



UCP 600 Part II

Global Transaction Services

Cash Management Trade Services and Finance Securities Services Fund Services

UCP 600 Understanding & Application Part II

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UCP 600 Understanding & Application

Part I (already offered in March 2007):

- *Review History & Process*
- *Comparison with UCP 500*
- *Overview of UCP 600 Articles (1 - 16)*

Part II:

- **Overview of UCP 600 Articles (17 – 39)**
- **UCP Related Documents - Update**
- **What Needs to Be Done To Prepare**

Overview of UCP 600 Article 17

Article 17 – Original Documents and Copies *(UCP 500 - Art. 20,c,ii)*

- ▶ At least one original must be presented
- ▶ Original Document = apparent original signature, mark, stamp or label of issuer of the document
- ▶ Also an Original = written, typed, perforated or stamped by the document issuer's hand; or on original stationery; or states that it is original
- ▶ L/C requires copies of documents, either originals or copies is acceptable
- ▶ Documents “in duplicate”, “in two fold” or “in two copies”, presentation of at least one original and remaining number in copies is acceptable.

Overview of UCP 600 Article 18

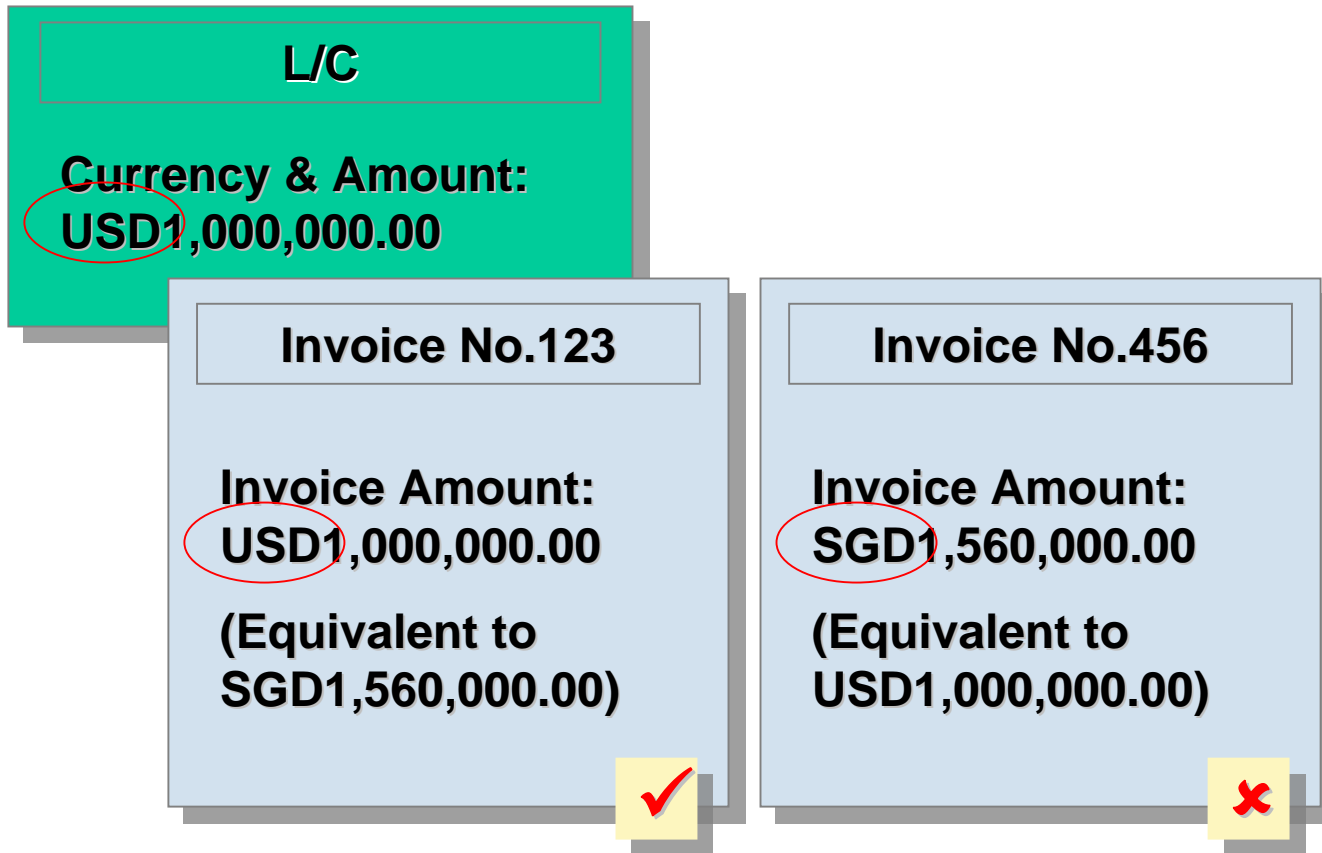
Article 18 – Commercial Invoice *(UCP 500 - Art. 37)*

- Issued by beneficiary, made out in the name of applicant, and need not be signed *(except as provided in article 38 – Transferable L/C)*
- Description of goods, **services or performance** must correspond with L/C description
- Invoice amount in excess of L/C – May be accepted by the **nominated bank**, but must not be honoured or negotiated in excess of L/C amount

Overview of UCP 600 Article 18

NEW

Must be in the same currency as L/C



Overview of UCP 600 Article 19-25

Transport Documents

UCP 600

UCP 500

19	Transport Document Covering At Least Two Different Modes of Transport	26	Multimodal Transport Document
20	Bill of Lading	23	Marine/Ocean Bill of Lading
21	Non-Negotiable Sea Waybill	24	Non-Negotiable Sea Waybill
22	Charter Party Bill of Lading	25	Charter Party Bill of Lading
23	Air Transport Document	27	Air Transport Document
24	Road, Rail or Inland Waterway Transport Documents	28	Road, Rail or Inland Waterway Transport Documents
25	Courier Receipt, Post Receipt or Certificate of Posting	29	Courier and Post Receipts

