LC Monitor	**Trade Services Update** **Volume 19, Issue 3, July-September 2017**

From the Editor

Dear reader!

This is the new LCM Newsletter delivered free of charge to your e-mail box. I hope you appreciate the content. Next time you receive the Newsletter, another ICC Banking Commission meeting is over. Or saying it in another way; this November the ICC Banking commission will have their technical meeting in London. In that respect, a new bundle of ICC Opinions will be approved. In the news section at the end of this Newsletter, there is an overview of the topics covered by the new Opinions.

Also in this issue there is an article from the new contributing editor Domenico Del Sorbo. In the coming issues of the Newsletter, Domenico will follow the same path. Great stuff ahead!

Also; the other new contributing editor K. Nizardeen enlightens us on Export Bill Discounting under Islamic Financing. Islamic Finance is a new topic to the Newsletter – and I am truly happy that K. Nizardeen is in the front seat here! He is simply the best I know within this area!

Last – but not least – I am very happy to welcome Aleksandra Nieszporek as Country Editor in Poland.

Happy reading.

Kind regards

Kim Sindberg
Editor in Chief
Trade Services Update
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In This Issue:

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New Member Join the LCM Editorial Board

LCM Newsletter is pleased to announce the appointment of yet another talented Trade Finance professionals as Country Editor.

	**Aleksandra Nieszporek** Education Certified Documentary Credit Specialist (CDCS – IFS, Univerity College, UK) - 2015 Master's degree in International Economic Relations (University of Lodz) - 2012 Bachelor's degree in International Economic Relations (University of Lodz) - 2010 Experience Senior Process Specialist in Trade Finance Team – Nordea Bank AB – 2016 – present Support the management and all individuals in Trade Finance in technical issues related to the Trade Finance products. Self-contained handling of L/C business. Member of the Trade Finance Expert Group. Provide trainings in the area of ICC rules - UCP/ISBP/Incoterms/ISP/URR. Senior Letter of Credit Specialist – Special Handling and Advisory Team - Ceri International sp. z o.o. (Commerzbank Group) 2014-2016 Specific and transaction-driven consultancy of the Trade Services Center and the third-party bank in the search for appropriate solutions to problems. Self-contained handling of L/C business, Support operational teams. Provide trainings in the area of ICC rules - UCP/ISBP/Incoterms/ISP/URR. Letter of Credit Specialist - Ceri International sp. z o.o. (Commerzbank Group) – 2012 - 2014 Self-contained handling of L/C business Payment Officer (Nordea Bank AB) – 2011-2012 Responsibility for efficient and accurate handling of the relevant domain (Payment Operations-Incoming/Outgoing and F2F/CLS payments) and related services, in accordance with guidelines, authorization and timeframes.

Letter of Credits: How to Prepare Commercial Invoice

By Domenico Del Sorbo (http://tradeservicesupdate.com/editor_domenico)

There was a time when it was a practice for presenting banks to split.

Letter of Credits: How to Prepare Commercial Invoice

In UCP 600 article 2, the ICC indicates that a "Complying presentation means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice."

The beneficiary of a documentary credit must, in order to obtain the expected benefits from the bank, prepare the documents required by the L/C in accordance with the hierarchy of L/C terms, the provisions of the UCP 600 and the international standard banking practice partially but widely encoded in the ICC publication ISBP 745.

Below is a walk-through on how to prepare the commercial invoice in accordance with the L/C conditions and the above-mentioned provisions.

Invoice: What do the UCP 600 say?

UCP 600 article 18 is dedicated to the invoice which reads in part:

"a. A commercial invoice:
i. Must appear to have been issued by the beneficiary (except as provided in article 38);
ii. Must be made out in the name of the applicant (except as provided in sub-article 38 (g));
iii. Must be made out in the same currency as the credit; and
iv. Need not be signed."

UCP 600 sub-article 18(c) states that "The description of the goods, services or performance in a commercial invoice must correspond with that appearing in the credit."

From these initial indications, we can say that - to set it correctly - an invoice must be issued by the beneficiary to the applicant in the currency of the L/C and that, unless required by the L/C, the invoice does not require either signature or a date. It is also necessary, as is well indicated in sub-article 18(c), that the description of the goods must correspond to what is stated in the L/C. ICC publication ISBP 745 in paragraph C3 states that this "correspondence" is not to be understood in a specular manner. For example, a detailed description of the goods shown in different parts of the invoice is accepted, which, when combined, form a description of the goods corresponding to the L/C. ISBP 745 Paragraph C4 also states that the description of the goods, services or performances must refer to what has actually been shipped or supplied. It is also acceptable to have an invoice showing the entire description of the goods - as indicated in the L/C - and to declare what was actually shipped.

It is also appropriate to point out that UCP 600 sub-article 14 (j) states that "When the addresses of the beneficiary and the applicant appear in any stipulated document, they need not be the same as those stated in the credit or in any other stipulated document, but must be within the same country as the respective addresses mentioned in the credit. Contact details (telefax, telephone, email and the like) stated as part of the beneficiary's and the applicant's address will be disregarded. "

UCP 600 sub-article 18 (b) indicates that a bank (A nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank) "may accept a commercial invoice issued for an amount in excess of the amount permitted by the credit, and its decision will be binding upon all parties, provided the bank in question has not honoured or negotiated for an amount in excess of that permitted by the credit."

Invoice: ISBP 745 ICC viewpoint
Below are further indications - not exhaustive - about the correct setting of the invoice in reference to what is stated in paragraphs C1 - C15 of the ISBP 745:

- It's possible to submit any type of invoice (commercial, customs, tax, final, consular, etc.) if the L/C requires an invoice without further definitions;
- An invoice marked as "provisional", "pro-forma" or similar expression is unacceptable;
- When an L/C requires presentation of a "commercial invoice", this will also be satisfied by the presentation of a document titled "invoice";
- The invoice may include discounts or advance payments even if not shown in the L/C;
- The invoice must indicate the value of the goods and indicate the unit prices if they are shown in the L/C;
- It is not necessary for the invoice to be signed or dated unless it is required by L/C;
- An invoice is not to indicate goods, services or performance not called for in the L/C. This applies even when the invoice includes additional quantities of goods, services or performances as required by the L/C or samples and advertising material and are stated to be free of charge.

Invoice: Originals and copies
Usually, documentary credits require the presentation of the invoice in a number of "originals" and in a number of "copies". But what is meant by "original" and "copy"?

Article 17 of the UCP 600 stipulates that at least one original of each document required by the L/C must be submitted and that it will be considered as "original" a document that appears written, typed, perforated or stamped by the issuer or drawn up on original paper (In these cases it is no longer necessary for the document to be labeled original) or simply that the document has an "original" indication. Sub-article d) of the same article states that: "If a credit requires presentation of copies of documents, presentation of either originals or copies is permitted. Sub-article e) of the same article states that: "If a credit requires presentation of multiple documents by using terms such as "in duplicate", "in two fold" or "in two copies", this will be satisfied by the presentation of at least one original and the remaining number in copies, except when the document itself indicates otherwise."

