

Export Letter of Credit Key Fact Sheet

The Key Fact Sheet (KFS) is provided to customers informing them about the key aspects and features of Export Letter of Credit (a trade finance product).

This is mainly to help you as a customer (Exporter/Seller) to understand and have a fair idea on what CBI is offering you and be able to compare the same with other banks offering the same product in the market.

Product Definition

Letter of Credit has been defined by Uniform Customs and Practice for Documentary Credits (latest version applied 2007 Revision, ICC Publication no. 600 (e.g., UCP600)).

Letter of Credit is always irrevocable and constitute a definite undertaking of the issuing bank to honor beneficiary a complying presentation in accordance with the Terms and Conditions of the Credit and the applicable provisions of Uniform Customs and Practice for Documentary Credit (e.g., UCP600) and International Standard Banking Practice (e.g., ISBP745).

The UCP rules are then binding on all parties to the letter of credit unless its terms and conditions expressly exclude or modify a rule.

Key Fact Statement

Letter of credit is an irrevocable written undertaking issued by a bank on behalf of its client (the applicant/the buyer) to beneficiary (seller), to effect payment up to a specified amount against presentation of complying documents at a specified place within a specified time / period.

This product is available to both customers and non-customers.

Our role is determined in the Export LC received at our counters.

- CBI as an Advising Bank only.
- CBI as a Negotiating Bank.
- CBI as a Confirming Bank.

CBI can play either one or more roles as specified above and at our own discretion, decide not to act on a specific role and keep issuing bank and/or customer informed respectively.

Product Description

Advising - An Export Letter of Credit is a common Trade Finance Product received at CBI counter for further advising to CBI Customers (Exporters/Sellers) after verifying the apparent authenticity of the Export LC received.

Confirmation – CBI may add confirmation providing issuing bank authorization to do so. at the request of either beneficiary or issuing bank thereby providing beneficiary an irrevocable payment undertaking upon complying presentation of documents in addition to that of issuing bank.

Nominated Bank – CBI can handle export LC documents on behalf of beneficiaries and assist in obtaining payment from the issuing or confirming bank (if any). At the request of beneficiary provided availability at CBI Counter, CBI at own discretion can negotiate and credit funds before the payment is received from issuing or confirming bank (if any).

Our Customers (Beneficiary of the LC) will get paid against submission of complying presentation. Export LC is a trade finance product used by Exporters to secure payments for their sale of goods or services to their buyers.

An Export Letter of Credit provides the beneficiary an opportunity to enhance the cash flows by assurance to receive the payment without delays despite of the underlying shipment reaches to the buyer, minimizes credit risk of the company importing the goods and gives you as an Exporter an opportunity to discount the bills subject to negotiating/confirming bank credit line availability with the issuing bank at the time of presentation / negotiation of documents.

Sub-related Product

- Export LC Advising.
- Export LC Amendment(s).
- Export LC Negotiation/Discounting.

Tenor

The tenor typically varies between 90 to 180 days from the date of issuance. However, the tenor will be specified in the Export LC received from the issuing bank.

Terms and Conditions

Please refer to Export LC presentation form / Application and Indemnity for Purchase/ Discounting Bills on the following [link](#).

The Terms and Conditions (including any relevant applications and documents) shall be read and implemented in line with this KFS.

Tariff (Commission, Charges and fees)

The Export LC Typically involve commission and fees including but not limited to Advising commission, Presentation commission and Confirmation commission (if required) these can vary depending on the size and Issuing Bank and it's country risk.

Customer and counterparty should carefully review the terms and conditions of the LC to understand the costs involved.

