KEY FACTS STATEMENT
DOCUMENTARY CREDITS

Product / Service

Product/Service Name: Documentary Credits

Description:

- A Documentary Credit is a secure instrument for payment available in the international trade and governed by UCP rules, published by the ICC.
- Under Documentary Credit a bank irrevocably undertakes to pay the beneficiary/exporter for goods or services, provided all terms and conditions are complied with, and provided the documents called for under the Documentary Credit are presented within a specified period.
- Under a Documentary Credit, the payment risk is effectively transferred to the issuing bank. An importer can therefore negotiate better price / discounts or ask to extend credit tenor since the payment is guaranteed by the bank.
  The importer is also assured that payment or acceptance will not be made unless the terms and conditions of the letter of credit are strictly complied with.
  The exporter also guarantees his payment upon presentation of compliant documents.

Offering Documents

This statement is part of the offering documents and must be read in conjunction with:

1- The offer letter signed by Banque BEMO and the client.
2- The General Agreement Contract.
3- UCP last version (Uniform Customs and Practice for Documentary Credits), published by the ICC (International Chamber of Commerce).
4- Application form available on BEMO website.

Key Features

- Payment under L/C may be effected:

  -At sight: upon complying presentation of the documents.
  -At maturity: at a fixed date as specified within the terms of the letter of credit against complying presentation.

- The parties allowed to examine the documents and to determine their compliance are: the issuing bank, the nominated bank and the confirming bank.

- Period of examination of documents: five business days following the day of receipt of documents.

- Bank's Requirements:
  -Application signed by client.
  -Management approval.
  - Fresh funds coverage.

Key Risks Associated with this Product/Service

Main risks to the Importer:
- Delivery Risk: Non-delivery of goods, short shipment.
- Performance Risk: Goods received with inferior quality or different specifications.
- Foreign exchange risk: when the transaction is denominated in a currency other than that of the base currency.

- Fraud Risk: As the banks deal only with documents, the bank may honor any presentation of documents if complying on their face.
-Non insurance coverage: Coverage rejection.

Main risks to the Exporter:
-Performance Risk: Difficulties in complying with letter of credit conditions.
-Non Payment Risk: Issuing bank's failure or delays in payment.
-Sovereign Risk: Issuing bank country risk/ Issuing bank’s bankruptcy.
- Fraud Risk: Counterfeit LC.
- Commercial Risk: Delivery of goods prior to retrieval of related documents from the issuing bank (in case of Land transport).
-Foreign exchange risk: when the transaction is denominated in a currency other than that of the base currency.

Notes

In view of the changing and volatile market conditions, clients are invited to regularly check with their designated Relationship Manager for any amendment in terms of the published Key Fact Statements.