Below, further information regarding the meaning of "Originals and Copies" is included in ISBP 745:

- Documents issued in more than one original may be marked “Original”, “Duplicate”, “Triplicate”, “First Original”, “Second Original”, etc. None of these markings will disqualify a document as an original.
- If a L/C calls for:
    - “Invoice”, “One Invoice”, “Invoice in 1 copy” or “Invoice – 1 copy”, it will be understood to be a requirement for an original invoice.
    - “Invoice in 4 copies” or “Invoice in 4 fold” will be satisfied by the presentation of at least one original invoice and any remaining number as copies.
    - “Photocopy of invoice” or “copy of invoice” will be satisfied by the presentation of either a photocopy, copy or, when not prohibited, an original invoice.
    - “Photocopy of a signed invoice” will be satisfied by the presentation of either a photocopy or copy of the original invoice that was apparently signed or, when not prohibited, a signed original invoice.
- Copies of documents do not require signatures or date;
- The number of originals to be submitted must be at least that required by the L/C, the UCP 600 or the number of originals indicated on the documents itself;

For further details on the meaning of "original" and "copy" it is recommended to consult, in addition to UCP 600 article 17, the Policy Statement issued by the ICC Banking Commission (ICC Document no. 470/871Rev. dated 29.07.1999) “The Determination of an Original Document in the Context of UCP 500 sub-Article 20(b)”, which remains valid under the UCP 600 ICC.

Finally, it is important to remember that, as indicated in the UCP 600 article 3 UCP 600,"A document may be signed by handwriting, facsimile signature, perforated signature, stamp, symbol or any other mechanical or electronic method of authentication."

Conclusions

In conclusion, it should be emphasized that the documents to be presented in the use of an L/C must be prepared in accordance with the terms of the L/C, the provisions of the UCP 600 and international banking standard practice, following its hierarchy. The preparation of the invoice – a document required virtually in all L/Cs - is only apparently simple, as it is necessary - as we have seen - to comply with various regulatory provisions.

Confirm, May Add and Article 37 of UCP 600

By Xavier Fornt (http://tradeservicesupdate.com/editor_xavier)

Swift is an essential tool for the operation of L/C's.
However, SWIFT does not dictate the rules that applies to the L/C, but simply must conform to them.

Thus we see it in field 49 of the SWIFT MT700 (Issue of a Documentary Credit), concerning the Confirmation Instructions, when Swift offers us three possible "codes".

- CONFIRM, which says that the Receiver is requested to confirm the credit,
- MAY ADD, which says that the Receiver may add its confirmation to the L/C, and finally
- WITHOUT, which says that the Receiver is not requested to confirm the L/C.

This analysis will focus on the first two: What is the difference between CONFIRM and MAY ADD?

From the practical point of view of the beneficiary the answer is "none".
For the beneficiary it is only convenient to remind him that when field 49 contains the code CONFIRM, it does not mean that the L/C is confirmed.

Article 8 of UCP 600, relating to the undertaking of the confirming bank, in sub-article (b), it is clearly stated that

''A confirming Bank is irrevocably bound to honor or negotiate AS OF THE TIME IT ADDS ITS CONFIRMATION TO THE CREDIT". [Emphasis added]
Not before!

Let's go back to the differences between CONFIRM and MAY ADD.

Why does Swift make this forecast of two codes with the same practical effect for the beneficiary?

Because as we said before, Swift must conform to the applicable rules. That is UCP 600 and in article 2 of those rules "Confirming bank" is defined as follows:

"Confirming bank means the bank that adds its confirmation to a credit upon the issuing bank's authorization or request".

Following that the issuing bank "authorization" corresponds to the CONFIRM code, while Issuing bank "request" corresponds to the MAY ADD code.

In both cases it is clear that the confirmation is a voluntary act on the part of the confirming bank, and that is also reflected in UCP 600 sub-article 8 (d) which reads:

"If a bank is authorized or requested by the issuing bank to confirm a credit but is not prepared to do so, it must inform the issuing bank without delay and may advise the credit without confirmation".

What would be the difference between the CONFIRM code and the MAY ADD code, if the bank requested to do so agrees to add its confirmation?

The answer is found in sub-article 37 (c), which in point states:

"A bank instructing another bank to perform services is liable for any commissions, fees, costs or expenses (" charges ") incurred by the bank in connection with its INSTRUCTIONS". [Emphasis added]

In my modest opinion, perhaps wrong, when using the CONFIRM code, an instruction is being given, while when using the MAY ADD code, only a possibility is being offered to the receiving bank of the message. But this code is not an instruction.

Consequently, if the beneficiary refuses to pay the confirmation fees or commissions, in case the CONFIRM has been used, the confirming bank, is covered by sub-article 37 (c) and could go back to the issuing bank and ask for payment of that commission, whereas if the code used had been the MAY ADD, that would not be an instruction and consequently, the confirming bank would not be covered by this sub-article 37 (c).

The UCP 600 is rich in nuances that we have to know how to interpret.

Export Bill Discounting under Islamic Financing

By K. Nizardeen (http://tradeservicesupdate.com/editor_nizar)

Question: How do Islamic Banks handle Export Bill discounting and is it permissible under Sharia? If it is permissible, can an L/C be issued for the financing of services provided?

Answer: Under Islamic finance, outright discounting of debt is not permissible since any difference paid or received from the outstanding debt is a form of Riba (usury) income which is prohibited by Shari'a. However to cater to banking or working capital requirements, Islamic banks have an alternative product structured under the Murabaha concept. Under this structure, an Islamic Bank will treat the acceptance of the issuing bank or confirming bank as a security and do another separate transaction under Nasdaq Murabaha. An Islamic bank, i.e. acquirer of debt, will buy Shari'a compliant liquid assets for a price equal to the outstanding debt and then the Islamic bank will sell the purchased asset to the customer, i.e. seller of debt, on Murabaha basis for a price equal to the aggregate value of the debt. Settlement of the Murabaha price, by the customer, will be through transfer of all the rights and obligations in the debt from the customer to the Islamic bank. In the event there is any delay the Islamic Bank cannot charge any interest or additional charges for the delay as the Murabaha price has been already settled by the customer. Upon signing a Murabaha contract and transferring his rights to the Islamic bank, the customer is free to do what he feels right with the purchased asset.