Overview of UCP 600 Article 19-25

Changes to SWIFT MT700



■ New fields for transport details:

44A	Place of Taking in Charge/ Dispatch from .../ Place of Receipt
44E	Port of Loading/ Airport of Departure
44F	Port of Discharge/ Airport of Destination
44B	Place of Final Destination/ For Transportation to .../ Place of Delivery

Overview of UCP 600 Article 19

Article 19 – Transport Documents Covering at Least Two Different Modes of Transport (UCP500 - Art. 26)

- Must appear to indicate name of carrier
- Signed by carrier, master or named agent
- If signed by agent, need to specify for whom - carrier or master - it is signed

ABC Forwarders  As Agent <i>For Master</i>	600 ✓ 500 ✗
ABC Forwarders  As Agent <i>For Master, Takashi Yanagawa</i>	600 ✓ 500 ✓



Overview of UCP 600 Article 19

- Indicating goods have been dispatched, taken in charge or **shipped on board**:
 - ⇒ *by pre-printed wording – issuance date is the date of dispatch, taking in charge or shipped on board*
 - ⇒ *by a dated notation indicating the date goods have been dispatched, taken in charge or shipped on board – this date is the date of shipment*
- Must indicate place of dispatch, taking in charge or shipment and place of final destination stated in the L/C, even if transport document:
 - ⇒ *states, in addition, different place of dispatch, taking in charge or shipment or place of final destination*
 - ⇒ *contains indication “intended” or similar qualification in relation to vessel, port of loading or port of discharge*



Overview of UCP 600 Article 19

- ▶ If issued in more than one original, all originals are required
- Need not examine contents of Terms and Conditions of carriage
- Must not indicate it is subject to a charter party (no mention of “vessel propelled by sail”)
- NEW ■ Unloading from one means of conveyance and reloading to another means of conveyance (**whether or not in different modes of transport**) during the carriage from the place of dispatch, taking in charge or shipment to the place of final destination – **is transshipment**
 - ⇒ *Transport document **may** indicate goods will or may be transshipped provided entire carriage is covered by one and the same transport document*
 - ⇒ *Even prohibited by the L/C, transport document indicating transshipment will or may take place is acceptable*

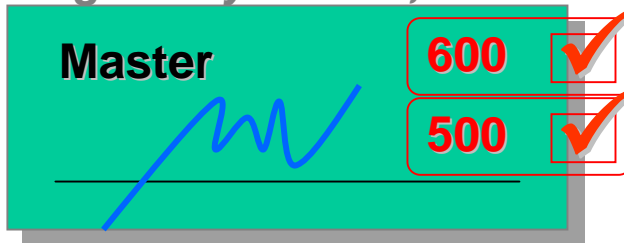


Overview of UCP 600 Article 20-21

Article 20 – Bill of Lading (UCP500 – Art. 23)

Article 21 – Non-Negotiable Sea Waybill (UCP500 – Art. 24)

- Must appear to indicate name of carrier
- Signed by carrier, master or named agent
 - *If signed by master, name of master is not necessary*



- If signed by agent, need to specify for whom, carrier or master - it is signed



Overview of UCP 600 Article 20-21



- Indicating goods have been shipped on board:
 - ⇒ *by pre-printed wording – issuance date is the date of shipment, or*
 - ⇒ *by a dated on board notation – on board date is the date of shipment*

- Port of loading in B/L differs from that stated in the L/C, or B/L contains “intended” qualification with regards to port of loading – “On Board Notation” is required, regardless of pre-printed “shipped” B/L is presented, indicating:
 - ⇒ *port of loading as in the L/C*
 - ⇒ *date of shipment*
 - ⇒ *name of vessel*

- ▶ If issued in more than one original, all originals are required

Overview of UCP 600 Article 20-21

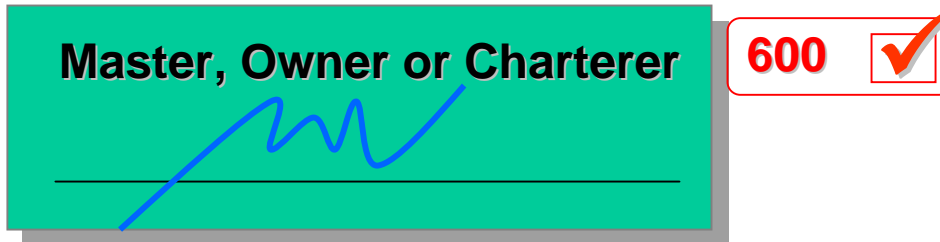
- Need not examine contents of Terms and Conditions of carriage
- Must not indicate it is subject to a charter party (no mention of “vessel propelled by sail”)
- Unloading from one vessel and reloading to another vessel during the carriage from port of loading to port of discharge - **is transshipment**
 - ⇒ *B/L **may** indicate goods will or may be transshipped provided entire carriage is covered by one and the same B/L*
 - ⇒ *Even prohibited by the L/C, B/L indicating transshipment will or may take place is acceptable if goods have been shipped in a container, trailer or LASH barge*
- Disregard clauses in B/L carrier reserve the right to transship



Overview of UCP 600 Article 22

Article 22 – Charter Party Bill of Lading (UCP500 – Art. 25)

- B/L containing indication that it is subject to a charter party
- Signed by master, owner, charterer or named agent
 - *If signed by master, or owner, or charterer, their names are not necessary*



- If signed by agent, need to specify for whom –master, owner or charterer - it is signed




