

Guide to Import Documentary Credits

This guide has been developed for information purposes only and does not in any way attempt to explore or offer solutions to risks associated with Documentary Credits and is provided without obligation on the part of Westpac Banking Corporation.

Introduction

Documentary Credits are issued by a bank, on behalf of its customers to facilitate payments for imports. They take the form of a written undertaking by the bank, given to the seller (beneficiary) at the request and in accordance with the instructions of the buyer (applicant), to effect payment up to a stated amount of money, within a prescribed time limit against presentation of stipulated documents. **Generally Documentary Credits are established as irrevocable meaning they cannot be amended or cancelled without the consent of all parties.**

All Documentary Credits issued by Westpac are subject to the International Chamber of Commerce Uniform Customs and Practice and the International Chamber of Commerce Uniform Rules for Bank to Bank Reimbursements under Documentary Credits in each case, current at time of issue.

This Guide is intended to be used as an aid for importers in receiving documents under an import Documentary Credit. Comments on content or suggestions are appreciated and may be made to the address on the final page.

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Application for an Import Documentary Credit

Customers will be required to complete an "Application for an Irrevocable Documentary Credit" for each Documentary Credit to be established. This application form stipulates the customer's instructions to the Bank as to the terms and conditions of the Documentary Credit as well as an indemnity covering the Bank's interests.

It should be noted at this point that the Bank will, unless otherwise instructed by the applicant, generally establish an "irrevocable" Documentary Credit i.e. the Documentary Credit can only be amended or cancelled if the applicant and the Documentary Credit beneficiary agree beforehand. It is recommended that an irrevocable Documentary Credit be established wherever possible.

Amending or Cancelling an Import Documentary Credit

Documentary Credits may be amended by increase/decrease of amount, alteration to description of goods, extension of expiry date or variation of other terms and conditions, or cancelled entirely but with the consent of all parties.

All requests must be lodged with the Bank in writing.

Issuing a Documentary Credit

Following is an example of the most common terms and conditions that you should request your bank to incorporate into a Documentary Credit. The credit should reflect the terms of your commercial sales contract

Suggested Format

To: [Your Bank]

We request you to open an Irrevocable Documentary Credit by:

- SWIFT/Telex or airmail [courier]
- Applicant [your company name and address]
- Beneficiary [full name and address of overseas seller]
- Amount Currency Amount [in words and figures]
- Amount Tolerances [variance of +/- % to credit amount]
- Advise Through [name of beneficiary's bank if known]
- Expiry Date [should not exceed 12 months]
- Place of Expiry [the country where the Credit is to be available. This is usually the country in which the beneficiary is located.]

- Drafts at ...Sight
 - ...days after sight [should not exceed 180 days]
 - ...days after shipment [should not exceed 180 days]
- Partial Shipments: Allowed/Not allowed
- Transshipment: Allowed/Not allowed
- Shipment from:
- Shipment to:
- Latest Shipment Date:
(To be completed as required)
- Shipping Term: FOB, CFR, CIF [as per Incoterms 2000]
- Document Presentation Period:
[within days from date of issuance of Bill of Lading or other shipping document]
- Covering: [goods description]
.....
- Documents Required
 - Signed commercial invoice(s)
 - Transport document
 - ...clean on-board marine bill of lading
 - ...sea waybill
 - ...air waybill
 - Insurance certificate
 - Other
- Additional Conditions
- Confirmation required by overseas bank YES/NO
- Charges [indicate whether charges are for applicant or beneficiary]

Checking Documents

It is the responsibility of the Issuing Bank to determine whether documents presented for payment under a Documentary Credit appear on their face to be in accordance with the terms and conditions of the credit.

Banks deal in documents only and do not become involved in commercial contracts or shipment of goods. Therefore, it is important to remember that ultimate responsibility lies with you, the buyer, to ensure that goods which are received do in fact match the underlying commercial contract. ***Should you detect any irregularity in goods received, you should contact the overseas seller immediately.***

Dispute Resolution

The best advice for dispute resolution involving Documentary Credits is, plan for it **before** negotiating your sales contract. After the contract is signed is often too late.

Reference to ICC Incoterms (standard "trade terms") in the contract can avoid any misunderstandings between the parties involved. Incoterms such as FCA, FOB and CIF clearly indicate the responsibility of the buyer and seller for the various costs relating to transport and insurance.

International dispute resolution can be quite costly, however, for major contracts the ICC International Court of Arbitration is probably the most used. Costs can include arbitrator's fees and expenses, administrative charges and lawyers fees and expenses. Time to completion of arbitration is dependent upon the complexity of the issues and appeals. On average, arbitration cases can take from 1 to 3 years to complete.

Amicable resolution of disputes without resorting to arbitration would always be the preferred outcome.

Recommended Reading

For further information or reading on the subject we recommend the following:

- ICC Guide to Export - Import Basics, (publication No. 543)
- ICC Uniform Customs and Practice for Documentary Credits, 2007 Revision (publication No. 600)
- ICC Guide to Documentary Credit Operations, (publication No. 515)
- ICC Incoterms 2000, (publication No. 560)
- ICC Guide to Incoterms 2000, (publication No. 620)
- Country Economic Briefs, Department of Foreign Affairs and Trade

Contact Points

Aust Quarantine & Inspection Service

18 Marcus Clarke Street
Canberra City, ACT 2601
Tel: +612 6272 3933 or freecall 1800 020 504
www.aqis.gov.au

Austrade

Corporate Data Unit
Minter Ellison Building
2nd Floor 25 National Circuit
Forrest ACT 2603
Tel: 132 878
www.austrade.gov.au

Australian Institute of Exports (NSW) Ltd

Level 2 22 Pitt Street
Sydney NSW 2000 Australia
Tel: (02) 8243 7400
www.aiex.com.au

Trade Analysis Branch Department of Foreign Affairs & Trade

R.G. Casey Building
John McEwen Crescent
Barton ACT 0221 Australia
Tel: (02) 6261 1111
www.dfat.gov.au

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our International Trade Service team on:**

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8am - 5pm EST Monday to Friday

**Visit our trade home page
www.westpac.com.au/trade**