

LETTER OF CREDIT CHECKLIST

The following checklist may be used to assist in determining if a Letter of Credit has been issued in a manner acceptable for presentation. Check the following items to verify that all terms and conditions in the Letter of Credit agree with your terms and conditions and that you will be able to comply with the order as requested by the importer.

- Irrevocable** - Is the Letter of Credit "Irrevocable"? Can terms and conditions of the Letter of Credit be changed or cancelled without your prior knowledge and consent?
- Confirmed** - Is the L/C confirmed? Should it be? If not, do you want to have it confirmed by a bank in the USA?
- Expiration Date / Last Ship Date** - Is the latest ship date and expiration date acceptable? Will you be able to ship by the latest ship date? Are there at least 15 days between the latest ship date and expiration date?
- Identity of Parties** - Are the names and addresses of your company and the importer's organization correct and complete?
- Amount** - Does the amount of the credit match the amount of the order? Will the total amount cover all costs allowed by the Letter of Credit (e.g., documentation, transportation, insurance, etc)?
- Tenor** - Is the tenor of the Letter of Credit acceptable? (At sight, 45 days, etc.)
- Payment** - Are the drafts payable with an acceptable entity? (Opening Bank, Confirming Bank, etc.)
- Partial Shipments** - Are partial shipments allowed? If not, do they need to be allowed?
- Loading Point** - Will the goods originate from the loading point mentioned in the Letter of Credit?
- Documents** - Are the document requirements acceptable? Can all documents and all stipulations of the documents be created or acquired at the time of shipment? Red flag documents may include: Inspection Certificates, Insurance Certificates, Phyto Sanitary Certificate, Forwarder's Receipt and others. These are documents that may need to be prepared by a third party, other than yourself or LC Solutions. Additional planning may be required before shipping the goods.
- Transportation Charges** - Who pays the transportation costs? Are inland, ocean or airfreight charges prepaid or collect? If prepaid, is there money in the Letter of Credit to cover these charges?
- Bank Charges** - Who will be responsible for the bank charges? Is this acceptable?
- Presentation of Documents** - Is there enough time after delivery to collect and present documents to the bank for payment? 21 days is standard.
- Issuance** - Where was the Letter of Credit issued? Make sure that your copy has come from an advising bank in the United States and not directly from your customer or a bank overseas. Make sure the Letter of Credit is subject to ICC Publication No. 500, 1993 revision. This statement should appear somewhere on the Letter of Credit.
- Description of Goods** - Is the description of the goods correct? This should include only a basic description of the goods, such as "Electronic equipment as per purchase order no. 12345". Is the purchase order number correct? If shipping terms are mentioned, do they match the purchase order?
- Pricing** - Do unit prices and total price for goods agree with the prices that you previously quoted? Do the prices calculate properly? Does the pricing match the purchase order?
- Insurance** - If required, is the cost covered in the letter of credit?
- Shipping Terms** - Are terms correctly stated (e.g. Ex Works, FAS Port of Import, FOB Port of Export, CFR Port of Import, CIF Port of Import)?
- Advising Bank Notes** - Check the Advising Bank's cover letter for any specific comments or problems.
- Miscellaneous** - Are there any additional conditions that are not acceptable? Examples may include: Israel boycott statements, documents issued by the Applicant required for payment, third party documents not acceptable, etc.