



### Key Points - Chapter 1

#### The History and Use of Documentary Credits:

<b>What are the origins of documentary credits?</b>	Documentary credits can be traced back to Ancient Egypt and Babylon, with one of the earliest financial instruments being a promissory note from Babylon in 3000 BC.
<b>What is the traveller's letter of credit?</b>	It was a letter issued by a bank in the 18th and 19th centuries allowing clients to obtain cash from correspondents or agents during their travels without carrying large sums of money.
<b>How did documentary credits evolve after World War I?</b>	The war caused disruptions in trading chains, leading to the increased use of documentary credits to secure payments when trading with new or unknown buyers.
<b>What are the main regions where documentary credits are most frequently used according to the 2020 ICC Global Survey on Trade Finance?</b>	The Asia-Pacific region issued 76% of documentary credits and received 78.1% of the total global volume.
<b>What types of transactions commonly use documentary credits today?</b>	Documentary credits are used for a wide range of transactions, from large construction projects to the shipment of goods like consumables, machinery parts, and even leasing or scrapping of vessels or aircraft.
<b>What are the most common payment terms in documentary credits?</b>	In 2019, 38.9% of documentary credits were payable in the range of 31-60 days, with 74.3% being payable in the range of 31-90 days after shipment or invoice date.
<b>What percentage of documentary credits issued in 2019 requested confirmation?</b>	Only 6.9% requested confirmation, while 89.3% did not request confirmation.
<b>What is the role of documentary credits in supporting local assembly industries?</b>	Documentary credits can be used to import goods in kit form, allowing local factories to assemble products like vehicles or appliances, with terms matching the factory's production process.
<b>How did the global financial crisis of 2008-09 affect the use of documentary credits?</b>	The crisis increased the use of documentary credits as exporters sought to secure payments when trading with new partners or under uncertain economic conditions.
<b>What percentage of documentary credits in 2019 were available by negotiation?</b>	74.1% of documentary credits issued in 2019 were available by negotiation, the most common form of availability
<b>What is the significance of Thomas Jefferson's 1803 letter of credit?</b>	<b>It was issued to explorers Lewis and Clark, authorizing them to draw on U.S. government secretaries for supplies during their expedition, showcasing an early example of a traveller's</b>

## Key Points - Chapter 1

	<b>letter of credit.</b>
<b>Why did documentary credits become more important after World War I?</b>	The war disrupted established trading chains, leading exporters to rely on documentary credits to secure payments in new trading relationships with unknown buyers.
<b>What is the most common reason for using a documentary credit in modern trade?</b>	Documentary credits are often used when new trading chains are established, or when there is a need to mitigate payment risks during times of financial instability or in unfamiliar markets.
<b>Why might local legislation in some countries require the use of documentary credits?</b>	Certain countries mandate documentary credits to ensure that imported goods comply with local regulations, safeguarding the terms of trade and protecting local industries.
<b>Can a documentary credit be used for services or performance, not just goods?</b>	Yes, documentary credits can be used to settle payments for services or performance, as long as the transaction can be documented and the documents can be presented to a bank.
<b>What is the role of ISBP 745 in relation to UCP 600?</b>	ISBP 745 explains how the practices outlined in UCP 600 are to be applied, particularly in the examination of documents, but it does not amend UCP 600.