Overview of UCP 600 Article 22

- Agent signing for owner or charterer must indicate name of owner or charterer


ABC Forwarders



As Agent
For Owner, John Doe

600 


ABC Forwarders


As Agent
For Charterer, John Doe

600 

ABC Forwarders


As Agent
For Master

600 



Overview of UCP 600 Article 22

- ▶ Indicating goods have been shipped on board:
 - ⇒ *by pre-printed wording – issuance date is the date of shipment, or*
 - ⇒ *by a dated on board notation – on board date is the date of shipment*

NEW

- ▶ Port of discharge may be shown as a range of ports, or geographical area, as stated in L/C (ISBP 106)
 - ***e.g. L/C calls for shipment to Asian ports***
- ▶ If issued in more than one original, all originals are required
- Need not examine charter party contracts
- No mention that the B/L must not indicate vessel propelled by sail only



Overview of UCP 600 Article 23

Article 23 – Air Transport Document *(UCP500 – Art. 27)*

- Must appear to indicate name of carrier
- Signed by carrier or named agent
- If signed by agent, need to indicate that agent has signed for or on behalf of carrier
- Must indicate date of issuance, which will be deemed to be the date of shipment, unless.....
- **NEW** Specific notation of actual date of shipment, even not called for in the credit, will be deemed to be the date of shipment



Overview of UCP 600 Article 23

- Shipment date not determined by any other information re flight number and date (in box marked “for carrier’s use only)
- Be the original for consignor or shipper, even if credit stipulates full set of originals
- Need not examine Terms and Conditions of carriage
- Unloading from one aircraft and reloading to another aircraft during the carriage from the airport of loading to the airport of destination – **is transshipment**
 - ⇒ *Even L/C prohibits transshipment, air transport document indicating goods will or may be transshipped is acceptable, provided entire carriage is covered by one and the same air transport document*

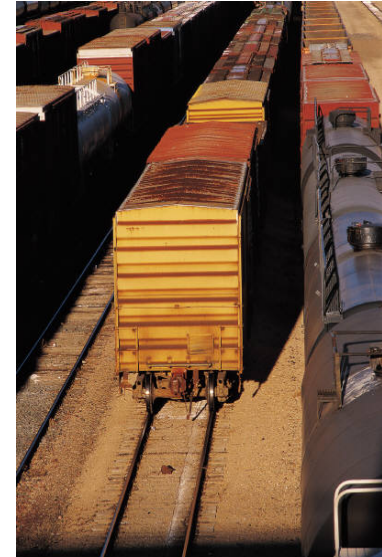


Overview of UCP 600 Article 24

Article 24 – Road, Rail or Inland Waterway

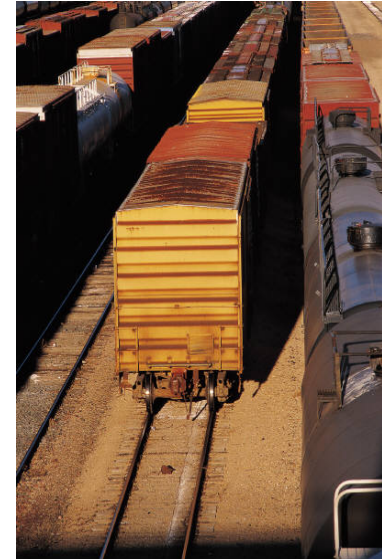
Transport Documents *(UCP500 – Art. 28)*

- Must appear to indicate name of carrier
- Signed by carrier or named agent
- If signed by agent, need to indicate that agent has signed for or acted for or on behalf of carrier
- Must indicate date of issuance or date goods have been received for shipment, dispatch or carriage, which is the date of shipment, unless the transport document contains a dated reception stamp, an indication of date of receipt or a date of shipment
- Indicate place of shipment and place of destination as per L/C
- In the absence of indication as to the number of originals issued, the number presented deemed to be the full set



Overview of UCP 600 Article 24

- Unloading from one means of conveyance and reloading to another means of conveyance, **within the same mode of transport**, during the carriage from the place of shipment, dispatch or carriage to the place of destination – **is transshipment**
 - ⇒ *Transport document **may** indicate goods will or may be transhipped provided entire carriage is covered by one and the same transport document*
 - ⇒ *Even prohibited by the L/C, transport document indicating transshipment will or may take place is acceptable*



Overview of UCP 600 Article 24

- ▶ For rail transport document:

- ⇒ *If it does not identify the carrier, any signature or stamp of railway company is accepted as being signed by the carrier (ISBP – 172)*

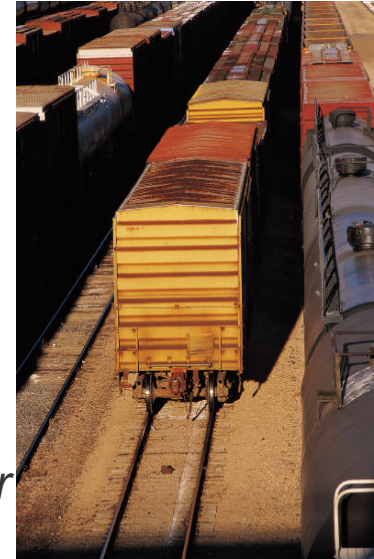
NEW

- ⇒ *Transport document marked “duplicate” is accepted as an original*

- ⇒ *Transport document will be accepted as original whether marked as an original or not (also applicable to inland waterway transport)*

NEW

- ▶ Road transport document marked for consignor or shipper or bear no marking for whom the document has been prepared – **is the original**



Overview of UCP 600 Article 25

Article 25 – Courier Receipt, Post Receipt or Certificate of Posting *(UCP500 – Art. 29)*

- Courier receipt must appear to:
 - ⇒ *Indicate the name of courier service, and be stamped or signed by the named courier service at the place the goods are to be shipped*
 - ⇒ *Indicate a date of pick-up or receipt, which will be deemed to be the date of shipment*
 - ⇒ *Requirement that courier charges to be paid or prepaid is satisfied by the courier receipt evidencing courier charges are for account of a party other than the consignee*
- Post receipt or certificate of posting, must appear to be stamped or signed and dated at the place the goods are to be shipped. This date will be deemed to be the date of shipment



