

Export ABCs: UCP 600, Pt. 3

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This will be our final UCP 600 column before the new rules take effect on July 1. We'll cover a few loose ends and review some initial reactions from the trade.

The Jan. 29 column mentioned that banks where credits are available have a maximum of five banking days from receipt of presentations to determine whether they are compliant. Article 2 defines a banking day as "a day on which the bank is regularly open at the place where an act subject to these rules is performed." Bad news: This means weekend presentations are not permitted unless the bank's letter of credit department is open for business on weekends, which is unlikely.

Good news: The definition of "honour" (honor) also found in Article 2 states that issuing and confirming banks must pay at sight for sight credits. Since the generally accepted definition of "sight" means right away, banks that quickly examine documents should pay sooner than five days. Of course, no one but the banks knows how long they take to examine documents, but a "typical" vanilla credit shouldn't take anywhere near five days.

More bad news: At least one original of each required document must be permitted. More good news: The definition of "original" has been broadened to the point where (with the exception of transport and insurance documents) almost anything not stating that it is a copy will be treated as an original. See Article 17.

Good news: Everything a reader equipped with a grasp of letter of credit basics needs to know about transferable credits will be found in one place, per Article 38. Same goes for insurance documents. These are covered in Article 28 and treat the topic gently, with only obvious commonsense conditions. One new insurance wrinkle is that the document must indicate that coverage is in place at least from the place of shipment to the destination indicated in the credit as well as from the date of shipment.

Even more good news: The rules for electronic presentations, formerly offered as a separate publication, are now provided as a supplement to UCP 600. Now if only someone would start the ball rolling to get this from theory to practice.

Something we wanted but didn't get was better treatment for Incoterms. It is a longstanding principle that banks will disregard conditions that do not reference supporting documentation. There's no particular document to indicate "CIF-ness," "FOB-ness," etc., so we need to create one. For many credits, the only documentation where agreement with the credit description is assured is the product description in the commercial invoice. For this reason, we will probably continue to see descriptions like "one log home CIP Baden Baden Incoterms 2000." Looks goofy, but it does bring the Incoterm into the picture.

We've reached the end of the first round of United States Council for International Business public seminars and now have some feedback. The most positive comments from the trade -- including occasional applause -- concern the more liberal way data and contact information are treated from document to document. This is reasonable as different documents serve different purposes. For instance, a credit may describe the product as a log home, and this description should appear in the commercial invoice. However, the B/L might describe the cargo as a wooden structure, a typical situation for a manufacturer who produces many different kinds of wooden building and negotiates a single freight rate for all of them. Of course, the document examiner would have to know that the term log home does not conflict with wooden structure. We may see some discrepancies calls that, thanks to the new rules, should be subsequently reversed.

The next thing to watch is the commentary that the UCP 600 drafters are writing. It will explain the changes, and may even modify a few. It is promised before July 1, and will be available from ICC Publishing at <http://www.iccbooksusa.com>.

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