

CHECKLIST FOR EXPORT LETTERS OF CREDIT

The following points may help exporters avoid the misunderstandings and discrepancies that can disrupt trade transactions. When examining your letter of credit and preparing documentation, verify its terms as follows:

- 1) **Is the letter of credit irrevocable?** Remember an irrevocable L/C can only be cancelled once your consent is received.
- 2) **What bank has committed itself to pay?** As the beneficiary, are you satisfied that this bank can pay? If not, then you may wish to request the importer to have the letter of credit confirmed by a major bank.
- 3) **Is your name and address, and that your buyer, spelled correctly on all documents?**
- 4) **Is the amount of the credit sufficient to cover the shipment?** Here, you should take into consideration factors that depend on the terms of the sale, such as Ex Works, or FOB...is there any inland freight or agent's charges?
- 5) **Is there sufficient tolerance allowed on the quantity to be shipped?** If you are not sure of the exact amount, you may want to amend the L/C to state "about" or "approximately" (10% more or less) immediately before the amount and quantity.
- 6) **Does the letter of credit describe the merchandise correctly?** Remember, the way it is described on the L/C dictates the way it must be described on all documents presented for negotiation.
- 7) **Is shipment permitted from the place you intend to use?**
- 8) **Does the place of destination quoted by you agree with the L/C?**
- 9) **Do the expiration and shipping dates give sufficient time to effect shipment and assure payment?**
- 10) **Is partial shipment permitted, if required?**
- 11) **Is transshipment permitted, if required?**
- 12) **If the letter of credit stipulates shipment to be effected on a named vessel or vessels of a named steamship company, can you comply with this requirement?**
- 13) **Does the letter of credit stipulate that it is transferable, if required?**
- 14) **Do you need an export license? A Certificate of Origin?**

15) Can you obtain properly executed shipping, consular, and other documents to conform to the letter of credit terms? These documents may include:

- a) Properly consigned Bill of Lading
- b) Consular invoice. Is an import license from the buyer necessary to receive this?
- c) An inspection certificate or analysis by the proper agency.
- d) Properly completed commercial invoice and packing list.

16) If you are chartering a vessel or airplane, does the letter of credit allow charter party Bill of Lading?

17) Can you comply with insurance risks required in the letter of credit?

18) Have you prepared and thoroughly checked all documents against the letter of credit to make sure that all wording matches, and the proper number of copies are attached?

19) Have you signed the documents as per the L/C terms?