



# MODULAR TRAINING PROGRAMME



**UNIQUE PACKAGED RECRUITMENT, TRAINING AND ADVISORY SERVICES  
FOR THE TRADE AND COMMODITY FINANCE SECTOR**

## MODULAR TRAINING PROGRAMME

At Keysource, we know that 'one size' does not fit all, which is why we offer flexible training solutions to meet the unique requirements of each individual or organisation\*. Because we specialise in Trade & Commodity Finance, you will only receive information that is absolutely key to your business, delivered by market practitioners with extensive training experience and a real appreciation of the business. Training can be tailored in terms of:

**Duration** - From 2-hour workshops to 2-day courses

**Venue** - Training can be held in-house or at the Keysource training centre.

**Content** - The content of each workshop or course can be selected from the following subjects, full details of which are enclosed.

Opportunity to earn PDU's for the CDCS Re-Certification Programme

- **DOCUMENTARY CREDITS**
- **THE INTERNATIONAL CHAMBER OF COMMERCE 'UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS' – UCP500**
- **ISBP - INTERNATIONAL STANDARD BANKING PRACTICE FOR THE EXAMINATION OF DOCUMENTS UNDER DOCUMENTARY CREDITS**
  - **BANK GUARANTEES AND STANDBY LETTERS OF CREDIT**
    - **STRUCTURED TRADE & COMMODITY FINANCE**
  - **FINANCING INTERNATIONAL TRADE – THE KEY PRINCIPLES**
    - **FRAUD IN INTERNATIONAL TRADE**
- **USE OF DOCUMENTARY CREDITS IN SPECIALISED TRADE FINANCING**
  - **REVIEW OF THE KEY LEGAL CASES CONCERNING DOCUMENTARY CREDITS**

For more information on our recruitment, training and advisory services, or to discuss specific requirements, please call 020 7614 3390 or email [info@keysourceconsulting.co.uk](mailto:info@keysourceconsulting.co.uk).

\*Please note that tailored workshops and courses may be subject to a minimum charge and/or number of attendees.

Flexible • Efficient • Effective

## DOCUMENTARY CREDITS

- Definition of a Documentary Credit - what are they and why are they used?

### Operation of Documentary Credits - how are they used and what are the roles and responsibilities of the parties to the Credit

- The role of the importer and exporter
- The role of the issuing bank
- The role of the 'nominated' advising bank

### The Parties to the Documentary Credit and their Contractual Relationships and Obligations

- Buyer (applicant) and seller (beneficiary)
- Applicant and issuing bank
- Issuing bank and beneficiary
- Issuing bank and confirming bank
- Confirming bank and beneficiary
- Nominated paying/accepting/negotiating bank and the beneficiary

### Application for a Letter of Credit – Managing the Process

- How to prepare an effective Letter of Credit application
- As an issuing bank, how should you analyse an L/C application - what to look out for - what are the pitfalls?
- Checking of a received L/C - what is acceptable - what are the responsibilities of a 'nominated' advising bank?
- Evaluating an L/C application
- Due diligence considerations
- Dealing with incomplete or unclear instructions

### Main Types of Documentary Credits

- Revocable
  - Irrevocable
  - Unconfirmed
  - Confirmed
- How do they compare?  
- How to decide which is the most appropriate?  
- What are the risks and safeguards?

### Terms of payment and their implications

- Sight payment
  - Deferred payment
  - Negotiation
  - Acceptance
- Rights and obligations incurred in connection with these different operations

### Examination and Rejection of Documents

- What constitutes a discrepancy?
- UCP stipulations - penalties for non-compliance
- What to watch out for - how to avoid the pitfalls
- How long does a bank have to check the documents - what is reasonable?
- Most common discrepancies and how to avoid them
- Strict compliance - how is it measured?
- Lessons from relevant legal cases

## THE INTERNATIONAL CHAMBER OF COMMERCE 'UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS' - UCP 500

- An in depth analysis focusing upon the practical application of the rules
  - General provisions and definitions
  - Form and notification of credits
  - Liabilities and responsibilities
  - Documents
  - Miscellaneous provisions
  - Transferable credits/assignment of proceeds
- How to minimise the risks and avoid the problems
- ICC policy statement on The determination of an "Original Document" (July 1999)

## ISBP – INTERNATIONAL STANDARD BANKING PRACTICE FOR THE EXAMINATION OF DOCUMENTS UNDER DOCUMENTARY CREDITS

- Origins of ISBP
- Why was ISBP needed?
- Introduction to ISBP
- Preliminary Considerations
- General Principles
  - Abbreviations and Certifications
  - Corrections and Alterations to a Document
  - Dates, Originals and Copies
  - Language
  - Expressions not defined in UCP
  - Misspellings/typing errors
  - Title of documents
  - Combined documents
  - Inconsistency in Documents & Mathematical Calculations
  - Drafts and Calculation of Maturity Dates
  - Invoices
  - Insurance Documents
  - Certificate of Origin

## **BANK GUARANTEES AND STANDBY LETTERS OF CREDIT**

### **Bank Guarantees**

- Types of guarantees
  - Tender
  - Performance
  - Advance Payment
  - Retention
- Practical Issues and Problems with Guarantees
- Understanding the underlying contract
- Issuing/amending guarantees
- Parties to the guarantee and their contractual relationships
- Cancellation of guarantees - the attitude of different countries and the relevance of foreign laws and jurisdictions
- The making of demands under guarantees - conditional or unconditional calling - the risks relating to the guarantee wording used
- Unfair calling; why it happens and how to reduce the risk of it occurring

### **Standby Credits**

- The ICC rules for Standby Letters of Credit - 'ISP98'
- Advantages and disadvantages of these instruments
- What are the uses of Standby L/C's?
- When should they be used instead of Documentary Credits?
- Comparison with the use of bank guarantees - which are most appropriate to use?

