



# Introduction to UCP 600

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- the new rules on documentary credits

## New rules on documentary credits from 1 July 2007

The new rules for documentary credits, the UCP 600, will come into effect on 1 July 2007.

Documentary credits issued before 1 July 2007 will continue to be subject to UCP 500, whereas documentary credits issued on or after 1 July 2007 will be subject to the new rules.

The most important changes made to the UCP 600 are based on existing "Opinions" issued by the International Chamber of Commerce (the ICC).

A new adjusted edition of the ICC publication International Standard Banking Practice (ISBP), giving detailed interpretations of the documentary credit rules, will also come into force on 1 July 2007.

### Facts about the UCP

The UCP is an internationally recognised and globally accepted set of rules governing the use of documentary credits. The rules are unique because they are generally accepted by practitioners in countries with diverging economies and rules for the administration of justice.

The new edition of the UCP is the sixth since the rules were first introduced in 1933.

A group of experts under the auspices of the ICC, including a representative of Danske Bank, has worked on the new edition for the past three and a half years, and the new rules were finally approved by the ICC on 25 October 2006 in Paris.

"UCP" stands for Uniform Customs and Practice for Documentary credits and 600 is the publication number of the ICC.

### Fewer articles in the new rules

The number of articles has been reduced from 49 to 39. This is not because there are fewer rules, but because of language and structural changes.

## Most important changes

### Definitions and interpretations – articles 2 and 3

These articles define and interpret the special terms used in relation to documentary credits.

### Where is a letter of credit available? – article 6a.

A credit must state the bank with which it is available or whether it is available with any bank. A credit available with a nominated bank is also available with the issuing bank.

### The issuing bank authorises the nominating bank to purchase a deferred payment undertaking – article 12b.

By nominating a bank to accept a draft or incur a deferred payment undertaking, an issuing bank authorises that nominated bank to purchase an accepted draft or a deferred payment undertaking incurred by that nominated bank.

### "Reasonable time" is replaced by "maximum" – article 14b.

The term "reasonable time" for examining and determining compliance of documents is replaced by a maximum number of banking days (5), following the day of presentation.

### Data in a document – article 14d.

Data in a document, when read in context with the credit, the document itself and international standard banking practice, need not be identical to, but must not conflict with, data in that document, any other stipulated document or the credit.

**Addresses – article 14j.**

When the addresses of the beneficiary and the applicant appear in any stipulated document, they need not be the same as those stated in the credit or in any other stipulated document, but must be within the same country as the respective addresses mentioned in the credit. However, when the address and contact details of the applicant (telephone number, fax number etc.) appear as part of the consignee or notify party, they must be as stated in the credit.

**Discrepant documents, waiver and notice – article 16**

This article enables an issuing bank that has decided to refuse a set of documents to inform the beneficiary or the bank that forwarded the documents, in their advice of refusal, that, if the applicant accepts the documents as they are, despite discrepancies, and if the beneficiary or the presenting bank have not previously objected, the issuing bank is entitled to deliver the documents to the applicant without obtaining the acceptance of the beneficiary or the presenting bank.

**Original documents and copies – article 17**

This article describes what the banks require of a document for them to consider it an original. The article is a shortened version of an ICC decision of July 1999.

The article includes a stipulation to the effect that at least one original of each of the documents required under the documentary credit must be presented. This is a new stipulation in the rules, but a requirement that has always existed

**Transport documents – articles 19 to 25**

The requirements regarding transport documents have been revised. For example article 23 about air waybills. A notation on the air waybill indicating the actual date of shipment of the goods will always take precedence over the date of issuance of the air waybill for the purpose of determining the date of shipment.

**Insurance document and coverage – article 28**

In recognition of the fact that many insurance companies have introduced a number of exclusion clauses as standard clauses in their transport insurance policies, and that more will undoubtedly be added, article 28i. permits reference to any exclusion clause.

It is thus up to importers and bankers who cannot live with such a possibility of limiting the liability of insurance companies, to write in their documentary credits what they cannot accept.

**Partial shipments – article 31b.**

A presentation consisting of one or more sets of transport documents evidencing shipment on more than one mean of conveyance within the same mode of transport will be regarded as partial shipment, even if the means of conveyance leave on the same day and for the same destination.

**Disclaimer on transmission and translation – article 35**

This article makes it clear that, if the documents are presented to a nominated bank and this bank finds the documents to be compliant, then the issuing bank, or the confirming bank, will be obliged to pay, also in a situation where the documents are lost and therefore do not reach the issuing bank or the confirming bank.

**Transferable credits – article 38**

An important change made to the article that covers the transfer of documentary credits is the introduction of the requirement that the second beneficiary's documents must be presented to the transferring bank.

### More information

You are welcome to contact us if you have questions concerning the new rules.

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