The booking of the Murabaha will be under the issuing bank's credit line since the recourse is on the issuing bank and the Islamic bank is taking issuing bank's risk. The Islamic bank has no recourse against the customer since Murabaha is no longer outstanding on his side.
Alternatively, Islamic banks could provide financing with recourse to the customer as well wherein the Murabaha price will be settled through settlement of the export bill. In case no payment is received, for any reason, from the issuing bank the Islamic bank has the right of recourse to the Murabaha buyer i.e. the customer who took financing against export bills.

The above is the current practice in most UAE-based banks while some banks in other parts of the world use post and pre shipment financing solutions for bill financing (discounting) through pre shipment on istisna (order to manufacture) basis and post shipment is on Qard (Interest free loan) plus Wakalah (agency) basis.

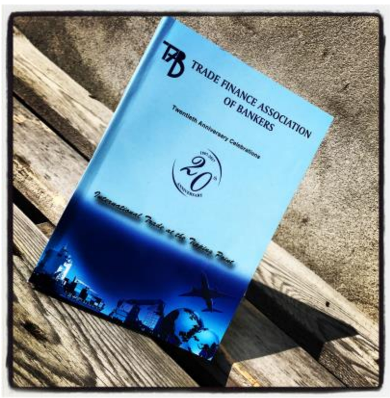
The trade or transaction banking staff handling these transactions should have appropriate, adequate specialization knowledge of UCP, ISBP, and are well-versed with export bill discounting even though discounting is handled outside the L/C rules. The staff should be aware of consequences relating to the fraud exception and adequate precautionary measures should be in place through appropriate SWIFT message types to ensure payment at maturity. Special attention should be given to L/Cs issued by banks with deletion of UCP 600 Article 12(b) (Nomination) and relevant SWIFT messages and amendments should be obtained prior to handling financing of export bill transactions. The staff also should be thoroughly familiar with SWIFT 700 series messages.

Moreover, as UCP 600 has cleverly kept away from fraud-related provisions and these matters have to be handled through applicable local law, this requires banks to have tight and stringent policies on export bill financing. These should especially cover trade-based money laundering since most fictitious L/Cs are issued with a motive to discount. Though the bank is discounting or financing against the available credit line of the issuing bank and payment is fully secured, banks should take maximum care by scrutinizing their customer and the particular transaction prior to approving. This is one area banks often fall into trouble and face litigation issues due to fraud.

The answer to the second question is, yes, you could even though it is an L/C issued for services purpose and there are no underlying goods. In this scenario, the export L/C proceeds are used only as a security and the financing is done under a different Murabaha by buying and selling Shari'a compliant liquid assets like shares, Nasdaq certificates, or commodities.

About Twentieth Anniversary Celebrations of the Trade Finance Association of Bankers and The Tipping Points of International Trade

By Kim Sindberg (http://tradeservicesupdate.com/editor_kim)



July this year the Sir Lanka Trade Finance Association of Bankers celebrated their Twentieth Anniversary. This is of course a great achievement, especially since the Sir Lanka Trade Finance Association of Bankers actively promotes international trade – and the rules and practices relating to L/Cs and collections and guarantees. Not least via the newsletter "Trade Finance" which is the official newsletter of the Trade Finance Association of Bankers.

The Anniversary was celebrated via an event – and the publication of the book "International Trade at the Tipping Point". The book is a 200 pages publication that consists of articles from a number of experts within the area of international trade.

Unfortunately the publication is not intended for sale. Here I will however re-publish my own contribution to the publication, namely the article "The Tipping Points of International Trade".

The tipping points of international trade

By Kim Sindberg

The theme for this publication is "International Trade at the tipping point". The purpose of this article is to argue that there is not one "tipping point" – but potentially a number of tipping points; all of which interact with each other – and sometimes contradict each other: There are many moving parts! For all of these parts, there is however one "common denominator" – and that is the "human factor".

And by the way, in this article the focus will be the so-called Traditional Trade Finance products, such as documentary credits, collections and guarantees.

Also, a "tipping point" is defined as "the point at which an issue, idea, product, etc., crosses a certain threshold and gains significant momentum, triggered by some minor factor or change."
In other words, this could both mean that the Traditional Trade Finance products gain more momentum, or it could mean that new trade products or structures are gaining momentum.

Setting the scene

However, before looking into the "tipping points", to set the scene, it is relevant to share some of the findings from the "ICC Global

Survey on Trade Finance 2016[1]". This is a yearly report published by the ICC Banking Commission, basically offering a statistically snapshot of the Trade Finance industry.

The report offers the following points on world trade:

- 2016 is likely to be fifth consecutive year in which global trade growth was below global GDP growth.
- 2015 showed a growth of 2.7 per cent in trade volume terms, i.e. trade growth (in volumes) for the past 5 years has been less than 3%.
- The monetary value of world merchandise exports declined by 14 per cent in 2015, down to USD 16 trillion from USD 19 trillion in 2014.
- The WTO has downgraded its forecast for world trade growth in 2016 to 1.7 per cent, down from the WTO's previous estimate of 2.8 per cent.

In other words: global trade is not growing the pace one would have hoped. This of course is likely to have an impact on the part of global trade that is covered by Trade Finance.

Looking exclusively at Trade Finance, the report offers the following information:

- 52% of the respondents reported increased trade finance activity in volume terms.
- 89% of respondents felt that their bank's ability to satisfy their customers trade finance needs remained stable or their ability to satisfy customers had increased.
- 31% of respondents expect to see Trade Finance fees increase during mainly because of increased costs in terms of compliance and operational risk management.
- The troublesome trends with claims under guarantees, court injunctions barring payment of bank independent undertakings, and allegations of fraud, continue to persist as 21% of respondents reported an increase in claims under bank guarantees and standby letters of credit.
- 15% of banks reported experiencing an increase of court injunctions.
- 13% of respondents reported an increase in allegations of fraud.

The above offer a somewhat fragmented picture of the Trade Finance scene. Volumes and availability is increasing. The issue of regulatory compliance (See more in the chapter "Regulatory compliance") now has a direct impact on the pricing. On top of that there is an increase of fraud allegations and court injunctions.

This is the Trade Finance playing field right now; surely an uphill playing field, where the world of Trade Finance has some obvious challenges. It is largely a manual industry, for example the documentary credits still relies on manual documents. This makes it labour consuming (= expensive to process) – and difficult to automate. At the same time Trade Finance is perceived as a high risk area in relation to money laundering and terrorist financing. This increases the compliance activities; hence add to the labour consumption. Additionally, may also result in de-risking and may remove focus from the customers and making business.

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[1] https://iccwbo.org/publication/icc-global-survey-trade-finance-2016/

Old habits die hard

As mentioned in the introduction, there is one common denominator when it comes to the tipping points in international trade; namely the "human factor". In this context the human factor means that decisions are made based on habits and feelings. That of course is not a bad thing in itself, but sometimes the consequence is that decisions are not based on any rational approach – and that may well obstruct new initiatives; new ways of doing things. That applies in daily life, and that applies within the traditional Trade Finance products.