Overview of UCP 600 Article 26

Article 26 – “On Deck”, “Shipper’s Load and Count”, “Said by Shipper to Contain” and Charges Additional to Freight

(UCP 500 – Art. 31,i,ii and Art. 33,d)

- ▶ Transport document indicating goods **are or will be loaded on deck not acceptable**
- ▶ Transport document indicating goods **may be loaded on deck is acceptable**
- ▶ “Shipper’s Load and Count” and “said by shipper to contain” **is acceptable**
- ▶ Transport document bearing reference to charges additional to freight **is acceptable**

Overview of UCP 600 Article 27

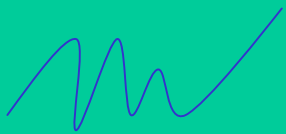
Article 27 – Clean Transport Document (*UCP 500 – Art. 32*)

- ▶ Clean transport is one bearing no clause or notation expressly declaring a defective condition of goods or their packaging
- ▶ The word “clean” need not appear on a transport document, even credit requires “clean on board”

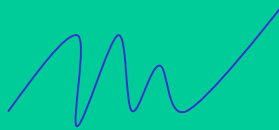
Overview of UCP 600 Article 28

Article 28 – Insurance Document and Coverage *(UCP500 – Art. 34-36)*

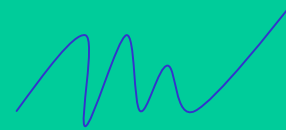
- Insurance document – Insurance policy, insurance certificate or declaration under open cover
- Issued and signed by insurance company, underwriter or their agents or their **proxies**
- Signature by agent or proxy indicated as being for or on behalf of insurance company or underwriter



ABC Insurance Co. Ltd.



Agent for
ABC Insurance Co. Ltd.



By proxy for
ABC Insurance Co. Ltd.

Overview of UCP 600 Article 28

- All originals must be presented, if the document indicates that more than one original has been issued
- Cover Note not acceptable
- Insurance policy is acceptable in lieu of insurance certificate or declaration under open cover
- Issued no later than shipment date, or it appears from the document that cover is effective from a date no later than shipment date

Insurance Policy

Effective Date

1 AUG 2007

Issued on 8 AUG 2007

Bill of Lading

Shipped On Board

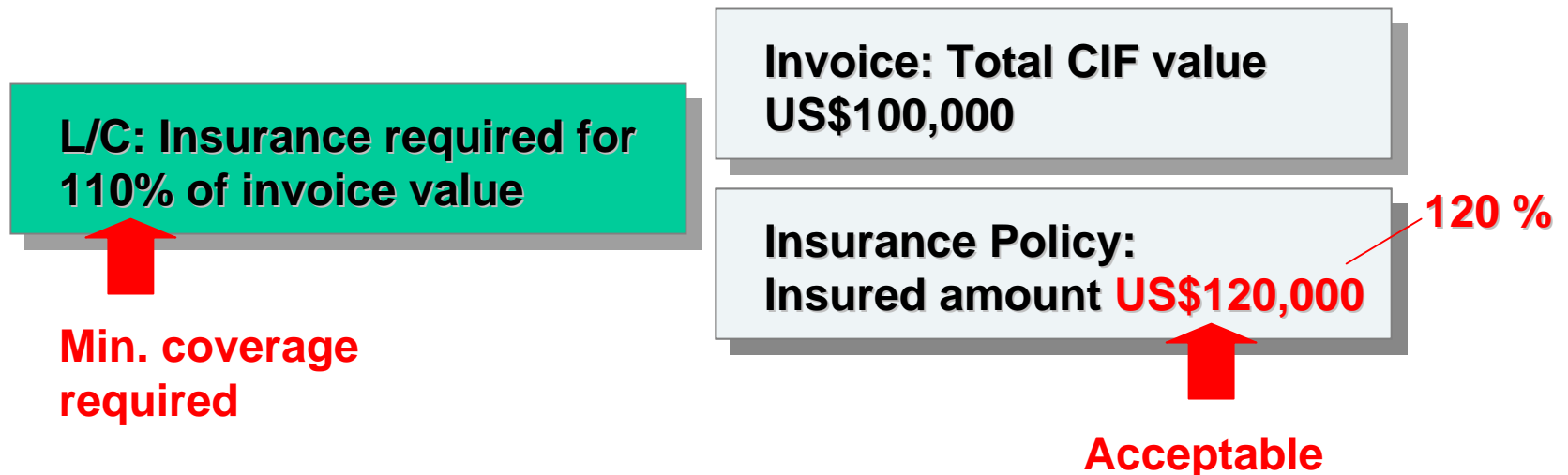
1 AUG 2007

Issued on 1 AUG 2007

Overview of UCP 600 Article 28

NEW

- Insurance coverage expressed in the L/C as percentage of goods/invoice value (e.g. 110% of CIF value) is deemed to be **minimum coverage** required (*ISBP – 191*)



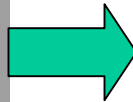
Overview of UCP 600 Article 28

- Min. 110% of CIF or CIP value, if L/C does not indicate insurance coverage required
- If CIF or CIP value cannot be determined from documents – take the greater of the following:
 - ***Amount for which honour or negotiation is requested; or***
 - ***Gross invoice value of the goods***

NEW

- Risks covered at least :

Place of taking in charge or shipment



Place of discharge or final destination

... as stated in the L/C

Overview of UCP 600 Article 28

- L/C should state type of insurance required and additional risks to be covered
- If L/C uses imprecise terms such as “usual risks” or “customary risks”, bank will accept insurance document without regard to any risks not covered
- If L/C requires insurance against “all risks”, bank will accept insurance document containing any “all risks” notation or clause, without regard to any risks stated to be excluded
- Insurance document may :
 - ***Contain reference to any exclusion clause***
 - ***Indicate that cover is subject to franchise or excess (deductible)***