Schedule of Charges for Trade, please refer to the following link: -

Wholesale Banking Trade Tariff* - [English / Arabic](#)

[*CBI reserves the right to change Trade tariff from time to time and same will be updated in our website](#)

General Warnings

1. The Bank, without referring to the customer, may debit the customer's accounts with any charges, expenses, or commission payable against the banking services rendered in accordance with the approved and announced banking charges and commissions.
2. The Bank may from time to time, and at its sole discretion make changes to the Terms and Conditions pertaining to this Product. Without prejudice to the [on-demand/uncommitted] nature of this product.
3. The Terms and Conditions (including any relevant applications and documents) shall be read and implemented in line with this KFS.
4. This is a Key Fact Statement only. It means that the documents provided is not an offer from the Bank to provide services. The Bank has the right to refuse to provide any services at any time without liability or penalty.
5. The Bank reserves the right, at its absolute discretion, to amend any of the terms and conditions and where required by applicable law, will provide the Customer with 60 days notice prior to making such changes and/or as mutually agreed in the facility letter signed by you.

Product Features and Warning Statements

You must be aware about some of Letter of Credit features details as follows: -

1. A letter of Credit is a standalone instrument / contract between issuing bank and beneficiary that are separate from the underlying sale agreement between importer(s) and exporter(s) on which the letter of credit is based.
2. Banks are dealing only in shipping documents stipulated in the LC and not in sales contracts covering the underlying trade.
3. Banks are dealing with documents presented not with goods, services, and/or performance and/or its quality which the Letter of credit may relate.
4. After receiving of irrevocable LC, any amendment or cancellation on the LC Terms and conditions will requires your (e.g., beneficiary's) consent. If CBI added confirmation, then CBI's consent is also required in addition to your (beneficiary's) consent.
5. Customer should conduct its due diligence on the buyer and ensure that the terms and conditions of the LC received are in line with their expectations before entering into an agreement.
6. Customer availing this product must keep themselves aware and updated on UCPDC as a governing rule of LCs.
7. Customer must carefully review and adhere to the terms and conditions of the Export LC to ensure ability to present complying presentation.
8. Customer should strictly fulfill the terms and conditions of the Export LC to ensure getting paid as per LC terms and conditions and avoid any deduction or penalties or charges if such stipulated in the LC.
9. Advising Bank under unconfirmed LC is not liable in case of Issuing Bank Default.
10. Customer must provide the bank with updated documentation and information that may affect their account and related LC(s).

Benefits (Payment Vs. Performance Risks)

In international trade, Non-payment for goods exported is the major risk for the exporter. While the major risk for the importers is that they will pay for goods that are not shipped on time or as specifications / quality ordered.

A Letter of Credit is a financial instrument offered by banks to assist an exporter and importer in the settlement of their international commercial transaction. It is designed to minimize the risk for both the exporter and the importer. The letter of Credit presents the seller (exporter) and the buyer (importer) with a very high level of security. Its inclusion in the contract provides the highest possible assurance because the L/C issuing bank and the confirming bank (if any), guarantee the buyer's payment obligation, against the seller's presentation of documents, which are to be issued in strict compliance with L/C terms.

The Benefits of an LC include reduced risk for both buyers and sellers, increased trust and credibility in the transaction, and a secure payment mechanism that can facilitate international trade.

Acknowledgement

By signing this document, you acknowledge the receipt and understand Key fact Sheet highlighting the product / service key features, description, and get an idea on terms and conditions, tariff (commission, charges, and fees), which may be incurred by applying for this product. All the provision of any banking product/ services are at the sole discretion of CBI and subject to all applicable terms and conditions of CBI General terms and conditions of Accounts and Banking Services for establishments, companies and other legal entities that may be revised from time to time.

Customer Name:	
Customer Signature:	
Date of Signature:	

Disclaimer

The information in this Key Facts Statement is not the full terms of the contract, which is contained within the final terms of the account along with the documentation required to proceed with enclosed product mentioned therein.

For further enquiries, assistance, or complaints you may approach your designated relationship managers or our Trade Finance Team or by visiting our website www.cbiuae.com. You can also contact us on 600544440 (within the UAE) and +971 4 503 9000 (outside the UAE).