One example to that effect is the following:

Most documentary credits call for a negotiable bill of lading; i.e. a transport document that is required to be presented in original (paper) form in order to obtain release of the goods. This document has proven to be a roadblock for really moving Trade Finance to the next level. The negotiable bill of lading was the challenge that Bolero tried to solve. It is perhaps a key reason why the BPO (more on the BPO in chapter "*Replacement initiatives*") has not taken off. It is however a fact that there are alternatives to the negotiable bills of lading in documentary credit operations. For example the documentary credit may call for a non-negotiable sea waybill instead of a negotiable bill of lading. This is for example described in the article "Another Look at "The Invisible Article": Thoughts on UCP 600 Article 21"[2].

The fact that far the most documentary credits calls for a negotiable bill of lading has made it very difficult to allow the traditional Trade Finance products move to the next level.

There are other examples about practices within Trade Finance that are not fruitful for a development of the Trade Finance products. For example the requirement for Drafts/Bills of Exchange in documentary credits.

The point is that if there is a "tipping point" out there when it comes to the traditional Trade Finance instruments, then there is a human factor that seems to be a roadblock.

Rules and Practice

The traditional Trade Finance products is characterised with old and generally accepted rules, as well as a considerable documented practice. This clearly is an advantage: Most banks in the worlds issues their documentary credits subject to the same set of rules; i.e. the UCP 600.

However, the rules and practices framework also offers some challenges taking the traditional Trade Finance products to the next level. For example that:

- The rules (UCP 600, URDG 758 and URC 522) are largely based on paper documents; i.e. there is a manual element – that often involves physical letters to be sent between the parties. The result of this is

[2] Available in the book " UCP 600 Transport Documents (2nd Edition) by Kim Sindberg. Published by The Institute of International Banking Law & Practice, Inc. ISBN 978-1-888870-66-4.

that it is labour intensive – and slow.

- The access to the rules and practices is difficult and/or expensive. For example the UCP 600 and ISBP 745 are sold in books at prices that – e.g. in Indian and Bangladesh is considered very expensive. Also, the Official ICC Opinions that are published twice each year, can only be obtained by people outside the ICC Banking Commission via a subscription to DC-Pro – or access to reviews of the ICC Opinions via lcviews premium[3]. The same applies to the ICC DOCDEX Decisions.

There are 2 consequences to the above that point in different directions.

One is that it creates challenges in respect of the handling of (for example) documentary credits. The "ICC Global Survey on Trade Finance 2016" for example indicates that 66 per cent of respondents reported that they experienced no change in their overall refusal rate of documents on first presentation. There is no firm documentation as to the actual refusal rate percentage – but number as high as 80 per cent has been mentioned.

One is that, since the handling of (in this case) documentary credits remains cumbersome, and surely is not getting cheaper, the users will actively be searching for alternative methods to manage their payment structures, and cover their risks.

The above is not good news for the traditional Trade Finance products, but is actually a factor that may drive global trade towards new instruments and structures, that may reach a tipping point at some point in time. Whether it is the BPO or based on the Blockchaing technology will be guesswork – because it depends largely on the human factor.

Regulatory compliance

In recent years the issue of regulatory compliance (sanctions, AML etc.) has become the hot topic. The main banks have recruited thousands of compliance people, and the local regulators have issued substantial fines against banks for not living up to AML and sanctions regulation.

At one point one would think that the issue of regulatory compliance within Trade Finance would find its natural balance. It seems however that it is not likely that this is bound to happen any time soon. Writhing this, it actually looks like a "death spiral" where banks priorities are no longer the business and the customers.

At one point in time it seemed like a fair outset that if the Trade Finance departments started to speak the "language" of compliance, by showing, as honest and transparent as possible, the risks and features of Trade Finance, by having an open mind as to the requirements the compliance officers, auditors and regulators would stop their constantly increasing of compliance requirements on the Trade Finance departments.

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[3] www.lcviews.com - the lcviews premium is a new and innovative service that links Trade Finance rules to Trade Finance practice

That was not correct – or rather: At least for the compliance officers and auditors that was not correct. An observation is that it is easier to have a constructive dialogue with a local regulator than with an internal auditor or internal compliance officer.

There may be many explanations on why it is so. Surely, what can be called, the "business case thesis" is relevant.

In most things you do – and especially if you are a company – you take a business case approach:

If you buy this IT software for EUR xxx.xxx,xx then what will be the "profit"? The "profit" need not be that your income increases + EUR xxx.xxx,xx, it could be also that you get to keep customers that would otherwise leave you, or that your rate of errors (possible losses) decreases. The point is that any investment normally comes with a business case: There must be sufficient "value" from the result to justify the investment.

In many ways compliance is an "investment".

At least the Trade Finance department knows that. Most Trade Finance departments strive really hard to balance their "compliance activities". On one hand they must be "in compliance" (whatever that means) and on the other they must be able to actually serve the customers and do the business. I.e. the Trade Finance department will aim to do what they need to do – but nothing more than that, and at the lowest possible cost.

For the regulators there is also a balance. They report to the government who both 1) want to ensure that the banks take the appropriate measures to avoid facilitation of money laundering and beaching sanctions, and 2) want to ensure that the banks are still able to do the business. After all most countries strive for growth – and a lot of growth comes from trade, so there is an interest in finding the right balance. A too strict approach on the banks may result in "de-risking" i.e. that certain "high risk transactions" (geographies, industries etc.) will no longer be handled by the banks.

The EU has even made the following statement:

"…the balance of costs and benefits to institutions and persons covered by this Directive on a long-term basis in any implementing measures; the need to respect the necessary flexibility in the application of the implementing measures in accordance with a risk-sensitive approach …"[4]

[4] From: DIRECTIVE 2005/60/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (The EU Directive). The full text goes:
"In exercising its implementing powers in accordance with this Directive, the Commission should respect the following principles: the need for high levels of transparency and consultation with institutions and persons covered by this Directive and with the European Parliament and the Council; the need to ensure that competent authorities will be able to ensure compliance with the rules consistently; the balance of costs and benefits to institutions and persons covered by this Directive on a long-term basis in any implementing measures; the need to respect the necessary flexibility in the application of the implementing measures in accordance with a risk-sensitive approach; the need to ensure coherence with other

For the compliance officers and auditors the dynamics are different. Their main role is to ensure that the bank is "in compliance". As is common knowledge, to be "in compliance" is far from black and white. I.e. the requirements that apply to a particular bank are not carved in stone. It is often for the compliance officers (together with group legal and the auditors) to interpret the applicable regulations, and draft internal policies based on those.

