

## Import Letter of Credit Key Fact Sheet

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

This is mainly to help you as a customer (Importer/Buyer) 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 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 (applicant/ buyer) to a 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 customers either

- With approved credit facility offered as per bank's credit policy and internal credit assessment.

Or

- Against 100% cash margin (CM) or against Fixed Deposits placed under lien (FDUL).

### **Sub-related Product**

- All LC Amendment(s).
- All Types of LC Issuance (e.g. Transferable, Transferred, Revolving).
- Standby LC Issuance (if it is subject to UCPDC).

### **Tenor**

Maximum tenor will be specified in the Facility Offer Letter (FOL). Otherwise, we may consider at our own discretion as agreed between transaction counterparties (Importer/Exporter) supported by LC application and proforma invoice(s) covering the underlying transaction which typically varies between 90 to 180 days.

### **Collateral**

- Cash Margin is always taken at 100% or as per approved terms in same currency.
- FD against lien at 100% in same currency or more than 100% in a different currency as per agreement with the bank.
- Credit Facility collateral and documentation as approved internally and expressly specified in facility offer letter along with other terms and conditions.

### **Terms and Conditions**

Please refer to LC applications on the following [link](#).

The Terms and Conditions (including any relevant applications and documents) must be read as an integral part of this KFS.

### **Tariff (Commission, Charges, and fees)**

The Cost of an LC can vary depending on the Type of LC, the value of the transaction, and the fees charged by the banks involved.

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](#)

in conjunction with what expressly highlighted in Facility Offer Letter (FOL) as the case may be.

\*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 pertained 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 Facts Statement. Means the documents provided but 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 issued.

2. Banks are dealing only in shipping documents stipulated in the LC and not in sales contracts covering the underlying trade.
3. Banks are obliged to pay against a complying presentation of required documents under LC but not on the delivery of the goods and/or render of services.
4. Banks are dealing with documents presented not with goods, services, and/or performance and/or quality of the goods or services provided by the seller which the Letter of credit may relate.
5. After issuance of irrevocable LC, any amendment on the LC Terms and conditions or cancellation will require beneficiary's and confirming bank's (if any) consent.
6. Customer should conduct its due diligence on the seller and ensure that the terms and conditions of the LC are in line with their expectations before entering into an agreement and instruct the bank to issue the LC on their behalf.
7. Customer availing this product must keep themselves aware and updated on UCPDC as a governing rule of LCs.
8. Customer must adhere to the LC terms and conditions to ensure smooth processing. Any deviations may cause delay in processing the transaction or further consequences may lead the bank exercising their rights to settle the underlying exposure with penalties in case of past dues.
9. Customer must provide the bank with updated documentation and information that may affect his 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.

<b>Customer Name:</b>	
<b>Customer Signature:</b>	
<b>Date of Signature:</b>	

### **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](http://www.cbiuae.com). You can also contact us on 600544440 (within the UAE) and +971 4 503 9000 (outside the UAE).