## **STRUCTURED TRADE & COMMODITY FINANCE**

### **Part 1 – The Basics**

- Commodities – a brief definition
- Regulation of the Markets
- The Transaction Chain
- The Role for Banks
- Bank Products
- Collateral Guide
- Legal Aspects of Collateral
- Commodity Trader Analysis
- The Futures Market

### **Part 2 – The Application**

- Transactional Analysis
- Risk Management
- Sample Deal Structures
- Case Study
- The Benefits of STCF



## **FINANCING INTERNATIONAL TRADE - THE KEY PRINCIPLES**

- Methods of financing international trade
- The risks and safeguards when using such methods
- Client requirements versus Bank objectives
- The 'risk ladder' - where do trading risks lie?
- How are they overcome?
- What are the alternatives to L/C's and when and why should they be used?
  - Bills of Exchange
  - Promissory Notes
  - Private Credit Insurance
  - Export Credit Agency Finance
- Forfaiting
  - What is it?
  - How does it work?
  - Standard debt instruments
  - Security requirements
  - Documentation requirements
  - Advantages

## **FRAUD IN INTERNATIONAL TRADE**

- The fraud exception to the autonomy of Documentary Credits
- What are a bank's obligations concerning fraud?
- What is the English law position regarding fraud in Documentary Credit and Guarantee operations?
- When is a bank entitled to refuse payment?
- What is fraud and what is forgery?
- When should a bank 'enquire' concerning a potential fraud?
- Proof of fraud - what is required
- The bank's right to reimbursement when it pays against a fraudulent presentation
- Prime bank instrument and other frauds
- Prevention - the key issues

## USE OF DOCUMENTARY CREDITS IN SPECIALISED TRADE FINANCING

### Red and Green Clause Credits

- What are they and what are the differences between them?
- How are they structured?
- What wording is appropriate
- When should they be used?
- What proportion of the credit should be made available for the advance payment?
- Use in structured pre-export finance transactions
- What are the risks - how can these be mitigated?

### Transferable Credits

- Operation and procedure for handling
- Why are they used?
- Potential risks and how to overcome them
- The advantages and disadvantages when compared with 'back-to-back transactions
- What are the limitations of transferable credits?
- Bank formalities - format of transfer agreement
- UCP 500 requirements - Article 49
- Difference between transfer and assignment - advantages and disadvantages

### 'Back-to-Back' Credits

- What are they?
- The reasons for their use - why are many banks reluctant to operate them?
- How are they operated?
- What are the risks and how can these be mitigated?
- When to use them and when to use transferable L/C's

### Silent L/C Confirmations

- What are they?
- Why are they sometimes necessary?
- When should they be used?
- What are the risks?
- Procedures to mitigate the risks

### Revolving Credits

- Their purpose and use
- Revolving by amount
- Revolving by time
- Cumulative or non-cumulative
- What are the risks and how to avoid them

## REVIEW OF THE KEY LEGAL CASES CONCERNING DOCUMENTARY CREDITS

- **Santander - v - Banque Paribas**  
Obligations, liabilities and risks concerning the discounting of deferred payment undertakings under L/C's
- **Glencore - v - Bank of China**  
Original documents - what constitutes an original document - English law position
- **Kredietbank - v - Midland Bank**  
Original documents and strict compliance - what level of documentary compliance is required - strict or substantial compliance? - How relevant is the commercial importance of an alleged discrepancy
- **Bankers Trust Co. - v - State Bank of India**  
Procedures for checking documents - reasonable time to check - procedures to reject - consultation with customer - request for waiver - holding documents at the disposal of the presenter
- **Credit Agricole Indosuez - v - Muslim Commercial Bank**  
Implications of ambiguous wording / documentation
- **Seaconsar - v - Bank Markazi**  
Without delay - what does this mean? How long does the bank have to reject documents presented under an L/C?
- **Credit Agricole Indosuez - v - Chailease Finance**  
Place of jurisdiction for resolution of L/C disputes - risks of using inappropriate L/C clausung - what is the place of performance of the obligation in question - implications of the words 'we shall cover you as per your instructions'
- **CIC - v - CMB**  
Document originality clarified - form of rejection of document - holding documents at the disposal of the presenter - necessity to make mathematical calculations.
- **KBC - v - Industrial Steels**  
Recourse of confirming bank to the beneficiary despite failure of confirmer to properly reject discrepant documents.