Given that 1) the applicable regulations is phrased rather "loose" and 2) that compliance officers often do not know the Trade Finance products in details, any compliance officer is likely to take the stricter approach. Add to that, that many fingers will point to the compliance officers in case of any kind of criticism (or fines) from local regulators. In other words: the likelihood that the compliance requirement is applied very strict (stricter than is the intention from the regulators) is very high. On top of that the management is reluctant – perhaps even unable to challenge the requirements set by the compliance officers. The stakes (potential fines) are too high. Compliance is not something to mess with!

This means that for the compliance officers the "business case" need not balance at all. In fact it is a "reverse business case". The stricter the requirements, the more "safe" the compliance officer is. And in any case the compliance officers need not consider the cost of their requirements in respect of the "value" of the "investment". They are (almost) free to set the requirements they deem fit. Therefore there are no limits! No need to prioritize the required controls. In that process the logic is similar to that of a child that does not meet any boundaries whatsoever. They constantly push for more. Every time they get a new toy, they demand the next and the next and the next.

The consequences of that is that many banks have implemented controls that are far beyond what any regulator is likely to set, with the result that:

- The prices of Trade Finance increases (as is already evidenced by the "ICC Global Survey on Trade Finance 2016)
- The handling of each transaction takes longer
- The banks de-risk their business
- The banks turn down good and solid transactions

In other words: The balance that (for example) the EU strives for get lost somewhere between the requirements from the regulators and the implementation in the Trade Finance departments.

The above may sound as an argument against compliance. That is not the case at all. A good and solid compliance set-up has many advantages both for the bank and for the customers of the bank. I.e. a set-up where there are controls in place that address the actual risk at the particular bank. In Trade Finance there must be a risk-based approach. The controls in place should be based on a "risk assessment" – so that the "risk picture" is clear – and the controls are designed to address those risks.

Community legislation in this area; the need to protect the Community, its Member States and their citizens from the consequences of money laundering and terrorist financing."

For the purpose of Trade Finance, because of the above, regulatory compliance has totally changed the dynamics. Before regulatory compliance became the hottest topic in Trade Finance, there were initiatives that actually enhanced the processes. Today the processes, when handling documentary credits, collections and guarantees have become more cumbersome and more expensive. As a consequence, even the most optimistic Trade Finance commentators do not really believe that the traditional trade products will see any real revival any time soon. The users are likely to change to other payment instruments when/if they can.

lcviews have published a "*white paper on Trade Finance Compliance*" with the purpose of suggesting how to work with compliance in the banks Trade Finance departments. That document is available on the lcviews website[5].

In addition "*The Wolfsberg Group, ICC and BAFT Trade Finance Principles*"[6] was published January 2017, and offers a comprehensive and balanced approach to regulatory compliance within Trade Finance.

Replacement initiatives

As mentioned (in the chapter "Old habits die hard") it has proven very hard to take the traditional Trade Finance products to the next level. This is not the same as there are no attempts to make this happen. For the purposed of this article the focus will be the BPO, as that is a joint SWIFT/ICC initiative trying to offer a real alternative.

Introduction

Some of the buzzwords within the trade finance community are the Trade Services Utility (TSU) and Bank Payment Obligation (BPO). When following the discussions one detects two "camps:" The camp that is working to make this work; for example SWIFT who will praise this in high words, and the camp that has doomed this already; for example the hard-core documentary credit people. The intention of this chapter is to view the TSU and BPO in perspective – and provide a balanced view.

The intention is not to conclude on whether or not the TSU and the BPO is the answer to trade going forward. That remains to be seen, and will depend on the acts of the people that has the means to make a difference. For starters that would be the banks. Or in other words – <u>if</u> the main banks *really* decide (and prove this by their actions and prioritisation) to take in the TSU and the BPO – then it is hard to argue why it would not be a main element for settlement and risk migration of trade in the years to come. On the other hand: If no active steps are taken for the purpose of making this work – then it is hard to see the future of the TSU and the BPO.

But first a glance into what it is that we are actually talking about.

What are TSU and BPO?

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5 http://lcviews.com/index.php?page_id=472
6 http://www.wolfsberg-principles.com/standards.html

First the TSU: As such the TSU is SWIFTS answer to an instrument – supporting trade (mainly international) – where the documents as such are dematerialised. The idea is that data from the various documents covering the transaction (in physical or in electronic form) is matched.

In short it works like this[7]:

1) The buyer and the seller decide to do a transaction using the TSU.

2) The buyer and the seller will submit the data that are subsequently to be matched. This is data related to the transaction; e.g. goods description, price, name of parties, where the goods are to be shipped to and from as well as mode of transport.

3) The submitted data is matched – and then there is established a "baseline."

4) When the seller has shipped the goods, the data relevant for the transaction will be submitted and matched by the TSU.

5) If there is "only" the TSU (i.e. no BPO) then the parties will be notified that data has been submitted – and whether or not there was a match.

The payment for the goods is done outside the TSU.
But then there is the BPO: The BPO is short for "Bank payment obligation." This means that a bank undertakes to pay depending on certain conditions. This was initially a SWIFT tool that was to be used together with the TSU. However SWIFT have passed on the "ownership" of the BPO to the International Chamber of Commerce (ICC). The responsibility for the BPO lies with the Banking Commission, who has drafted ICC rules for the BPO. In this process the BPO has been detached from the TSU, so that the BPO can (at least in theory) be used for any electronic system used to match data.

As such the BPO is relevant in terms of bullet point 4 and 5 mentioned above. The idea is that when there is a BPO and there is a "match" – i.e. the data submitted by match the "baseline," then the BPO bank is obligated to pay.

Note that this was merely a short description of the TSU/BPO – more material is available from SWIFT[8] and various articles[9].

How the TSU/BPO is perceived
I many ways it seems like the TSU/BPO is a "tough sale." This is however not really a surprise, because it does not really look like anything else on the market today. Because this is originated from SWIFT, the main entry to the market is through the banks. As such this can be anchored in two different departments:

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[7] For a detailed view into how a BPO works please refer to the Pocket Guide Series for International Trade - BPO – Bank Payment Obligation. http://pocketguideseries.com

[8] http://www.swift.com/products/trade_services_utility

[9] For example DCInsight Vol. 18 No.2 April - June 2012 includes two articles by André Casterman and David Meynell respectively – and the LCM Newsletter Trade Services Update Volume 14, Issue 1 includes the article "Accelerating Global Trade Finance" by André Casterman.

- Either in the payment area, which is a “straight through area.” With that background it seems downright crazy to establish a system with that high complexity[10], where data is being matched – and most likely stopped – and have to be re-submitted. If you then add that the parties may want an “obligation” from a bank that is even based on ICC rules, then we are indeed far from a clean payment. Consequently: From the perception of a cash management person – the TSU/BPO can only mean trouble.

