

# LETTER OF CREDIT (SAMPLE)

## CONFIRMED IRREVOCABLE LETTER OF CREDIT (LC)

(Payment-Guaranteed Upon Production Completion)

### 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: [Confirming Bank Name]

Address: [Confirming Bank Address]

SWIFT Code: [SWIFT]

### 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:

Address:

Contact Person:

Phone: [Insert Number]

Email: contact@armour.gr

SWIFT Code: [Insert if applicable]

### 5. LC Details

LC Number: [Insert]

Date of Issue: [Insert]

Type: Confirmed, Irrevocable, Payable at Sight, Divisible, Non-Transferable

Total Amount: USD [Amount in figures and words]

Currency: United States Dollars (USD)

Expiry Date: [Insert Date]

Place of Expiry: [Insert Place – preferably Greece]

## 6. Terms of Payment

Advance Payment (50%) – Mandatory

Payable immediately upon LC issuance and presentation of:

- Signed Proforma Invoice
- Signed End User Certificate (EUC)
- Confirmation advice from Confirming Bank

This advance is non-refundable and irrevocable.

Final Payment (50%) – Fully Guaranteed

Payable at sight upon presentation of the required documents

## 7. Documents Required for Final 50% Payment

1. Commercial Invoice (1 original + 2 copies)
2. Packing List (1 original + 2 copies)
3. Certificate of Origin issued by Chamber of Commerce
4. Export License (1 original + 2 copies)
5. End User Certificate (1 copy)
6. Bill of Lading – Full set, marked “Freight Prepaid”, consigned to Applicant
7. Insurance Certificate (if applicable), covering 110% of invoice value, all risks

## 8. Shipment Terms

Port of Loading: [Insert]

Port of Discharge: [Insert]

Latest Shipment Date: [Insert Date]

Partial Shipments: [Allowed / Not Allowed]

Transshipment: [Allowed / Not Allowed]

Incoterms: [Insert]

## 9. Additional Conditions

- All documents must be in English
- Presentation must be made within [Insert] days from shipment date
- This LC is payable solely against compliant documents and not subject to applicant's further confirmation
- Confirming Bank irrevocably guarantees payment upon presentation of documents

## 10. Special Instructions

This LC is subject to UCP 600 – ICC Publication No. 600

All charges outside the Issuing Bank are for the account of the Applicant

This LC may not be cancelled or amended without written consent of all parties including the Beneficiary

The LC is separate from the underlying contract in accordance with Article 4 of UCP 600

#### 11. Reimbursement Instructions

The Issuing Bank shall reimburse the Confirming Bank immediately upon presentation of compliant documents in accordance with this LC. All reimbursements to be made via SWIFT instructions.

#### 12. Signatures

Authorized Signature – Issuing Bank

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature and Bank Seal: \_\_\_\_\_

Authorized Signature – Confirming Bank

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature and Bank Seal: \_\_\_\_\_

Accepted by Applicant (Buyer)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Accepted by Beneficiary (Seller)

Name: \_\_\_\_\_

Title: International Defence Trade Director

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

#### **Note:**

This template serves as a general guide and should be customized to meet the specific requirements of the transaction and legal standards of the parties involved. Consulting with a legal expert or financial advisor when drafting a Letter of Credit is recommended.

This LC is governed by UCP 600 and protected by double bank liability (confirmed)

# LETTER OF CREDIT (LC) OVERVIEW

A Letter of Credit (LC) is a financial document issued by a bank that guarantees payment to a seller on behalf of a buyer, provided that the seller meets specific terms and conditions outlined in the LC. It is commonly used in international trade to mitigate the risks associated with cross-border transactions.

## Types of Letters of Credit

- 1. Revocable LC:** Can be amended or canceled by the issuing bank without prior notice to the beneficiary.
- 2. Irrevocable LC:** Cannot be amended or canceled without the consent of all parties involved (buyer, seller, issuing bank, and advising bank).
- 3. Confirmed LC:** In addition to the issuing bank, another bank (confirming bank) guarantees the payment, providing an additional layer of security for the seller.
- 4. Unconfirmed LC:** Only the issuing bank guarantees the payment.
- 5. Sight LC:** Payment is made to the beneficiary upon presentation of the required documents and verification by the bank.
- 6. Time/Usance LC:** Payment is made at a future date, often specified as a number of days after the shipment date or presentation of documents.
- 7. Standby LC:** Acts as a secondary payment method, often used as a guarantee for performance or payment obligations.
- 8. Transferable LC:** The beneficiary can transfer all or part of the LC to a third party.
- 9. Back-to-Back LC:** Involves two LCs, where the first LC (master LC) is used as collateral for the issuance of a second LC (back-to-back LC).
- 10. Red Clause LC:** Allows the beneficiary to receive an advance payment before shipping the goods.
- 11. Green Clause LC:** Similar to Red Clause, but the advance payment is provided against warehouse receipts or other documents showing the goods are ready for shipment.
- 12. Revolving LC:** Automatically reinstates the credit amount after each drawing, within a specified period and amount.