NEW

Overview of UCP 600 Article 29

Article 29 – Extension of Expiry Date or Last Day for Presentation

(UCP 500 – Art. 44)

- ▶ Expiry date or last day for presentation falls on a day the bank is closed for **reasons other than “Force Majeure”**, it will be extended to the first following banking day
- ▶ Nominated bank **must provide** the issuing bank or confirming bank with a statement that presentation was made within the time limits extended
- ▶ Latest date for shipment **will not be extended**

Overview of UCP 600 Article 30

Article 30 – Tolerance in Credit Amount, Quantity and Unit Prices

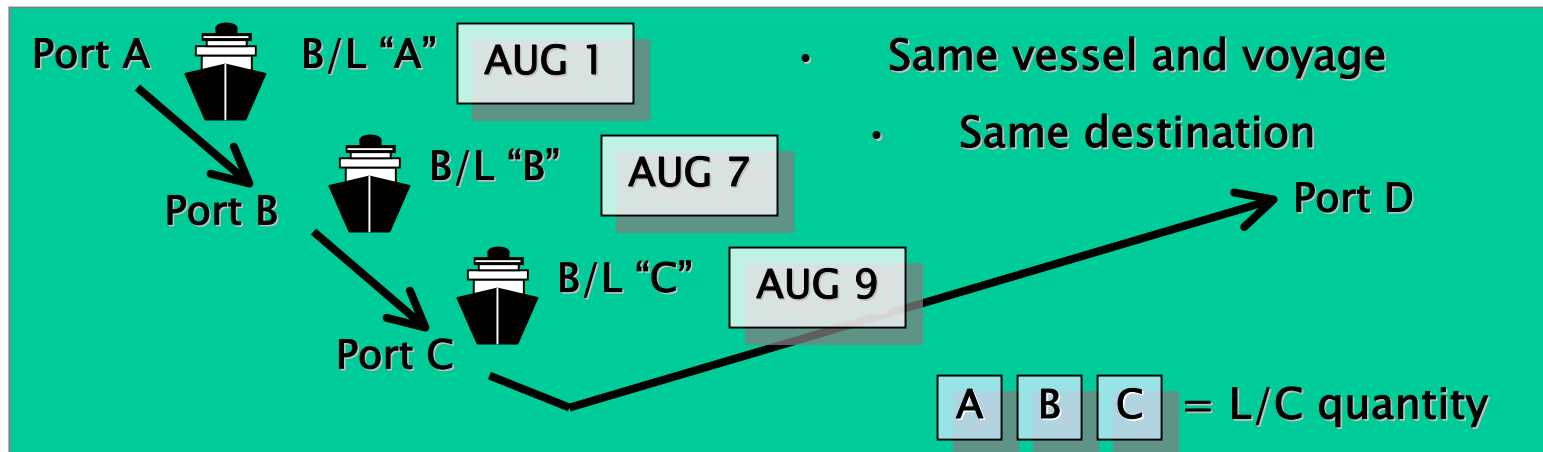
(UCP500 - Art. 39)

- ▶ Words “about” or “approximately” used in conjunction with credit amount, quantity or unit prices, are to be construed as allowing a tolerance not to exceed 10% more or 10% less
- ▶ Quantity not in terms of stipulated number of packing units or individual items has a tolerance not to exceed 5% more or 5% less, providing credit amount is not over drawn
- ▶ Even when partial shipment is not allowed, a tolerance not to exceed 5% less than the credit amount is allowed, provided the quantity is shipped in full and that any unit price is not reduced. *(ISBP 70)*

Overview of UCP 600 Article 31

Article 31 – Partial Drawings or Shipments *(UCP 500 – Art. 40)*

- Partial drawings or shipments **are allowed**
- Presentation of multiple sets of transport docs evidencing shipment on the same means of conveyance (e.g. vessel, aircraft) from different ports/places on different dates and for the same journey to the same destination – **not partial shipment**

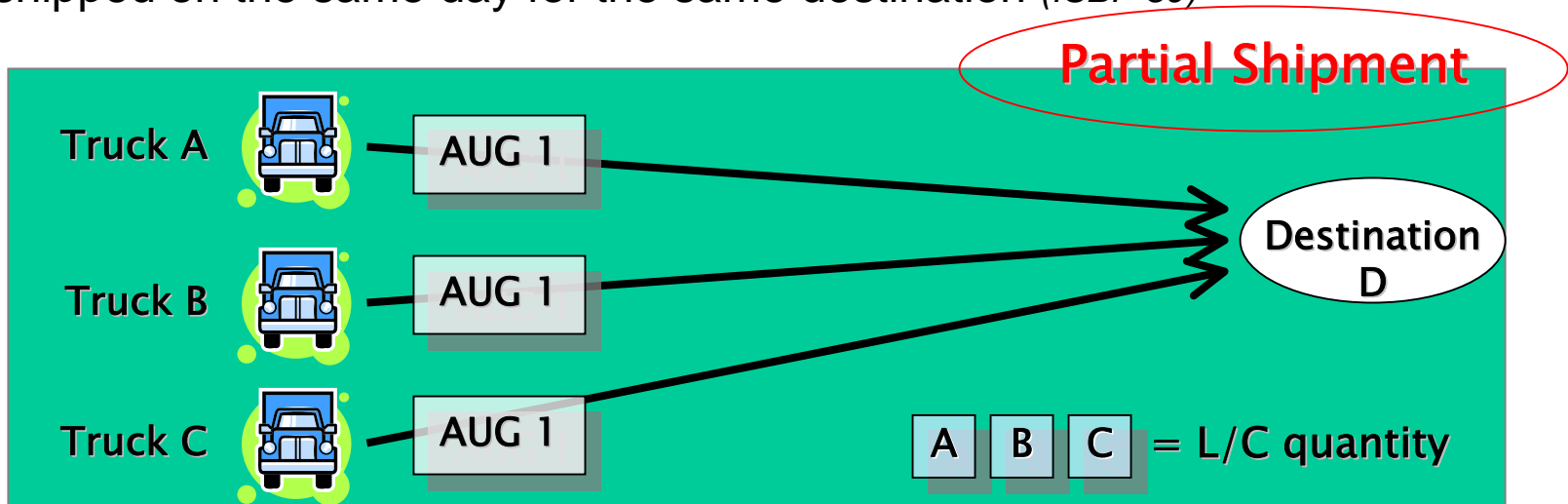


- Take latest of the shipment dates as date of shipment (Aug 9 in the above example) *(ISBP 89)*