- Or in the trade finance area, which surely is a “non-straight through area.” In fact all trade finance deals are “stopped” and carefully scrutinized – whether it is the “documentary credit advise” the documents presented under the documentary credit or for that matter the collection instruction. From the perception of a Trade Finance person the TSU/BPO is so full of “holes” that it is a ship bound to sink the second it hits the water – simply a Vasa ship[11]. For example:

    - The documents are still there – and handled outside the TSU; so what if the data does not represent the real documents, or what it the seller never forwards the documents to the buyer (that may be needed to receive or clear the goods), or what it there are no documents at all – only data?

    - What is the purpose of the TSU without the BPO? The payment is made outside the TSU – and the buyer may choose not to pay even though there is a match.

    - What is the value of matching data? As soon as the “baseline” has been established the seller will know what data is required in order to get a “match” – and can easily submit “correct” data that will obligate the BPO bank.

    - What kind of instrument is the BPO really? What capital requirement does it require? How to do compliance checks – will the banks require copies of the original documents?

    - The BPO is a bank-to-bank obligation. The BPO bank has no obligation towards the seller – but only towards the seller’s bank. This means that the seller’s bank must issue another obligation towards the seller. What kind of obligation is that?

In other words if the people from cash management or Trade Finance views the TSU/BPO from their respective positions it really is not a “perfect match.” The cash management people think that this just makes the payment more troublesome and the Trade Finance people argues that this will never replace the documentary credit.

In the equation explained above there is one other – however related – element, namely that for a number of banks Trade Finance and cash management are – from an organisational perspective – two different departments. So it may be difficult to decide where to anchor the responsibility for the TSU.

Background for the TSU and BPO
With the previous in mind, it is given that in order to understand the TSU and the BPO one must wear the “holistic glasses.”

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[10] There are thousands of fields that can potentially be matched.
[11] http://en.wikipedia.org/wiki/Vasa_(ship)

Evil tongues say that the TSU and BPO is SWIFT's attempt to make more money on clean payments; i.e. that it is a solution to a problem that does not exist. In some ways both statements most likely is true – but then again; the same could be said about the iPad. It was Appel's attempt to make more money – and only few people saw a real need for such a huge iPod touch![12] So let's discard this argument and take a look at the TSU/BPO on the playing field where it belongs: On the international trade arena! Companies trading internationally have a "build in dilemma:" Since the parties to the commercial transaction do not live in the same country they need to agree on the following; when is the seller to ship the goods – and when is the buyer to pay. No matter what they choose – their choice will create a "risk" – either that the goods are never shipped or that the payment is never made. There are a number of possibilities on how to deal with that i.e.:

1. The commercial parties can solve it themselves – by simply agreeing that payment by the buyer is made to the seller:

    a. Before goods are shipped (i.e. full risk on the buyer), or
    b. After goods are shipped (i.e. full risk on the seller)

2. The risk – or a part of it – can be migrated via credit insurance.

3. The risk – or part of it – can be migrated by the use of trade finance instruments e.g.:

    a. Collections – where there is no obligated from a bank, but the "security" is based on the fact that documents are not delivered to the buyer before the instructions have been complied.
    b. Unconfirmed documentary credits where the seller (so to speak) moves the risk from the buyer to buyer's bank.
    c. Confirmed documentary credits where the seller (so to speak) moves the risk from buyer's bank to (normally) its own bank.
    d. Guarantees – which can be used for a number of purposes providing security to either the seller or the buyer depending in the wording of the guarantee.

When the commercial parties are negotiating the agreement, they need to consider the above possibilities. Each party must make the requirements they need – preferable based on an established risk-strategy. As such there is no "right" or "wrong" here. The choice to be made may depend on a number of factors. For example:

- Country of the buyer/seller
- Commodity
- The known history of the counterpart
- The relationship with the counterpart
- The value of the transaction
- Knowledge of the market

And of course the requirements/demands made by the counterpart.

[12] This comparison is only there for the purpose of setting the statement about the TSU/BPO being SWIFT attempt to make more money on clean payments in perspective – not as a comparison of the iPad and the TSU/BPO.

For some transactions it is perfectly okay just to ship the goods and allow for the buyer to pay once received, while for others nothing less than a confirmed documentary credit issued by a AAA bank is acceptable.

It is in this picture that the TSU/BPO fits in:
For example the parties may not need a collection but the buyer would like a bit more control compared to a clean payment – i.e. would like to see important data related to the transaction before making the payment.
It may also be that a documentary credit is not desirable; document examination by the involved banks is time consuming and delays the process – and not least the payment; but still an obligation by a bank is required by the seller in case the buyer does not pay.

The TSU and the BPO simply are new instruments that cover new ground. They are new to the palette of international trade. It would be wrong to see them as a replacement of some of the existent products. Of course – if successful – the TSU and BPO may take volumes from the existing products, but it is like comparing the letter to the e-mail. Although the e-mail nowadays is a preferred way to send a message from one person to another, they are still different and the e-mail cannot replace the letter 1:1. There are still (and will always be) situations where the traditional letter is preferable or even necessary to the e-mail.

And then it is fair to add that the TSU and the BPO surely aims in the right direction. It is based on an electronic platform – moving away from the physical documents. A move that seems impossible to make for the traditional Trade Finance instruments.

And finally: This is SWIFT's answer to banks that focus on supply chain finance; i.e. the banks with the strategic focus that they should not just add value and offer financing to the involved parties – but rather to the whole supply chain! Making it more effective and more profitable.

The pre-requisites for using the TSU/BPO
The above have placed the TSU and the BPO in the context of international trade. The good question is what it takes to start using the TSU – and for that matter the BPO. The traditional Trade Finance instruments (e.g. the documentary credit) have been criticized for being cumbersome and expensive. No doubt this is true when comparing them to clean payments, but what must be remembered is that for both the clean payments and the Trade Finance instruments the infrastructure and systems are in fact in place. It is actually easy for a bank to issue a documentary credit. The SWIFT message types are in place[13] – just as the regulatory environment is in place i.e. the UCP 600. The same can be said for a payment. The payment systems are there – ready to use. You can even say that the "products" are in place. Buyer can actually choose a "documentary credit" or a "payment" as a "product." The good question is: can the TSU or the BPO be chosen as a "product." The answer is: "no." The TSU is a system developed by SWIFT that assumes that each bank develops their own front-end system. The BPO is the regulatory basis to be used when a bank obligates itself under a TSU. As indicated before the TSU is a really complex system that consists of a huge number of available fields – and clearly

[13] I.e. the MT7xx serie.

defined choices for each field. It would not make sense to make all the fields available to the commercial parties. As explained, the idea is that the buyer and seller (via a bank) enter their own data into the TSU – and when the data match there is a "baseline." In order for that to succeed the commercial parties need help. Or rather they need a front-end system – from their bank – that makes the TSU easy to use. A bank that offers the TSU to their customers simply need to develop new products. They need to make their own choice as to how to use the TSU. What it should look like; how it should work; which fields that are to be shown; which functionality to be there – e.g. include financing? Be part of the banks supply chain finance offerings?

