A CHECK LIST FOR DETAILED SCRUTINY OF VARIOUS DOCUMENTS UNDER L/C.

(1) GENERAL

1. The documents are presented for negotiation before the expiry date of the credit. If the credit expired on a bank holiday, it is automatically valid up to the next working day, if the credit is governed by the UCPDC.

2. The amount of the bill does not exceed the amount available under the L/C.

   It may be noted here that according to Uniform Customs, for bulk shipment, the word "about" is to be construed as allowing a difference not exceeding 10 percent either way. It should be seen whether the word "about" is applicable to quantity of goods, amount of credit, or unit price. If the word "about" is not used, a tolerance of 3% per cent either way will be permissible in respect of quantity of merchandise to be shipped, provided the total amount of the drawing does not exceed the amount of the credit.

3. All the documents stipulated in the L/C are submitted.

4. If it is a revocable credit, no notice of revocation has been received.

5. If required, the Reserve Bank of India's approval has been obtained.

(2) SCRUTINY OF BILL OF EXCHANGE (DRAFT):

The draft would be closely scrutinised so that it fulfills the following conditions:

6. The draft must be dated and must be drawn or endorsed to the order of the bank.

7. It must be drawn by the party indicated as the beneficiary of the credit. The drawer's signature must be verified. In case the bill is submitted by the drawer's banker, this is not necessary as the responsibility lies on the drawer's banker to verify the signature.

8. It must be drawn on the party indicated as the drawee in the credit.

9. It must be marked as drawn under the proper L/C of the bank, by quoting the L/C number.

10. The tenor should be in conformity with that stipulated in the L/C.
11. the amount must be identical with the amount mentioned in the invoice or the correct proportion thereof in terms of the credit. When the draft is drawn for a lesser amount than the invoice value to comply with the L/C terms, an additional draft should be drawn, by the exporter for the balance amount or in the alternative, the correspondent bank should be instructed to release the documents against a Trust Receipt for the balance of the invoice value, which is not covered by any draft.

12. the amount in figures must correspond exactly with the amount in words.

13. the corrections and alterations, if any, should be properly authenticated.

14. in respect of usance bills, it must be ensured that the requisite stamp duty has been affixed on the draft.

15. the draft should bear interest clause, wherever necessary. If it is drawn or endorsed "without recourse", the bank which negotiates the bill will have no recourse on the drawer, as the drawer has publicly stated this fact on the bill itself.

(3) SCRUTINY OF INVOICE:

The invoice would be scrutinised to ensure that:

16. the merchandise is invoiced to the importer mentioned in the L/C

17. the description of the merchandise corresponds word-by-word to the description mentioned in the L/C

18. the price and quantity indicated in the invoice corresponds to the price and quantity indicated in the L/C

19. no charges other than those pertaining to the merchandise are included in the invoice and that these charges are permitted in the L/C

20. if the L/C stipulates customs or consular invoices, such invoices are furnished. The beneficiary's invoices should not be accepted in this case.

21. the amount of the invoice tallies with the amount of the draft.
22. The marking and numbering on the packages shown in the bills of lading are identical with those given in the invoice. They must be identical on all the documents. This is because the shipper may arrange shipment of similar lots of the same commodity to different buyers in the same country. If the shipping marks are identical, it can be considered that the bills of lading are correctly attached to the relevant bill.

23. The amount in the invoice is correct on the basis of the price and quantity and stated in the invoice.

24. The number of copies of the invoice is as specified in the L/C.

25. The invoice is marked "Received Payment", if such markings are required by the L/C.

26. If any other certification by the manufacturer/exporter is required, such certification has been given in the invoice.

27. The invoice is certified as correct and signed by the beneficiary.

28. The invoice indicates terms such as FOB, C&F, or CIF etc.

(4) SCRUTINY OF TRANSPORT DOCUMENTS:
(BILL OF LADING/AIRWAY BILL/POST PARCEL RECEIPT):

The transport document would be scrutinised to ensure that:

29. A full set of B/L (of minimum two copies), in as many negotiable as well as non-negotiable copies as stipulated in the L/C, is submitted. It is necessary that all the negotiable copies are submitted to the bank to avoid delivery of goods at the destination against the remaining copy.

30. The date of shipment indicated on the B/L is on or prior to the last date of shipment stipulated in the L/C. The date on which the shipment is put "on board" is considered as the shipment date.

31. "Received for shipment" B/L is not acceptable, unless it is marked "on board" with date and duly signed.

32. If transhipment of the merchandise is prohibited under the L/C, B/L should not indicate that the goods are being transhipped.
33. B/L is made to the order of the bank or any other party mentioned in the L/C.

34. the description of the goods given in the B/L tallies with that given in the invoice, as regards quantity, weight, etc.

35. the port of shipment, port of destination, the consignee, the shipper, the notified party, etc. given in the B/L, correspond with those indicated in the L/C.

36. all endorsements in the B/L correspond with the endorsement stipulated in the L/C.

