore/ Hong Kong/ Beijing
- ▶ Means any of the options (so fore instance only singapore) or any combination of the 3

ARTICLE BY ARTICLE (WELL ACTUALLY
THE HIGHLIGHTS)

- ▶ A3 certificates, certification, declaration or statement all need to be signed
- ▶ A 5 when a declaration, certification etc is part of another document is does not require a separate signature if it is clear that such statement is given by the same party who issued the document

SIGNATURES

- ▶ A6 A) UCP art 19 – 25 refer only to original documents not to copies, copy documents are only to be examined under UCP 600 art 14F
- ▶ A6 C) copies of TRANSPORT documents are not subject to the default presentation period of 21 calendar days

COPIES OF TRANSPORT DOCUMENTS

- ▶ A7 a ii) A third party document which is legalized, visaed, certified etc and 'corrected' needs such 'correction' to be authenticated by at least one of the entities that legalized, visaed etc , by use of a stamp or name accompanied by a signature of initials
- ▶ A 7 c) any correction of data in a copy document need NOT be authenticated

CORRECTION AND ALTERATION

- ▶ A10 such a document should not be checked under article 25 of UCP which mentions these documents in relation to sending goods but only as per article 14F of UCP 600

COURIER RECEIPT, POST RECEIPT AND CERTIFICATE OF POSTING FOR SENDING OF DOCUMENTS

- ▶ A17) documents having a box, field or space for data to be inserted does not automatically mean that these boxes need to be filled in to make the document compliant
- ▶ Example field 25 of a CMR

COMPLETION OF A BOX, FIELD OR SPACE

- ▶ A19)a - SHIPPING DOCUMENTS ; all documents required by the credit except drafts, fax reports, courier receipts, postal receipts evidencing the sending of documents
- ▶ A19)b - “STALE DOCUMENTS ACCEPTABLE” meaning documents may be presented later than 21 days after shipment however within the validity of the lc
- ▶ A19) c – “THIRD PARTY DOCUMENTS ACCEPTABLE” all documents for which no issuer is indicated (lc and UCP 600) and except for drafts may be issued by a person or entity other than the beneficiary
- ▶ **But....**
- ▶ A19)d. – “THIRD PARTY DOCUMENTS NOT ACCEPTABLE” has no meaning and is to be disregarded (!)

EXPRESSIONS NOT DEFINED IN THE UCP 600

- ▶ A19g) Documents acceptable as presented
- ▶ Provided presented within the validity of the I/c and within the max amount of the I/c, the documents will not be examined for compliance under the credit or UCP 600 including whether they are presented in the required number of originals or copies

EXPRESSIONS NOT DEFINED IN THE UCP 600

- ▶ A21b. If the credit is silent with regard to language – documents may be presented in any language (which explains why banks will limit this on their confirmation letter)
- ▶ A21e. The name of a person or entity, any stamps, legalization, endorsements or similar and pre printed text shown on a document may be in a language other than required in the credit

LANGUAGE

- ▶ A22 when documents contain mathematical calculations banks will only determine that the stated total in respect of criteria such as amount, quantity, weight or number of packages will not conflict with the credit or any other stipulated document

MATHEMATICAL CALCULATIONS

- ▶ A26) a condition without stipulating a document to indicate compliance need not be evidenced by any document but data presented should not be in conflict with the non documentary clause
- ▶ Example- I/c states “packing in wooden cases” without asking for a document evidencing this, if the packing list would state packing in cartons this would be considered a discrepancy

NON DOCUMENTARY CONDITIONS AND CONFLICT OF DATA

- ▶ A27 Banks do not determine whether a signature, mark, stamp or label of the issuer has been applied in a manual or facsimile form, therefore any document bearing such a method of authentication will satisfy the requirement of art 17 a ucp 600
- ▶ A29 photocopy of a signed invoice – will be satisfied by the presentation of either a photocopy or copy of the original invoice that was apparently signed, or when not prohibited a signed original invoice

ORIGINALS AND COPIES

- ▶ B5)b non complying presentation
- ▶ i- when such drawee bank has not provided a notice of refusal the maturity (xx) days after the day of presentation to it
- ▶ li when it did provide a notice of refusal latest 60 days after the date the issuing bank accepts the waiver of the applicant

CALCULATION OF MATURITY DATE

- ▶ B14) when amount in words and figures are conflicting, the amount in words is examined as the amount demanded

AMOUNT

20



- ▶ C1 if the lc requires a commercial invoice, this will be satisfied by a presentation of an invoice titled “invoice” even when such document contains a statement “issued for tax purposes” (however provisional or proforma would not be allowed)
- ▶ C2 if the beneficiary has changed its name an invoice may be issued by XX formerly known as xxxxx or words of similar effect

INVOICE

- ▶ C5 an invoice may contain additional data as long as this data does not “reclassify” the nature of the goods
- ▶ Example leather shoes – but not imitation leather shoes
 - ▶ Electric car – but not 2nd hand electric car
- ▶ C8) trade term in goods description when mentioned same source is to indicated: example CIF Singapore Incoterms 2010 in the lc; invoice should not only mention CIF Singapore
- ▶ However if the lc mentions CIF Singapore – CIF Singapore Incoterms 2010 is allowed on the invoice

DESCRIPTION OF THE GOODS, SERVICES OR PERFORMANCE

- ▶ D1) c. when the lc ask for a transport document other than a multimodal or combined transport document but it is clear from the routing of the goods in the credit that more than one mode of transport is to be utilized this document will be checked as per article 19 (i.e. as a multimodel document)

MULTIMODAL OR COMBINED TRANSPORT DOCUMENT APPLICATION OF UCP 600 ART 19

- ▶ D6) the issuance date of a multimodal transport document will be deemed the date of receipt, dispatch, taking in charge of shipment on board unless it bears separate dated notation evidencing receipt etc. in the latter event that date will be deemed to be the date of shipment whether that date is before or after the issuance date

ON BOARD NOTATION

- ▶ D25) it is not necessary for the word “clean” to appear on a bill of lading even when the credit requires a transport document to be marked “clean on board” or “clean”

CLEAN TRANSPORT DOCUMENT

- ▶ K10)a. an insurance document is not to indicate that cover is effective from a date later than the date of shipment
- ▶ K10)c. insurance document containing the clause “warehouse-to-warehouse” and is dated after date of shipment does not indicate that coverage was effective from a date not later than the date of shipment
- ▶ K23) any indication on an insurance document regarding payment of an insurance premium is to be disregarded unless the document indicates that it is not valid unless the premium has been paid and there is an indication that said premium has not been paid

INSURANCE DOCUMENT

- ▶ L3) b. when a credit does not indicate the name of an issuer, any entity may issue such a certificate of origin

CERTIFICATE OF ORIGIN

- ▶ Please note that I have only touched upon the highlights, there are many more clauses within the ISBP which will be beneficial in understanding the requirements of working with a Letter of Credit.
- ▶ For clarities sake, the ISBP does not overrule the UCP and it should always be read in conjunction.
- ▶ Finally the I/c itself can overrule the clauses mentioned in the I/c and the ISBP so make sure you are comfortable with the lc first
- ▶
- ▶ As a final advice, when in doubt call your bank before presenting documents, most banks are more than willing to help you making sure your documentary presentation is a

▶
THE END