
International Standard Banking Practice

for the Examination of Documents
under Documentary Credits

2007 Revision for UCP 600

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Foreword

When the publication *International Standard Banking Practice for the Examination of Documents under Documentary Credits* was approved by ICC in 2002, it was widely acclaimed by letter of credit practitioners worldwide. The ISBP, as it is commonly called, provided an intelligent checklist of items document checkers could refer to in determining how ICC's rules on documentary credits, at the time called UCP 500, applied in daily practice. As such, it filled a needed gap in the market between the general principles in the UCP and the daily job of the practitioner.

Now that UCP 500 has been replaced by UCP 600, it has become necessary to update the ISBP to bring it in line with the new rules. Though much of the ISBP remains unchanged from the 2002 version, certain alterations have had to be made. These are essentially to remove paragraphs from ISBP where the principle has been incorporated in UCP 600; to make technical adjustments in capitalization; to substitute UCP 600 article references for those of UCP 500; to change dates (from 2006 to 2007); and to incorporate changes in ISBP paragraphs necessary to bring the wording in line with wording in UCP 600. Though some of these changes are minor, practitioners would be well advised to have this latest version of the ISBP at hand.

In addition to giving needed guidance to the practitioner, the ISBP was originally created to help reduce the large percentage of documents refused for discrepancies on first presentation. Anecdotal evidence suggests that this objective has been partially attained. Though refusals remain a serious problem with letters of credit, their numbers appear to be declining, in part because of the effectiveness of the checklist contained in the ISBP. Practitioners are urged to refer to this publication whenever doubts arise as to how to structure and check documents in credits utilizing UCP 600.

This revision of the ISBP has been developed by the same Drafting Group that created the final version of UCP 600. Their contribution in time and effort is gratefully acknowledged, and their names and professional affiliations appear below.

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Introduction

Since the approval of International Standard Banking Practice (ISBP) by the ICC Banking Commission in 2002, ICC Publication No. 645 has become an invaluable aid to banks, corporates, logistics specialists and insurance companies alike, on a global basis. Participants in ICC seminars and workshops have indicated that rejection rates have dropped due to the application of the 200 practices that are detailed in ISBP.

However, there have also been comments that although ISBP Publication No. 645 was approved by the Banking Commission, its application had no clear relationship with UCP 500. With the approval of UCP 600 in October 2006, it has become necessary to provide an updated version of the ISBP. It is emphasized that this is an updated version as opposed to a revision of ICC Publication No. 645. Where it was felt appropriate, paragraphs that appeared in Publication No. 645 and that have now been covered in effectively the same text in UCP 600 have been removed from this updated version of ISBP.

As a means of creating a relationship between the UCP and ISBP, the introduction to UCP 600 states: “During the revision process, notice was taken of the considerable work that had been completed in creating the *International Standard Banking Practice for the Examination of Documents under Documentary Credits* (ISBP), ICC Publication No. 645. This publication has evolved into a necessary companion to the UCP for determining compliance of documents with the terms of letters of credit. It is the expectation of the Drafting Group and the Banking Commission that the application of the principles contained in the ISBP, including subsequent revisions thereof, will continue during the time UCP 600 is in force. At the time UCP 600 is implemented, there will be an updated version of the ISBP to bring its contents in line with the substance and style of the new rules.”

The international standard banking practices documented in this publication are consistent with UCP 600 and the Opinions and Decisions of the ICC Banking Commission. This document does not amend UCP 600. It explains how the practices articulated in UCP 600 are applied by documentary practitioners. This publication and the UCP should be read in their entirety and not in isolation. It is, of course, recognized that the law in some countries may compel results different from those stated here.

No single publication can anticipate all the terms or the documents that may be used in connection with documentary credits or their interpretation under UCP 600 and the standard practice it reflects. However, the Task Force that prepared Publication No. 645 endeavoured to cover terms commonly seen on a day-to-day basis and the documents most often presented under documentary credits. The Drafting Group have reviewed and updated this publication to conform with UCP 600.

It should be noted that any term in a documentary credit which modifies or excludes the applicability of a provision of UCP 600 may also have an impact on international standard banking practice. Therefore, in considering the practices described in this publication, parties must take into account any term in a documentary credit that expressly modifies or excludes a rule contained in UCP 600. This principle is implicit throughout this publication. Where examples are given, these are solely for the purpose of illustration and are not exhaustive.

This publication reflects international standard banking practice for all parties to a documentary credit. Since applicants' obligations, rights and remedies depend upon their undertaking with the issuing bank, the performance of the underlying transaction and the timeliness of any objection under applicable law and practice, applicants should not assume that they may rely on these provisions in order to excuse their obligations to reimburse the issuing bank. The incorporation of this publication into the terms of a documentary credit should be discouraged, as UCP 600 incorporates international standard banking practice, which includes the practices described in this publication.

Preliminary Considerations

The Application and Issuance of the Credit

1. The terms of a credit are independent of the underlying transaction even if a credit expressly refers to that transaction. To avoid unnecessary costs, delays and disputes in the examination of documents, however, the applicant and beneficiary should carefully consider which documents should be required, by whom they should be produced and the time frame for presentation.
2. The applicant bears the risk of any ambiguity in its instructions to issue or amend a credit. Unless expressly stated otherwise, a request to issue or amend a credit authorizes an issuing bank to supplement or develop the terms in a manner necessary or desirable to permit the use of the credit.
3. The applicant should be aware that UCP 600 contains articles such as 3, 14, 19, 20, 21, 23, 24, 28(i), 30 and 31 that define terms in a manner that may produce unexpected results unless the applicant fully acquaints itself with these provisions. For example, a credit requiring presentation of a bill of lading and containing a prohibition against transshipment will, in most cases, have to exclude UCP 600 sub-article 20(c) to make the prohibition against transshipment effective.
4. A credit should not require presentation of documents that are to be issued or countersigned by the applicant. If a credit is issued including such terms, the beneficiary must either seek amendment or comply with them and bear the risk of failure to do so.
5. Many of the problems that arise at the examination stage could be avoided or resolved by careful attention to detail in the underlying transaction, the credit application and issuance of the credit as discussed.

General Principles

Abbreviations

6. The use of generally accepted abbreviations, for example “Ltd” instead of “Limited”, “Int’l” instead of “International”, “Co.” instead of “Company”, “kgs” or “kos” instead of “kilos”, “Ind” instead of “Industry”, “mfr” instead of “manufacturer” or “mt” instead of “metric tons” – or vice versa – does not make a document discrepant.
7. Virgules (slash marks “/”) may have different meanings and, unless apparent in the context used, should not be used as a substitute for a word.

Certifications and Declarations

8. A certification, declaration or the like may either be a separate document or contained within another document as required by the credit. If the certification or declaration appears in another document which is signed and dated, any certification or declaration appearing on that document does not require a separate signature or date if the certification or declaration appears to have been given by the same entity that issued and signed the document.