37. the B/L is duly (manually) signed by the steamship company or by their authorised agent and is properly stamped.

38. the B/L is "clean" and not "claused", unless permitted by the L/C. A clean B/L is one which bears no clause indicating defect in the merchandise or in the packing, which will affect the condition of the merchandise. Generally such clauses refer to defective packing, such as "bales torn", "drums leaking", etc. Clauses of the nature of general disclaimers of liability by shipping companies for quality or loss arising out of faulty packing or inherent nature of goods are not deemed as "unclean" B/L. Such disclaimers may take the form of "contents not known", "used drums", "second hand causes", etc.

39. if the certificate to the effect that the vessel will not touch certain specified ports is required under the L/C, such a certificate has been submitted.

40. in the case of CIF and C&F terms of payment, B/L is marked "freight paid". In the case of FOB, it could be marked "Freight payable at destination". In FOB contracts, sometimes the shipper may pay the freight initially but get himself reimbursed later from the importer.

41. "On Deck" B/L is not acceptable, unless specifically permitted in the L/C.

42. the B/L is submitted within the date stipulated in the L/C. If the L/C does not stipulate the number of days within which the documents should be negotiated from the date of shipment, the bank will not accept the documents under the L/C, if submitted 21 days after the date of shipment; but accept them for collection or negotiate them under reserve, unless the specified period for submission of the B/L is extended by the L/C issuing bank.
43. If it is not specifically permitted under the L/C, particular care should be taken to see that the following categories of B/Ls are not normally accepted:

(a) Third party B/L.
(b) B/L. claused "goods unprotected";
(c) B/L. issued by forwarding agents;
(d) Charter party B/L;
(e) B/L. covering shipment by sailing vessels;
(f) Port or Custody B/L.
(g) Short form B/L. and
(h) B/L. indicating transhipment are not acceptable (unless permitted by the L/C).

5) SCRUTINY OF INSURANCE DOCUMENTS:

44. The insurance policy must be in negotiable form, signed by an agent or underwriter of the insurance company.

45. It should be endorsed in favour of the bank.

46. It should be stamped as required by the laws of the country concerned.

47. If insurance policies are required under the L/C, certificate of insurance/broker's cover note, etc., are not acceptable as a substitute.

48. The amount insured should be for a minimum cover of 10 per cent above the invoice value of the merchandise or the amount stipulated in the L/C.

49. The date of insurance policy should not be later than the date of B/L or the policy should specifically state that cover of the risks commences not later than the date of shipment.

50. If warehouse to warehouse policy is required, such a policy has been obtained.

51. The insurance claim should be payable in the currency of the draft, at the destination of the merchandise, or as stated in the L/C.

52. The name of ship, shipping marks, and description of the merchandise, number of packets, etc., incorporated in the insurance policy must be identical with those given in the Bill of Lading and the invoice.

53. There should not be any qualifying clause, that would adversely affect the interest of the bank.
54. if the policy is issued in sets containing more than one negotiable copy, all the negotiable copies are submitted.

55. if the Bill of Lading is clausured "shipment on deck", the policy must cover deck shipment risk.

56. if transhipment is indicated in the bill of lading, the policy must cover transhipment risks.

57. Policy must be taken out by the beneficiary as "assured". A third party policy must not be accepted.

58. Policy must state the name of the vessel and the number of voyage, as indicated in the bill of lading.

59. Port of shipment and destination given in the policy must be identical with those in the bill of lading.

60. the insurance policy must be current and not stale one

61. when the L/C stipulates the risks to be covered, which continue until the merchandise reaches the buyer's warehouse, the policy must indicate that the warehouse to warehouse specification has been provided.

62. if the L/C stipulates "All risks" clause, a policy which does not contain this clause must not be accepted; for instance, clauses such as "Free of Particular Average" (FPA) or "With particular Average" (WPA) are not acceptable.

(6) SCRUTINY OF OTHER DOCUMENTS:

63. CERTIFICATE OF ORIGIN: The description of the merchandise in the certificate of origin should be the same as that in the invoice and it should be issued by the authority specified in the L/C.

64. CONSULAR INVOICE/CUSTOMS INVOICE: It should bear the stamp of the local consulate of the country to which the goods are exported, or as specified in the L/C.

65. Customs invoices must be properly signed and witnessed.

66. OTHER DOCUMENTS which may be required include, weight list, packing list, inspection certificate, certificate of analysis, quality certificate, chemical composition certificate, cross border certificates, etc. Each one of these documents should be related to the goods described in the invoice.

They should be in order as regards signature, identification of goods, etc. All alterations and corrections should be duly authenticated.
SPECIAL INSTRUCTIONS:

67. Instructions requiring specific conditions attached to certain documents, or instructions regarding commission or declaration should not be overlooked.

EXCHANGE CONTROL REQUIREMENTS:

68. Required Exchange Control requirements of declaring the export on the appropriate form and submission of required number of copies, must be complied with.