Overview of UCP 600 Article 31

- Presentation of multiple sets of transport docs evidencing shipment on more than one means of conveyance within the same mode of transport (e.g. shipment by truck) will be regarded as partial shipment, even if shipped on the same day for the same destination (*ISBP 89*)

NEW



- Multiple courier receipts not regarded as partial shipment, if stamped/signed by same courier at same place & date and for same destination

Overview of UCP 600 Article 32

Article 32 – Installment Drawings or Shipments *(UCP 500 - Art. 41)*

- ▶ Any installment not drawn or shipped, **credit ceases** to be available

Article 33 – Hours of Presentation *(UCP 500 - Art. 45)*

- ▶ Banks have no obligation to accept presentation outside of its banking hours

Article 34 – Disclaimer on Effectiveness of Documents

(UCP 500 - Art. 15)

- ▶ Banks are not liable or responsible for any fraudulent documents or the accuracy and representation of any documents.

Overview of UCP 600 Article 35

Article 35 – Disclaimer on Transmission and Translation

(UCP 500 - Art. 16)

- ▶ When act in accordance with instruction or on own initiative, banks are not liable or responsible for any loss in transit, mutilation or other errors arising in the transmission of any messages or delivery of letters or documents
- ▶ Complying documents lost in transit, between:
 - **Nominated bank and issuing/confirming bank, or**
 - **Confirming bank and issuing bank**

Issuing/confirming bank must honour or negotiate, or reimburse

- ▶ Banks are not obligated to translate and may transmit credit terms without translating them

Overview of UCP 600 Article 36

Article 36 – Force Majeure (*UCP 500 - Art. 17*)

- ▶ Bank will not honor or negotiate under a credit that expired during interruption of its business, which is not under its control

Overview of UCP 600 Article 37

Article 37 – Disclaimer for Acts of an Instructed Party

(UCP 500 – Art. 18)

- ▶ Issuing bank or advising bank not liable or responsible for instructions not carried by another bank
- ▶ Bank instructing another bank to perform services is liable for that bank's charges
- ▶ Issuing bank is liable for charges that cannot be collected or deducted from the proceeds
- ▶ Applicant is bound by and liable to indemnify a bank against all obligations and responsibilities imposed by foreign laws and usages

Overview of UCP 600 Article 37

NEW

L/C or amendment should not stipulate that advising to beneficiary is conditional upon the receipt by advising bank or second advising bank of its charges

Unacceptable clause:

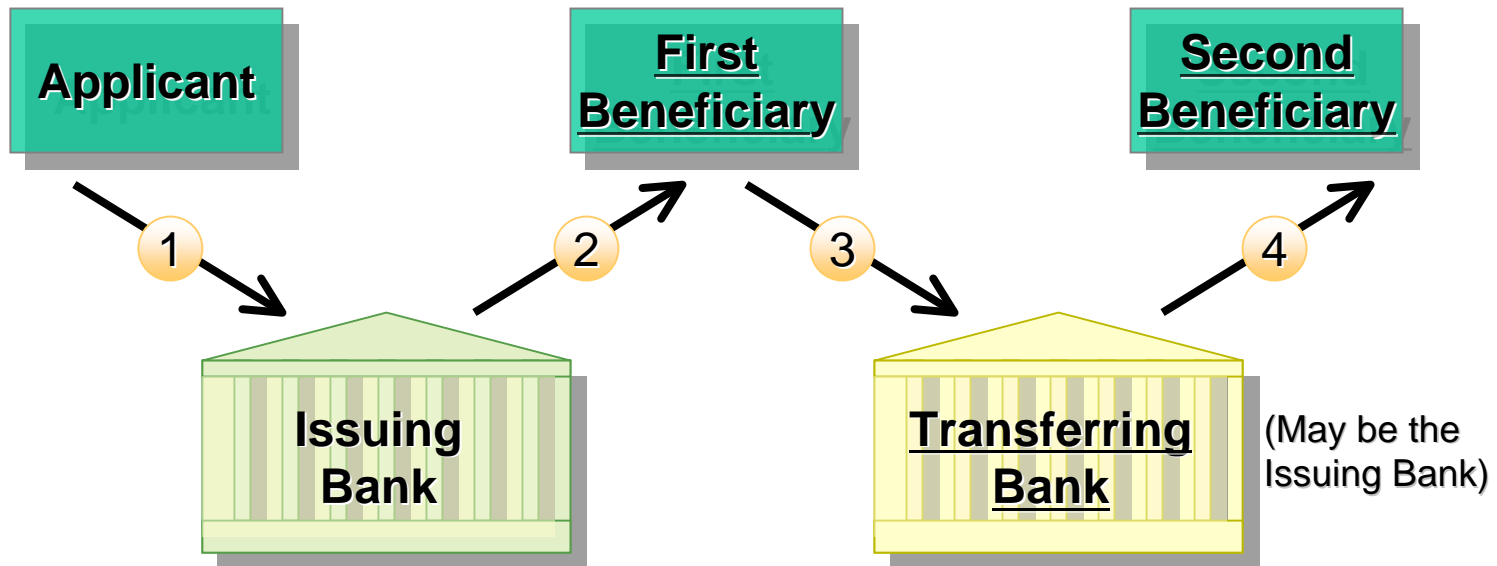
Notwithstanding sub-article 37c, the advising bank must collect their advising fee prior to advising the credit to the beneficiary

