

## Key Points - Chapter 3

### Roles and responsibilities – defining terms and conditions

<b>Issuing Bank (or Opening Bank)</b>	<p>The issuing bank is the bank that issues a documentary credit at the request of an applicant (buyer/importer).</p> <p>It gives an irrevocable undertaking to pay or honor the terms of the documentary credit provided the beneficiary presents the required documents in compliance with the credit's terms.</p> <p><b>Relevant UCP 600 Articles:</b>          Article 2: Definition of an issuing bank.          Article 7: The irrevocable undertaking of the issuing bank.</p>
<b>Beneficiary (or Seller or Exporter)</b>	<p>The beneficiary is the party in whose favor the documentary credit is issued (typically the seller/exporter).</p> <p>The beneficiary must present the required documents to the issuing bank, advising bank, or nominated bank after fulfilling the terms and conditions of the credit.</p> <p><b>Relevant UCP 600 Articles:</b>          Article 2: Definition of the beneficiary.          Article 16: Presentation of documents by the beneficiary.</p>
<b>Advising Bank</b>	<p>The advising bank is the bank that receives the documentary credit from the issuing bank and forwards it to the beneficiary.</p> <p>It advises the beneficiary about the terms of the credit and ensures that the credit is legitimate and accurate, but does not take on the risk of honoring the credit unless it also confirms it.</p> <p><b>Relevant UCP 600 Articles:</b>          Article 2: Definition of advising bank.          Article 9: Responsibilities of the advising bank.</p>
<b>Confirming Bank</b>	<p>The confirming bank adds its own confirmation to the documentary credit upon request or authorization from the issuing bank.</p>

	<p>This provides an additional irrevocable undertaking to the beneficiary, guaranteeing payment or performance as per the credit's terms.</p> <p><b>Relevant UCP 600 Articles:</b>  Article 2: Definition of confirming bank.  Article 8: Scope of the confirming bank's undertaking.</p>
<p><b>Nominated Bank</b></p>	<p>A nominated bank is a bank designated by the issuing bank in the documentary credit to carry out a particular function, such as paying, accepting, or negotiating documents presented by the beneficiary.</p> <p>The nominated bank is not always the advising or confirming bank.</p> <p><b>Relevant UCP 600 Articles:</b>  Article 2: Definition of nominated bank.</p>
<p><b>Applicant (or Buyer or Importer)</b></p>	<p>The applicant is the party who requests the issuance of the documentary credit, typically the buyer or importer.</p> <p>The applicant is not a party to the credit itself but interacts with the issuing bank to establish the terms and conditions for the credit.</p> <p><b>Relevant UCP 600 Articles:</b>  Article 2: Definition of applicant.</p>
<p><b>Reimbursing Bank</b></p>	<p>A reimbursing bank is a bank designated in the documentary credit where the nominated bank may seek reimbursement for payments made to the beneficiary.</p> <p>This is often used when the nominated bank advances funds to the beneficiary and needs to be reimbursed by the issuing bank.</p> <p><b>Relevant UCP 600 Articles:</b>  Article 13(a): Definition and function of a reimbursing bank.</p>
<p><b>Second Advising Bank</b></p>	<p>A second advising bank is an additional bank, typically in the beneficiary's country, that may be used by the advising bank to further advise the credit or amendments to the beneficiary.</p> <p><b>Relevant UCP 600 Articles:</b>  Article 9, sub-article 9(c): Definition and role of a</p>

	second advising bank.
<b>Transferring Bank</b>	<p>A transferring bank is a nominated bank that is authorized by the issuing bank to transfer a transferable documentary credit to a third party (beneficiary or another party).</p> <p><b>Relevant UCP 600 Articles:</b> Article 38(b): Definition and function of a transferring bank.</p>
<b>Banking Day</b>	<p>A banking day is any day on which a bank is regularly open for business at the location where an action is to be performed under UCP 600. The definition emphasizes that a bank must be open for its specific banking activities, such as handling documentary credits.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of banking day.</p>
<b>Complying Presentation</b>	<p>A complying presentation refers to documents that meet all the terms and conditions specified in the documentary credit, as well as international banking practices. A complying presentation is a requirement for payment or negotiation under the credit.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of complying presentation.</p>
<b>Confirmation</b>	<p>Confirmation refers to an additional irrevocable undertaking by the confirming bank to honor or negotiate the documentary credit, in addition to the issuing bank's commitment. Confirmation can be requested or authorized in the credit.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of confirmation. Article 8: Scope of confirmation.</p>
<b>(Documentary) Credit</b>	<p>A documentary credit is an arrangement whereby a bank undertakes to honor a presentation that complies with the terms and conditions of the credit, typically in exchange for documents representing goods or services.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of credit. Article 4(a): The separateness of the documentary credit from the sales contract.</p>

<b>Honour</b>	<p>Honour refers to the bank’s obligation to pay, accept, or incur a deferred payment undertaking in accordance with the terms of the documentary credit when a complying presentation is made.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of honour.</p>
<b>Negotiation</b>	<p>Negotiation involves the purchase of drafts and/or documents by a nominated bank, which agrees to advance funds to the beneficiary, before reimbursement is made by the reimbursing bank or issuing bank.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of negotiation.</p>
<b>Presentation</b>	<p>Presentation refers to the delivery of documents by the beneficiary to the issuing bank, advising bank, or nominated bank under the terms of the documentary credit.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of presentation.</p>
<b>Presenter</b>	<p>A presenter is any party (beneficiary, bank, or other entity) that submits a presentation of documents under the credit.</p> <p><b>Relevant UCP 600 Articles:</b> Article 2: Definition of presenter.</p>
<b>What is meant by 'negotiation' in documentary credits?</b>	<p>Negotiation involves the purchase by a nominated bank of drafts or documents under a complying presentation, advancing funds to the beneficiary.</p>
	<p>The process through which a nominated bank purchases drafts or documents from the beneficiary, providing them with immediate funds against the terms of the documentary credit.</p>