

Frequently Asked Questions



Mai bine. Pentru că putem.

IMPORT

Where to present the Import Documentary Credit Application?

Present the application to your local BCR Branch.

What parties are involved in a documentary credit transaction?

Applicant = buyer/importer instructs his bank to issue a documentary credit.

Issuing bank = the buyer's bank. the bank instructed to issue a documentary credit and which assumes a payment obligation on the buyer's behalf.

Advising/confirming bank = bank of the beneficiary (seller), advises or confirms the documentary credit to the beneficiary on the instructions of the issuing bank.

Beneficiary = a party (seller/exporter) in whose favor a credit is issued.

As an applicant, does it harm me in any way that a DC is available with and confirmed by the beneficiary's bank?

No. The fact that a credit is available and confirmed with the bank of the beneficiary, does not detract from the fact that it is your bank, the issuing bank, that will have the final decision as to whether or not the documents comply.

What is a sight Documentary credit?

A documentary credit that is payable once it is presented along with the necessary and correct documents

An applicant receives requests from the beneficiary asking for amendments to the DC. This is especially common when shipment is delayed. Should the applicant agree to amend and at whose cost?

The decision as to who is to pay for the costs of any amendment is to be determined between the applicant and the beneficiary. It is usually the case that the beneficiary pays the costs in their country and the applicant the costs in theirs. Where the amendment is due to a failure on the part of the beneficiary to comply with the contract, the decision may be made that all costs are borne by the beneficiary.

The DC is transferable, what does it mean?

That means that a first beneficiary (often a middleman) transfers his rights to a second beneficiary (normally the producer or ultimate seller). According ICC rules, article 38(b), a DC can only be transferred if the issuing bank expressly designates it as transferable. Only the nominated bank, or a bank authorized by the issuing bank may transfer the DC. An issuing bank may be a transferring bank.

Are there differences between the terms "L/C", "DC", "Letter of Credit" and "Documentary Credit"?

These terms all refer to the same product. L/C is the abbreviation for "Letter of Credit" and has become rather obsolete. The customary term nowadays is "DC" = "Documentary Credit".

Can the documentary credit replace a sales contract?

No. Documentary credits, by their nature, are separate transactions from the sales or other contracts on which they may be based (UCP Art. 4). Any complaints or disputes therefore have to be settled directly between the buyer and the seller outside the documentary credit. The documentary credit is an instrument designed to reflect the payment and delivery terms specified in the sales contract.

What kind of documents shall we require under the Documentary Credit?

In order to receive payment the exporter must present the documents stipulated in the letter of credit. There are no requirements for specific documents to be presented in a DC. The list and form is open to negotiation by seller and buyer, and sometimes the DC contain requirements to present documents issued by a neutral third party evidencing the quality of the goods shipped, or their place of origin for example. As a proof that goods have been shipped the DC often requires some kind of transport document to be presented, for example Bill of lading or Air way bill.

The vessel and the goods are here, but where are the documents?

Contact the seller and ask for the courier tracking number which enables you to track the documents. When the documents arrive at BCR we will advise you.

Does the documentary credit also cover the quality of the merchandise?

No. In documentary credit operations all parties concerned deal with documents and not with goods, services and/or other performances to which the documents may relate (UCP 600 Art. 5). To ensure goods are of the required quality, arrangements can be made for them to be inspected before despatch by an independent agency. The terms of the documentary credit may stipulate the provision of an inspection certificate.

Does the bank assume liability for falsified documents?

No. The banks assume no liability or responsibility for the genuineness, form, sufficiency or legal effect of the documents presented (UCP 600 Art. 34).

Do we need to pay in case the goods are not according to order specifications?

Yes you do. The banks deal with documents not goods (UCP 600 Art. 5) and will not physically confirm the content of shipment.

Are the documents in order when the buyer says so?

No, it is the issuing bank that decides whether the documents can be approved. The documentary credit is the guarantee for payment when all terms and conditions have been fulfilled.

Isn't a documentary credit an expensive and complicated way of doing business?

Compared with a delivery on open account or a down payment, it is more time- and cost-intensive. On the other hand, the fact that delivery and payment occur concurrently offers the exporter and the importer maximum security.

The proper handling of documentary credits is time-consuming and labour-intensive for the banks involved. However, these costs have to be seen in relation to the resulting benefits and security.

EXPORT

What instructions must the exporter give the buyer to ensure he obtains documentary credit confirmed by his bank and hence the assurance that payment will be forthcoming?

The terms of payment set out in the underlying contract should provide for the issuance of a confirmed documentary credit. Based on this provision, the applicant (buyer) will request the issuing bank to have the documentary credit confirmed by the exporter's bank.

Am I sure to receive payment when I have a confirmed DC?

Yes, if you have presented correct documents and if BCR has confirmed the DC you can be sure to receive payment at the time of maturity. If the DC is without confirmation you will receive funds when the foreign bank has effected payment.

Is it possible to amend or extend a DC after expiry?

Yes this is possible, but all amends have to be approved by the applicant. When a DC has expired it means that the issuing bank has no more liability towards the exporter, and if the beneficiary ships goods he does it at his own risk and peril. If the exporter requires the DC to be extended or amended he must contact the applicant which in turn must apply for an amendment at the bank (issuing bank).

Who may issue a document?

If the documentary credit does not stipulate who must issue a document and does not specify the content of the document, the bank will accept a document as presented. However, the bank will require, for example, that a weight list shows weights and that a certificate of origin shows the origin of the goods. This does not apply for your invoice, transport document and insurance document.

Who would be considered a competent authority?

According to article 3 of Publication 600, a competent authority is any party other than the beneficiary. Banks should avoid calling for documents issued by a competent authority and either name the company or provide a more generic description of the type of issuer.

How many original documents must I present?

Unless the documentary credit says otherwise, you must present at least one original of each of the required documents. However, if a document states that it is to be issued in more than one original, all the originals must be presented (typically bills of lading and insurance documents).

What does "to endorse" mean?

This means that you must endorse a document: stamp and sign the reverse side of the document.

How detailed should the description of goods be?

The description of goods in your invoice must agree with that in the documentary credit. In the other documents, a general description of goods is sufficient, as long as it does not contradict with the documentary credit.

Insurance: Which amount shall the insurance cover?

If the LC does not state the amount of insurance, the insurance document must cover at least 110% of the invoice amount (CIF/CIP value).

When is the latest I can deliver my documents to the bank?

Unless the documentary credit states otherwise, you must present your documents to the Bank at latest 21 days after sending the goods - although you may never exceed the expiry date of the documentary credit.

If the documentary credit expires with a bank abroad, you must remember that the documents must be presented to us in good time before the latest presentation date or expiry date.

What is transshipment and partial shipment?

Transshipment is the act of taking cargo from one kind of transport to another during the goods transportation route. Partial shipment is when you split up an order into several deliveries.

When will we receive payment under the Letter of Credit?

As per the agreed terms between buyer and seller, the period of credit is decided in the DC. Based on such period of credit, the time to effect payment by opening bank (buyer's bank) is determined.

What are the consequences if I deliver documents with discrepancies?

The buyer might refuse to pay and you have to sell the goods to another buyer. If the goods for example are custom made it can be difficult to find a new buyer.

Issuing bank is no longer obligated to honour your claim?

If the LC has expired and if the documents are discrepant and not accepted by the applicant.

What is a reimbursement bank?

It is the bank designated in the DC to reimburse the nominated bank. Thus it is the bank where the issuing bank maintains an account for the designated currency. The nominated bank will claim funds from the reimbursing bank after having accepted the documents.

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