Overview of UCP 600 Article 38

Article 38 – Transferable Credits *(UCP 500 - Art. 48)*

NEW

Transferable credit – An L/C may be made available by the transferring bank to a second beneficiary



1. L/C application

2. Transferable credit

3. Request for transfer

4. Transferred credit –
(Credit has been made available
to a second beneficiary)

Overview of UCP 600 Article 38

- Transferred credit must accurately reflect the terms and conditions of the credit, **including confirmation** ...
- Second beneficiary's documents may be sent to issuing bank if first beneficiary fails, on first demand, to:
 - ***Present its invoice (and draft, if any), or***
 - ***Rectify discrepancies in its invoice (where such discrepancies did not exist in second bene's invoice)***

NEW

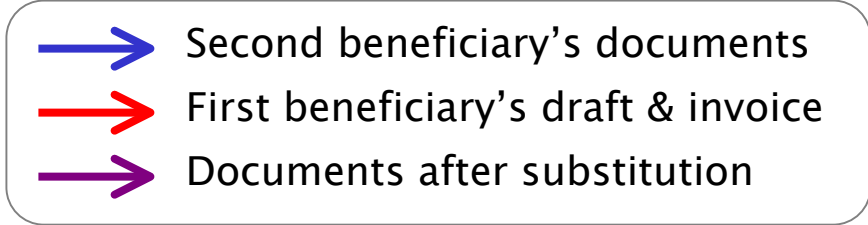
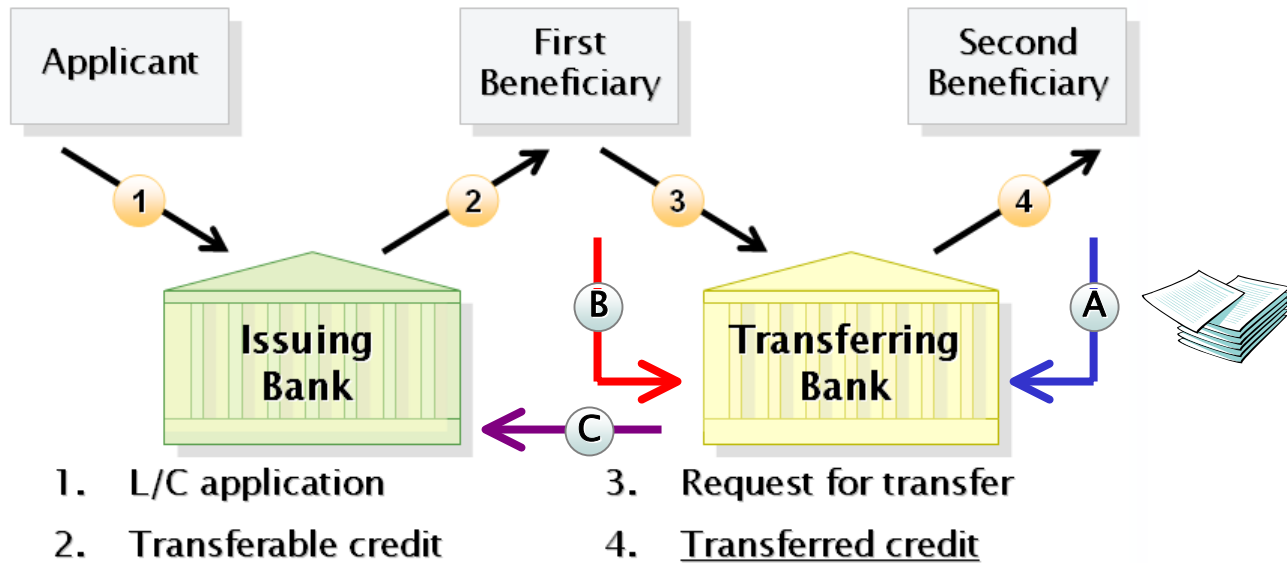
UCP500

Transferring bank may deliver second beneficiary's documents to issuing bank if first beneficiary fails to supply his invoice and draft on first demand in exchange for second beneficiary's invoice and draft