There is much work to be done; both actual work – but also strategy work – for the TSU to be launched in a successful way to the market. The aim surely must be to have a product working side by side with the trade finance products and the cash management products. If the TSU is to make sense it must be as easy available as a simple payment – or for that matter a documentary credit.

Additionally; as explained above it may be difficult for a bank to decide where to anchor the responsibility for the TSU. The product or products that the bank develops based on the TSU/BPO must complement the products offered by cash management as well as the products offered by Trade Finance. Therefore the responsibility for the TSU must have a high level focus within any bank – preferably anchored with a person that has the responsibility for both Trade Finance and cash management.

Ending

Objectively, it seems that, despite good intentions and lots of hard work, the BPO has not taken off, and it surely is doubtful if it ever will. Regardless it is a valuable step in a more "automated" way to manage payments and risks, so there are many good learning points to take on – when new payment instruments / structures are developed. Whether that is based on the Blockchain technology or anything else remains to be seen.

Conclusion

As can be seen from the above, the traditional Trade Finance products are a patchwork of elements working in different directions. Historically there has been a continuous development of traditional Trade Finance products, but there are some core challenges that are resulting in (at best) a status quo. One is that the practice of the traditional Trade Finance products is based on habits that are really hard to change. Another relates to the availability and pricing of the rules and practices. And then there is the hot topic of regulatory compliance. On the other hand – although very relevant – it has proven hard to find solid alternatives.

Consequently within the area of Trade Finance there are many potential tipping points – that may tip the boat in different directions. Each of those depends largely on a human factor.

Kim Sindberg is an internationally recognized Trade Finance expert with 20+ years extensive experience. He is the founder of Sindberg Consult who is behind many Trade Finance publications in different formats such as books, e-books, magazines, newsletters, app's and websites. Kim is Technical Advisor to the ICC Banking Commission and member of "ICC Commission on Banking Technique and Practice". Kim was part of the ISBP 745 drafting group as well as the DOCDEX drafting group. Further Kim is "Editor in Chief" for the electronic newsletter "Trade Services Update". For more information www.kimsindberg.com

ISBP 745 –Paragraph by Paragraph (Paragraph A6)

Following the last issue we here cover paragraph A5 of ISBP 745:

ISBP 745 Paragraph A5 - Copies of transport documents covered by UCP 600 articles 19-25

Relevant references:

UCP 600 articles 19-25
UCP 600 article 14 (c)(d) and 14(f)

Comments:
The paragraph deals with L/C's that requires copies of a transport document, for example "Copy of bill of lading." In such case the copy bill of lading is not to be examined according to UCP 600 article 20 (bill of lading.)

The background for such practice is that in many cases a copy of a transport document is called for under standby letters of credit (guarantees in the form of a L/C.) A standby letter of credit is by nature different from a commercial L/C in that the standby cover a default situation (like is the case for a guarantee) and the payment is to be made outside the standby, and a presentation is only to be made in case of default; e.g. non-payment or non-performance (depending on what is covered by the standby.) This means that when a copy of a transport document is presented under a standby, it has (most likely) not been issued recently. Therefore the rule regarding presentation period may well create problems – hence that should not apply in such situations.

The paragraph is divided into 3 sub-paragraphs:

(a) states that where a copy of a transport document is required, such document is not to be examined on the basis of the relevant transport article but rather based on UCP 14 (f) which reads:

If an L/C requires presentation of a document other than a transport document, insurance document or commercial invoice, without stipulating by whom the document is to be issued or its data content, banks will accept the document as presented if its content appears to fulfil the function of the required document and otherwise complies with sub-article 14 (d).

Consequently if certain data is required – or a required issuer – or for that matter a required capacity of the issuer (e.g. carrier) to appear from the document – this must be stated in the L/C.

This is opposite to the situation where the L/C calls for an original transport document. In such case the relevant UCP 600 transport article includes requirements such as the capacity of the issuer, shipment and transhipment.

(b) add UCP 600 article 14 (d) to the equation, which reads:

Data in a document, when read in context with the credit, the document itself and international standard banking practice, need not be identical to, but must not conflict with, data in that document, any other stipulated document or the credit.

Consequently data in the copy transport document must not conflict with data in the L/C or data in the documents required. This means, as an example, that although there is no requirement for an on board date on a copy of a bill of lading such (if stated) will be compared with the shipment data (if stated) on the invoice and this comparison must not reveal a conflict as per UCP 600 article 14 (d).

(c) deals with the presentation period. The outset is UCP 600 article 14 (c), which reads:

A presentation including one or more original transport documents subject to articles 19, 20, 21, 22, 23, 24 or 25 must be made by or on behalf of the beneficiary not later than 21 calendar days after the date of shipment as described in these rules, but in any event not later than the expiry date of the credit.

The presentation period for L/Cs are based on "shipment." Shipment is defined in the various transport articles. E.g. in UCP 600 article 20 (a) (ii):

"… The date of issuance of the bill of lading will be deemed to be the date of shipment unless the bill of lading contains an on board notation indicating the date of shipment, in which case the date stated in the on board notation will be deemed to be the date of shipment…"

Since the UCP 600 transport articles do not apply for the examination of a copy transport document the definitions of "shipment" do not apply. For that reason the paragraph underlines that if a presentation period is to apply, then the basis for determining it must be stated explicitly.

An example to this effect:

47A: ADDITIONAL CONDITION

+ DOCUMENTS TO BE PRESENTED WITHIN 10 DAYS AFTER THE DATE OF THE ON BOARD NOTATION SHOWN ON THE COPY BILL OF LADING AND AS CONTEMPLATED BY UCP 600 ARTICLE 20(A)(II).

Discussion Corner

Delivery agent at the port of discharge

A discussion amongst the country editors.

The country editors have been discussing the following question. The below answers are excerpts of the discussion.

The following LCM editors took active part in the discussion:

Radek Dobáš
Abrar Ahmed
Domenico Del Sorbo
Bob Ronai
Christopher Gregory
Jakob Ingerslev
Xavier Fornt
Mireille Troosters
Aleksandra Nieszporek
Dave Meynell
Daniel Devahive

Quote
Situation 1:

L/C requires:
- Port of Discharge: Ho Chi Minh City Port, Vietnam
- Bill of lading must indicate the name, address and contact details of delivery agent at the port of discharge.

The presented bill of lading indicates the delivery agent as
XYZ Forwarder, Address: 199 Mu 12, Vibhavadirangsit Rd., Chom Phon, Chatuchak, Bangkok 10900, Thailand.