## Terms and Conditions of a Letter of Credit

- 1. Applicant:** The buyer/importer who requests the LC.
- 2. Beneficiary:** The seller/exporter who receives the payment.

- 3. Issuing Bank:** The bank that issues the LC on behalf of the applicant.
- 4. Advising Bank:** The bank that advises the beneficiary of the LC's issuance.
- 5. Confirming Bank:** The bank that adds its confirmation to the LC, guaranteeing payment.
- 6. Expiry Date:** The date by which all required documents must be presented for payment.
- 7. Documents Required:** Specific documents that must be presented to receive payment, such as commercial invoice, bill of lading, packing list, insurance certificate, etc.
- 8. Shipment Terms:** Details regarding the shipping method, date of shipment, and destination.
- 9. Amount:** The maximum amount that can be drawn under the LC.
- 10. Currency:** The currency in which the LC is issued and payment is to be made.
- 11. Partial Shipments:** Specifies whether partial shipments are allowed.
- 12. Transshipment:** Indicates if goods can be transferred from one mode of transport to another during the journey.
- 13. Incoterms:** International commercial terms defining the responsibilities of buyers and sellers (e.g., FOB, CIF, EXW).
- 14. Discrepancy Handling:** Procedures for addressing discrepancies in the documents presented.
- 15. Reimbursement:** Instructions for how and where the advising or confirming bank will be reimbursed by the issuing bank.

### **Articles of a Letter of Credit (UCP 600)**

The Uniform Customs and Practice for Documentary Credits (UCP 600) is the set of rules governing LCs. Key articles include:

**Article 1:** Application of UCP - Outlines the application and scope of UCP 600 rules.

**Article 2:** Definitions - Defines key terms used in LCs, such as beneficiary, applicant, and bank.

**Article 3:** Interpretations - Provides interpretations for commonly used terms and practices.

**Article 4:** Credits vs. Contracts - States that LCs are separate from the underlying contracts between buyers and sellers.

**Article 5:** Documents vs. Goods/Services/Performance - Emphasizes that banks deal with documents, not the actual goods or services.

**Article 6:** Availability, Expiry Date, and Place for Presentation - Specifies the availability, expiry date, and place where documents must be presented.

**Article 7:** Issuing Bank Undertaking - Describes the obligations of the issuing bank.

**Article 8:** Confirming Bank Undertaking - Outlines the responsibilities of the confirming bank.

**Article 9:** Advising of Credits and Amendments - Details the process of advising LCs and any amendments.

**Article 10:** Amendments - Discusses the procedures and requirements for amending LCs.

**Article 11:** Teletransmitted and Pre-Advised Credits - Covers LCs transmitted by electronic means.

**Article 12:** Nomination - Describes the role and responsibilities of nominated banks.

**Article 13:** Bank-to-Bank Reimbursement Arrangements - Explains the reimbursement process between banks.

**Article 14:** Standard for Examination of Documents - Sets the standard for how banks should examine documents.

**Article 15:** Complying Presentation - Defines what constitutes a complying presentation.

**Article 16:** Discrepant Documents, Waiver, and Notice - Outlines procedures for handling discrepancies in documents.

**Article 17:** Original Documents and Copies - Specifies requirements for original documents and copies.

**Article 18:** Commercial Invoice - Details requirements for commercial invoices.

**Article 19:** Transport Document Covering at Least Two Different Modes of Transport - Covers requirements for multi-modal transport documents.

**Article 20-24:** Various Transport Documents - Define requirements for specific types of transport documents (e.g., bill of lading, airway bill).

**Article 25:** Insurance Document and Coverage - Outlines requirements for insurance documents.

**Article 26:** Extension of Expiry Date or Last Day for Presentation - Details conditions under which the expiry date or presentation deadline can be extended.

**Article 27-38:** Various other articles covering a range of issues such as force majeure, transfer of credits, and so forth.

## **Conclusion**

A Letter of Credit is a crucial instrument in international trade, offering security to both buyers and sellers. Understanding the various types, terms, conditions, and the governing UCP 600 articles is essential for effectively utilizing LCs in global transactions.