Overview of UCP 600 Article 38

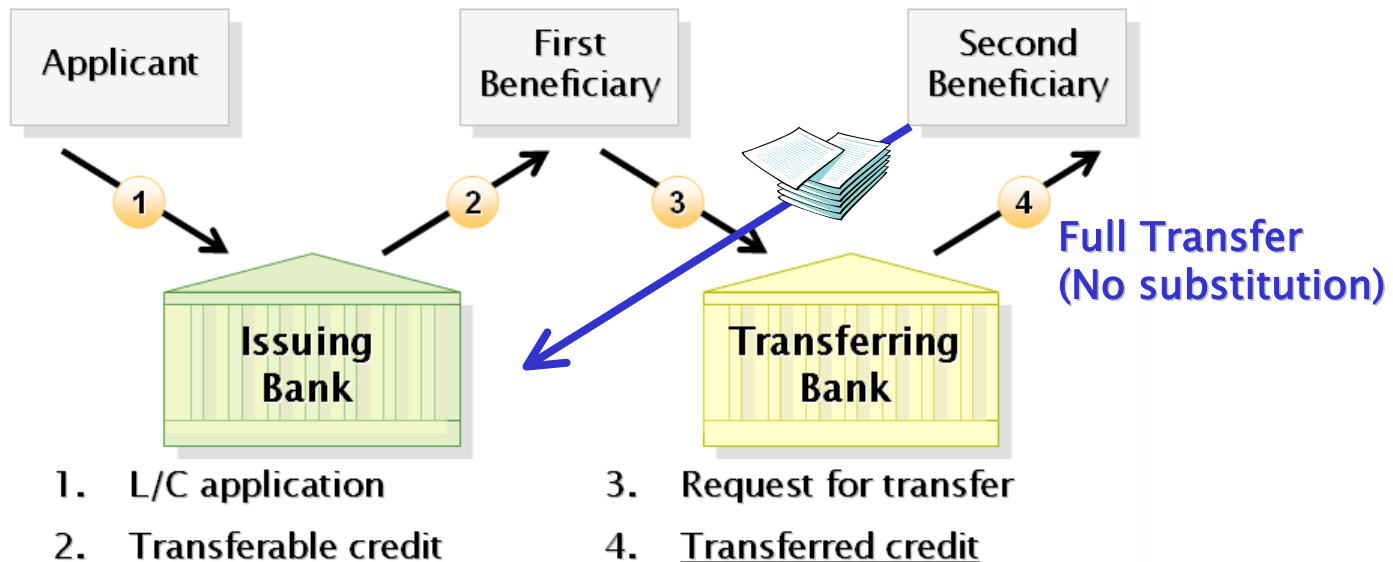
NEW

- 38 (k): Second beneficiary's documents must be presented to



Overview of UCP 600 Article 38

- 38 (k): Second beneficiary's documents must be presented to transferring bank
 - **However, in case of Full Transfer, documents may be presented directly to issuing bank**
 - **Therefore the Transferred Credit should expressly exclude sub-article 38 (k)**



Overview of UCP 600 Article 38

- Bank not obligated to effect transfer
- All charges relating to transfer are for first beneficiary
- If L/C allows partial drawings or shipments, it can be transferred in part to more than one second beneficiary
- Transferred L/C cannot be transferred to any subsequent beneficiary
- Must determine the handling of subsequent amendments

Overview of UCP 600 Article 38

- Rejection of an amendment by one or more second beneficiary does not invalidate the acceptance by any other second beneficiary
- Allowable changes:
 - credit amount - unit price - expiry date - period for presentation
 - latest shipment date - percentage of insurance coverageFirst beneficiary's name may be substituted for that of the applicant
- Honour or negotiation of transferred L/C may be in the second beneficiary's country

UCP Related Documents - Update

- **Commentary to UCP 600 – currently in draft to be finalized April 2007**
- **Official ICC Opinions - Applicability under UCP 600 will depend upon individual circumstances**
- **ISBP - Draft in circulation to reflect changes in UCP 600 (terminology, style, revised articles numbers etc). Full revision is not expected for 3-4 years.**
- **Guide to Documentary Credits - being prepared for the ICC**

UCP Related Documents - Update

What will happen to :

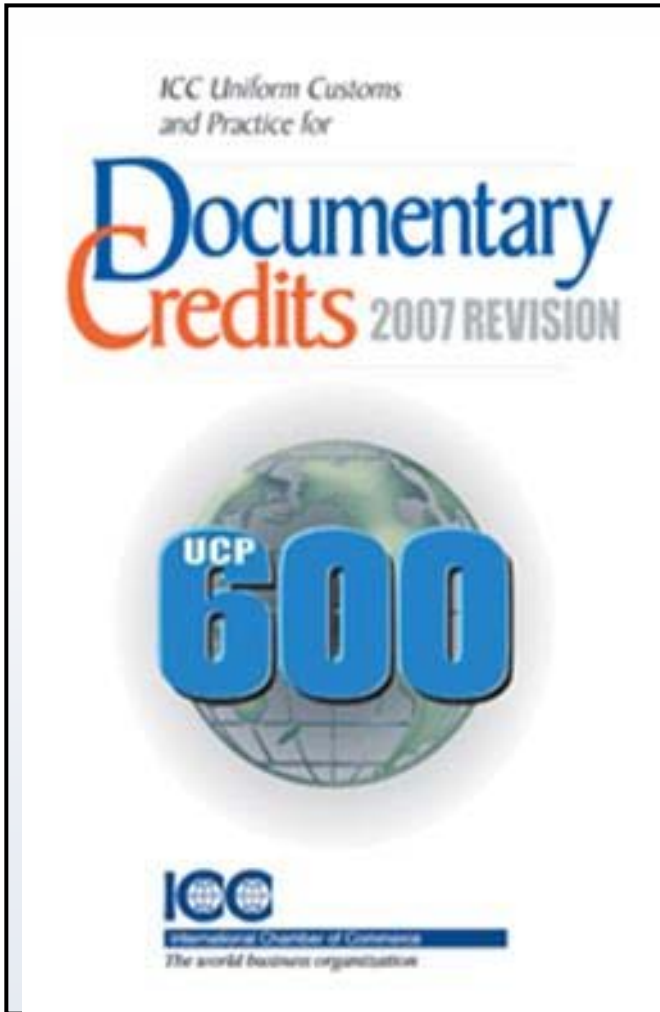
- ▶ **Supplement to UCP 500 for Electronic Presentation (eUCP)**
- ▶ **International Standard Banking Practice for the Examination of Documents under Documentary Credits (ISBP)**

What Needs to Be Done To Prepare

- Assess what has changed
- Understand the impact

<i>Clients</i>	<i>Training of Customers Decision – UCP 500 after July 1, 2007?</i>
<i>Personnel</i>	<i>Training of: Operation Staff; Sales and Marketing Staff</i>
<i>Operation</i>	<i>Systems, process and outputs Close monitoring during transition period</i>
<i>Legal</i>	<i>Review UCP 600 for potential legal issues Review all agreements Review for local laws</i>

- Devise an implementation plan



Effective July 1, 2007

Any Questions?

Our **Technical Trade Specialists** are happy to answer your technical LC questions. Please mention that you attended our Webinar!

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Our **Trade Bankers** are available to provide additional information about our trade services, our trade finance capabilities, and our global network. Please contact:

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