

**LETTER OF CREDIT (LC)**  
**CONFIRMED IRREVOCABLE TRANSFERABLE RED CLAUSE LETTER OF CREDIT**  
(PRE-SHIPMENT ADVANCE & FINAL PAYMENT GUARANTEED)

**1. Issuing Bank Information**

Bank Name: [Issuing Bank Name]  
Address: [Issuing Bank Address]  
Contact Person: [Name]  
Telephone: [Phone Number]  
Email: [Email Address]  
SWIFT Code: [SWIFT]

**2. Confirming Bank Information**

Bank Name: [Top-Tier EU / International Bank]  
Address: [Confirming Bank Address]  
SWIFT Code: [SWIFT]

*Notice: The LC shall not become operative until confirmation advice is issued by the Confirming Bank.*

**3. Applicant (Buyer) Information**

Company Name: [Applicant Name]  
Address: [Applicant Address]  
Contact Person: [Name]  
Phone: [Phone Number]  
Email: [Email Address]

**4. Beneficiary (Seller) Information**

Company Name: [Seller Name]  
Address: [Insert Address]  
Contact Person: [Seller Contact Person]  
Phone: [Insert]  
Email: [Insert]  
SWIFT Code: [Insert]

For the purposes of UCP 600 Article 38, the above-mentioned Beneficiary shall be deemed the "First Beneficiary". Any party to whom this Letter of Credit is transferred in accordance with its terms shall be deemed the "Second Beneficiary".

**5. LC Details**

LC Type: Confirmed, Irrevocable, Transferable, Red Clause  
UCP: Subject to UCP 600 – ICC Publication No. 600  
LC Number: [To be inserted]  
Date of Issue: [Date]  
Currency: [To be inserted]  
Total LC Amount: [To be inserted]  
Expiry Date: [Date]  
Place of Expiry: [At counters of the Confirming Bank]  
Available With: [Confirming Bank, by sight payment]  
Partial Shipments: [Allowed]  
Transferability: [Allowed under UCP 600 Article 38]

The First Beneficiary is entitled to transfer this Letter of Credit, in whole or in part, to one or more Second Beneficiaries for manufacturing, production, or supply purposes, including the right to transfer both the Red Clause pre-shipment advance and the final payment entitlement.

Confirmation and transferability are subject to the Confirming Bank's internal compliance and sanctions policies; however, confirmation shall not be withheld for commercial reasons once compliance requirements are satisfied.

## **6. RED CLAUSE – PRE-SHIPMENT ADVANCE (PRODUCTION FUNDING)**

Pre-Shipment Advance Amount: [To be inserted]

Where this Letter of Credit is transferred, the Red Clause pre-shipment advance may, at the First Beneficiary's request, be paid directly to the Second Beneficiary under the transferred Letter of Credit.

The Confirming Bank is authorized and instructed to pay to the Beneficiary, or where this Letter of Credit is transferred, to the Second Beneficiary, a pre-shipment advance from its own funds upon presentation of the following documents:

- Beneficiary's signed statement certifying:  
"Advance requested under LC No. [LC Number] for commencement of production of goods."
- Signed Proforma Invoice.

In the case of a transferred Letter of Credit, the pre-shipment advance paid to the Second Beneficiary shall be deemed a valid drawing under this Letter of Credit and shall reduce the available balance accordingly.

Conditions Applicable to the Advance:

- The pre-shipment advance is unconditional, irrevocable, and non-refundable.
- The pre-shipment advance shall be deducted from the total LC amount upon final settlement.
- The pre-shipment advance shall be recoverable from the first complying presentation under this Letter of Credit.
- The total amount drawn under this Letter of Credit, including the pre-shipment advance, shall not exceed the Total LC Amount.

## **7. Final Payment – Balance Sight**

Balance Amount: [To be inserted]. Payable at sight upon presentation of compliant documents listed below (paragraph 8).

Final payment shall be effected at sight against complying presentation of documents and shall not be conditional upon shipment of the Goods. Shipment shall take place after full utilization of this Letter of Credit.

## **8. Documents required for final payment**

In the event that this Letter of Credit is transferred and utilized for full pre-export payment, the following pre-shipment documents shall constitute a complying presentation under this Letter of Credit:

- Commercial Invoice – 1 original and 2 copies
- Packing List – 1 original and 2 copies
- Beneficiary's (Second Beneficiary's) Certificate of Readiness for Shipment

- Manufacturer's Undertaking to Ship the Goods within [X] days following receipt of full payment
- Export License – copy (paper or electronic), where applicable

In such case, transport documents shall not be a condition for payment under this Letter of Credit.

## **9. Shipment terms**

Incoterms: Incoterms® 2020

Port / Airport of Loading: [Insert]

Port / Airport of Discharge: [Insert]

Latest Shipment Date: [Insert]

Shipment of the Goods shall take place after full payment under this Letter of Credit and in accordance with the Manufacturer's undertaking. Failure to ship the Goods within the agreed timeframe shall not affect the validity of any payment already made under this Letter of Credit.

## **10. Payment undertaking**

The Confirming Bank irrevocably undertakes to honor and pay any complying presentation regardless of:

- Applicant's refusal or delay
- Applicant's insolvency or bankruptcy
- Disputes under the underlying contract

Payment is made solely against documents.

The Confirming Bank's obligation to honor and pay is independent of reimbursement from the Issuing Bank.

This undertaking applies equally to payments made to a Second Beneficiary under a transferred Letter of Credit.

## **11. Sanctions/War Risk**

The Confirming Bank undertakes to honor any complying presentation made prior to the effective date of any sanctions, governmental prohibitions, or force majeure events applicable to the Beneficiary or the Confirming Bank.

Nothing in this Letter of Credit shall require any bank to act in violation of applicable law or sanctions regulations.

## **12. Charges and Fees**

All banking charges, commissions, confirmation fees, transfer fees, amendment fees, extension fees, country risk premiums, sanctions-related fees, and any interest, costs, or fees arising from the utilization of the Red Clause advance, whether charged by the Issuing Bank, the Confirming Bank, the Transferring Bank, or any other bank involved, shall be for the account of the Applicant (Buyer).

No charges, fees, interest, or commissions of any kind shall be deducted from or set off against amounts payable to the Beneficiary under this Letter of Credit.

Any such charges shall be settled directly between the Applicant and the relevant bank and shall not affect payment to the Beneficiary.

### **13. Amendments and Cancellation**

This Letter of Credit may not be amended or cancelled without the written consent of:

- Issuing Bank
- Confirming Bank
- Beneficiary

Any amendment or cancellation request not expressly accepted in writing by the Beneficiary shall be deemed rejected.

### **14. REIMBURSEMENT**

The Issuing Bank shall reimburse the Confirming Bank immediately upon honoring under this Letter of Credit via SWIFT MT202 or equivalent reimbursement instructions.

Reimbursement obligations shall apply equally to amounts paid to a Second Beneficiary under a transferred Letter of Credit.

### **15. GOVERNING RULES**

This Letter of Credit is independent of the underlying contract in accordance with UCP 600 Article 4.

### **16. SIGNATURES**

This Letter of Credit is issued by the Issuing Bank and confirmed by the Confirming Bank in accordance with UCP 600

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