

## **NON-RESERVABLE (DISCREPANT) SITUATIONS IN LETTER OF CREDIT OPERATIONS**

Version:3

### **NON-RESERVABLE (DISCREPANT) SITUATIONS :**

In transactions involving letters of credit subject to the UCP (Uniform Customs and Practice for Documentary Credits) [UCP 600 AND ISBP 821], the following situations are not considered discrepancies: [NOT A COMPLETE LIST]

- 1) Absence of the letter of credit number on the documents,
- 2) Use of the % sign instead of PCT, e.g., writing %10 or 10% instead of 10PCT,
- 3) Writing US.\$ instead of USD,
- 4) Extra usage or non-usage of symbols such as (),[],-.\*# as long as the meaning is not altered,
- 5) Different address information as long as the country information remains the same, e.g., the address on the letter of credit is "Cumhuriyet Cad. No:18 Beşiktaş Istanbul", but it is written as "İstiklal cad.no.13, Beyoğlu" on the invoice or other documents [excluding the requirement for the consignee and notify party to be listed as the applicant on the bill of lading],
- 6) Additional information in the "Notify party" field on the bill of lading that is not requested/provided in the letter of credit,
- 7) Multiple company/person names in the "Notify party" field on the bill of lading,
- 8) Typographical or spelling errors that do not alter the meaning, e.g., Modle instead of Model, or Istambul instead of Istanbul, Meaning-altering typographical or spelling errors are not accepted, e.g., writing İzmir instead of İzmit,
- 9) Failure to perform detailed mathematical calculations,
- 10) Excess information that does not negatively change the category or nature of the goods, For example, "Color television" is acceptable instead of "Television", but "television (second hand)" is not acceptable,
- 11) General expressions of goods description in all documents (except the invoice), e.g., the goods description in the letter of credit is "color television" but is stated as "TV" or "television" in other documents,
- 12) Submission of extra documents unnecessarily [not recommended, send separately if necessary],
- 13) Use of "." instead of "," between numbers and words, or vice versa,
- 14) Use of "/" instead of "/" between numbers and words, or vice versa.
- 15) In documents, if information required according to the letter of credit is presented in the requested language of the letter of credit but different language information is found in the printed areas of the documents,

- 16) If there is a "clean on board" condition in the letter of credit but the word "clean" is not on the bill of lading,
- 17) If the name of the captain is not specified on the bill of lading,
- 18) If the documents are not stapled,
- 19) The use of barcodes instead of signatures in some documents [except for policies, bills of lading, etc. for now],
- 20) Interpreting "ANY PORT" used for a city as a geographical region,
- 21) Endorsement request on bills of lading, bills of exchange, or insurance policy/documents issued to the name [not to the order of]
- 22) Titles of transportation documents,
- 23) Failure to define "carrier" on the FCR (Forwarder's Certificate of Receipt) document, not showing the original(s) number, and not signed by the carrier, captain, or agents,
- 24) Lack of signature on copy transportation documents,
- 25) Documents without original transportation documents being presented after the presentation period.[but within the letter of credit period]
- 26) Absence of carrier on the Charter party bill of lading,
- 27) Charter party bill of lading not signed by the carrier or agent,
- 28) Indicating the discharge port as "any port" on the Charter party bill of lading if the letter of credit which stipulates any port.
- 29) Lack of definition of "carrier" on the courier / railway bill of lading,
- 30) Absence of a separate "on board" stamp or note on the "shipped type bill of lading".
- 31) Presentation of photocopies instead of copies
- 32) Unsigned copies or photocopies,
- 33) Corrections on copy documents not signed,
- 34) Lack of dates on copy documents,
- 35) Invoices not signed or dated (unless specified otherwise in the L/C),
- 36) Documents such as invoice, packing list, weight list, certificate of origin, and other certificate unrelated with shipments, dated before loading,
- 37) Documents dated before the issuance date of the LC,
- 38) Method of sending documents,
- 39) Cover letters, cover notes,
- 40) Presenter different from the beneficiary,
- 41) Documents must not necessarily be presented through advising bank,
- 42) Certificates, including the certificate of origin, not dated (except when required to indicate a specific date, e.g., pre-shipment certificate),
- 43) Consignee listed on certificates excluding the beneficiary mentioned in the L/C,
- 44) Titles on certificates,
- 45) Non-presentation of policy in Sight/by payment L/Cs,
- 46) Policy not endorsed, unless required by the L/C,
- 47) Lack of L/C reference or contract number on the policy,

- 48) Date on the certificate of origin before or after loading,
- 49) Presentation of the second beneficiary's invoice in a transferable L/C to the issuing bank,
- 50) Presentation of invoice showing only the goods loaded in a partial shipment allowed L/C,
- 51) Invoice indicating any advance payment, discount, or deduction,
- 52) Certificate not related to a specific date being undated.

#### INCORRECT AND BAD PRACTICES

Despite adding confirmation to the letter of credit, the bank does not make payment upon presentation of compliant documents, instead waiting for funds from the issuing bank. However, if there are no discrepancies in the documents, the confirming bank should make an immediate payment once it upon determines their compliance. If the confirming bank delays payment, the beneficiary is entitled to interest for any period exceeding a reasonable time (3 business days).

Merely having "CONFIRM" written within the letter of credit does not make it confirmed. The confirming bank must explicitly communicate its confirmation in writing.

Do not trust offers that suggest sending documents immediately as they are without examination if you have received a confirmed letter of credit. Unless a valid discrepancy has been reported, do not instruct to send the documents as they are or approval basis. Charges for discrepancies are not justified if the letter of credit includes such a condition; the beneficiary can have it removed before using the letter of credit. If there is no condition for discrepancy charges in the letter of credit, or if the beneficiary has had it removed, then no discrepancy charges should be applied.

The beneficiary should not bear the reimbursement costs; this obligation lies with the issuing bank. If the letter of credit imposes these costs on the beneficiary, they should be aware and have them removed before using the letter of credit.

The beneficiary is not obligated to present or send documents exclusively through the notifying bank, the bank named in the letter of credit, or any other specified bank, unless explicitly stated in the letter of credit. They can send documents directly or through any bank. In such cases, if there is a confirmation, they should be aware that they might lose the benefit of that confirmation.

A beneficiary does not need the letter of credit to be "transferable" or require a written transfer from another bank to utilize it at their bank. If there is a nominated bank in the letter of credit, it is sufficient for the issuing bank to specify the beneficiary's preferred

bank in field 41A. Writing "transferable" on a letter of credit does not mean that the letter of credit can be transferred to another bank for availability, but means that it can be transferred to another beneficiary for utilization of the credit wholly or partially by second beneficiary or beneficiaries.

Keeping the documents waiting for preliminary examination at the advising bank or another bank that is not nominated bank and/or wasting time with correspondence may cause late presentation at the place where the main presentation should be made (the bank in area 41A). The beneficiary should be aware of this.

**Important note:**

This document aims to guide and assist individuals involved in this business, raise awareness about unjustified reserve issues and improper/incorrect practices that occasionally arise in practice and cause discussions. Each transaction may have its own specific conditions and circumstances. Exceptions are excluded; letter of credit terms are essential. The points mentioned here are general truths according to letter of credit techniques, UCP, ISBP, ICC opinions, and Docdex decisions. For a transaction's very specific condition and situation, it should be evaluated on a case-by-case basis, and expert or consultant support should be sought if necessary. No responsibility is accepted for misuse or misinterpretation. Reserve issues [Discrepancies] and bad practices are not limited to these. As this document is updated periodically, it is recommended to refer to the latest version.

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