

Documentary Credits for Importing Goods

Documentary credits (importing goods and services)

Documentary credit is a way of payment and one of the services which Bank presents under the applicant/buyer request in order to buy or order goods or services from the seller/beneficiary of foreign country and or free zones and special regions and to the benefit of the applicant .The mentioned credit document can be in cash (at sight) or by deffered payment (on credit) .

For clarifying the limits , obligations and responsibilities of the parsties and using the same legal bases for Bank and client, this is subject to the last terms and conditions of International Chamber of Commerce (Incoterms) and Uniform Customs and Practice of documentary credit (UCP) in addition to the regulations of the country .

Documentary credits will usually be issued irrevocably.

Documentary credit term for purchasing goods, services and row materials is subject to IRI Central Bank regulations and the agreement between buyer/applicant and seller /beneficiary and not exceeding 18 months. The extension of documentary credit is possible under the request of each party and the acceptance of the other party and after paying related charges .

The advance receipt percentage of buyer/applicant for opening a FX credit depends on the total amount of the proforma, credit value and credit situation of buyer/applicant to Bank and is determined by Bank credit authorities in detail .

The rate is subject to IRI central Bank regulations and now is determined considering the credit status of the client . According to the present Bank regulations , the guarantee of the remaining credit amount will be one or a combination of valid securities such as ownership security , blockage of banking term deposit in favour of Bank, bonds with government guarantee or governmental bank guarantee , banking guarantee or coverage of valid insurance companies (on buyer/applicant account) and other securities acceptable to bank .

Paying the prepayment to the seller/beneficiary (according to the contract and or proforma invoice terms) to the maximum of the

authorized limit under the regulations, in addition to the advance receipt amount while credit opening from buyer/applicant, is possible against receiving valid banking letter of guarantee.

The commission rate for opening documentary credit is based on regular tariffs .

The charges related to the postage , tax stamp and Telex or SWIFT are on the buyer/applicant account.

The executive procedures of opening documentary credit are as follows:

The buyer/applicant by referring to a FX branch of Bank takes the necessary forms of opening documentary credit including the request form (sample No .508), acceptance form of exchange rate changes and obligation form of presenting custom certificate .

The buyer/applicant will, after studying the context of credit opening form and completing , signing and sealing it , present it to the FX branch of Bank SADERAT IRAN together with the following documents : the proforma issued by seller/beneficiary , insurance policy issued by Iranian valid insurance companies, the completed order registration form acknowledged by ministry of commerce, goods import licenses and valid business card.

- The Branch checks on the afore mentioned documents according to the written information of issued proforma by seller/beneficiary and other related documents and information sources such as documentary credits regulations of International Chamber of Commerce (UCP) and circulars of IRI Central Bank as well as the banking current rules to settle the probable ambiguities and discrepancies .

Bank determines the amount of advance receipt , considering the amount of proforma , credit term and type of goods or services and other related cases also the client states and the confirmation of credit authorities , and then the buyer/applicant credit the same to the bank account under bank declaration .

The bank decides the type of guarantees according to the conditions of the credit, commodities or services, amount of advance payment and other related items. The buyer/applicant will undertake securities required for the credit.

The letter of credit will be opened according to the information provided by the customer in the application form for opening a L/C and the beneficiary/seller's Performa in his favor and then would be forwarded through SWIFT to the correspondent bank to notify the seller/beneficiary.

Confirmation from the seller/beneficiary indicating that the advised L/C to him and its conditions are forwarded by SWIFT and through the correspondent bank to the issuing bank to advise the buyer/applicant.

Increase/decrease in the credit value, extension of the maturity date and any changes in its conditions or cancellation before the mature date will be allowable under the written agreement between buyer/applicant and seller/beneficiary and the bank will affect the requests under the usual regulations and charges.

The necessary documents for negotiation provided by the seller/beneficiary, through which the correspondent bank is allowed to review the half or complete payment of the value of the credit according to the conditions of the credit is usually as follows:

- invoice of the seller/beneficiary*
- valid shipping bill indicating the shipment and packing list of goods, statement of affairs/operating statement (if the L/C is for services)*
- inspection report/certificate of goods*
- technical report/certificate of goods (if asked by the buyer/applicant)*
- certificate of origin of goods (confirmed by the chamber of commerce in the seller/beneficiary's place)*

After receiving, controlling and confirming the documents of negotiation (the above mentioned documents) according to the conditions and terms of the related L/C, the correspondent bank of the seller/beneficiary is allowed to affect the value of the bills in favor of the seller/beneficiary. The correspondent bank of the seller/beneficiary having affected the value of the invoice will post the negotiated documents and list of goods to this bank.

As the correspondent bank of seller/beneficiary affects the value of the invoice and informs the bank about it, the bank would urge the buyer/applicant to credit the rest of the value of the invoice to the bank's account.

If buyer/applicant fails to fulfill the rest of the credit value (invoice), he has to pay penalties, namely commissions and other charges from the

date of payment (by the bank) to the correspondent bank of the seller/beneficiary until settlement and submission of the documents of the buyer/applicant take effect.

In sight credit, the endorsement and submission of the goods shipment documents for cargo clearance to the buyer/applicant depends on the complete settlement of the L/C between buyer/applicant and branch of the bank.

In deferred L/C (no profit), endorsement and submission of the goods shipping documents for cargo clearance from custom to the related buyer/applicant depends on settlement of the commission of the bank.

Buyer/applicant is urged under current regulations, at most, within 6 months from the notification date of the bank, to undertake the related securities from the bank, clear the cargo from the custom and receive the custom license indicating the clearance of the goods from the custom.

Notice:

If the buyer/applicant apply for short, mid or long term credits, finance and refinance or facilities from F.X. reserve, assets of the bank or Islamic Development Bank, the application should comply with conditions and terms of the L/Cs described in related categories.