Is it acceptable as per ISBP 745 paragraph E23?

Situation 2:

L/C requires:
- Port of Discharge: Ho Chi Minh City Port, Vietnam
- Bill of lading must indicate delivery agent at the port of discharge as ABC Forwarder, 1234 Yersin Street, Ho Chi Minh City, Vietnam

The presented bill of lading indicates the delivery agent as
XYZ Forwarder, Address: 199 Mu 12, Vibhavadirangsit Rd., Chom Phon, Chatuchak, Bangkok 10900, Thailand.

Is it acceptable as per ISBP 745 paragraph E23?

Unquote

From Radek Dobáš, Czech Republic
In situation 1 the B/L presented complies in this respect by virtue of ISBP 745 paragraph E23.
In situation 2 the B/L is discrepant. Paragraph E23 does not apply to this situation due to the fact that the L/C requires an express delivery agent by its name and address. The B/L in question, on the other hand, shows a completely different entity with a different address. Under this scenario, both name and address of the delivery agent must be as per the L/C clause in order to comply - the L/C supersedes UCP (and excludes the relevant UCP stipulations including applicable standard practice).

From Abrar Ahmed, UK
I would concur with Radek's viewpoint and for the rationale given.

From Domenico Del Sorbo, Italy
I am agreeing with Radek!

From Bob Ronai, Australia
Yes, it is acceptable. Whether the agent has the word "forwarder" in their name or not is entirely and completely irrelevant. It is the capacity in which they are acting for the purposes of this document that is relevant.

From Christopher Gregory, Bahrain
I agree with Radek.

From Jakob Ingerslev, Denmark
I fully agree with Radek.

From Xavier Fornt, Spain
E23) When a credit requires a bill of lading to indicate the name, address and contact details of a delivery agent or words of similar effect, at or for the port of discharge, the address need not be one that is located at the port of discharge or within the same country as that of the port of discharge.

The tittle refers to indications about name and address. However, the text refers only to the possibility of a different address. Not a different name.

In the case 2, not only the address is different, but also the name.

Therefore I think, like Radek and other colleagues, that document is discrepant.

From Mireille Troosters , Belgium
I also agree with Radek that the document in situation 2 is not complying because the L/C requires a very specific name and address. Because of that par E23 of ISBP745 is not applicable.
The mention of ‘forwarder’ or delivery agent is indeed irrelevant in my opinion.

From Aleksandra Nieszporek, Poland
I fully agree with Radek.

News from the Trade World

Events calendar

Organiser:	ICC
Event:	ICC Banking Commission Technical Meeting
Venue:	London
Date:	6-9 November 2017

Description: This session is ideal for lawyers working for firms or banks, as well as bankers and corporate LC users with an active interest in banking law and a desire to further their knowledge of how legal issues are impacting LC practice today. Law firms which are serious about trade finance matters and banks with significant LC portfolios will want to be represented for this full-day program.

Maersk enters the Trade Finance arena

http://www.thehindubusinessline.com/economy/logistics/maersk/article9717910.ece

Denmark-based AP Moller - Maersk, one of the largest container shipping companies globally, have announced to have set up “Maersk Trade Finance”.

“Maersk Trade Finance” is a reaction to the fact that the shortage of trade finance across businesses is cited as one of the main obstacles in the global commerce, and combines the traditional cargo services with pre-shipment and post shipment credit facilities.

“Maersk Trade Finance” is an online digital platform. Currently India is a pilot country, and the aim to make overseas exports easier for Indian companies, especially SMEs. Following India “Maersk Trade Finance” will be rolled out in Singapore, the Netherlands, Spain, the US and the UAE.

So far Maersk has contracted 95 companies in India. The funding is provided in foreign currency, being a foreign entity in India, Maersk cannot lend in rupees nor can it finance imports. In future, Maersk may consider applying for a banking licence.

Maersk has around 7,000 customers in India and, according to the company, enjoys 18 per cent market share. The aim of “Maersk Trade Finance” is both to generate additional revenue but also grow the market share, especially in the SME sector.

Sardana of Maersk says that the goods shipped is the only thing Maersk mandate, which serves as collateral. Maersk do not ask for any other collateral or security, helping the SMEs to avoid the collateral trap. In addition the advantage is the ability of Maersk to get information about the potential borrower and their buyers from the company’s database.

Overview of the Draft ICC Opinions to be discussed in London

Source: http://www.lcviews.com/index.php?page_id=598

September 2017 the ICC Banking Commission circulated the new Draft Opinions to be discussed at the Banking Commission Technical Meeting to be held in London on 6-9 November 2017.

The Draft Opinions for discussion are in the sequence TA865rev, TA870-873 & TA875-879. I.e. 10 new Opinions (Topics added by lcviews):

TA number	Sequence	Topic
TA865	1	Customs Export Declaration not authenticated
TA870	1	Invoice evidences incorrect terms of payment
	2	Invoice and delivery note evidences tolerance per line item
	3	Certificate of analysis evidences text in non-English
TA871	1	How to calculate the maturity date
TA872	1	Tolerance; quantity versus amount
TA873	1	Goods description on invoice inconsistent with LC
	2	Invoice missing incoterms
	3	Does the refusal message comply with article 16?
TA875	1	Invoice showing beneficiary as “Company SA-NV” i.o. “Company NV”
	2	Value of goods not equal to unit price multiplied with quantity
TA876	1	LC number incorrect in certificate
TA877	1	Port of discharge differ between B/L and LC
TA878	1	Non-documentay refusal
TA879	1	Interest claim for late payment

Reviews of the above queries are available in lcviews premium (of course the final answers are not yet available). There are a total of 15 reviews in lcviews premium; one per topic as mentioned above.

A few of those will for sure trigger some discussion at the meeting; but in general really good questions. However also some that are not so good. For example TA876 is a question that has been asked a number of times: The wrong representation of the LC number on a presented document.

More about lcviews premium:

http://www.lcviews.com/index.php?page_id=194

BAFT Releases Guidance on Trade-Based Money Laundering

In August BAFT released "Combatting Trade Based Money Laundering – Rethinking the Approach," a paper that proposes alternative, collaborative approaches to solving the problem of trade-based money laundering by increasing the public and private sector partnership.

The paper's objective is to clarify bank-intermediated trade and banks' ability to intercept illicit activity, and to explore ways that broader international trade stakeholders from both the private and public sectors can better align to help reduce trade based money laundering and terrorist financing without hindering international commerce and economic growth.

Read the full press release:
https://baft.org/events/general/2017/09/08/baft-releases-guidance-on-trade-based-money-laundering

Download the paper:
http://baft.org/docs/default-source/marketing-documents/baft17_tmbl_paper.pdf?sfvrsn=2

Famous Last Word

Silence is a true friend who never betrays.
Confucius