

Preface

This book is intended to provide a comparison of the three practice rules used in standby letters of credit and independent guarantees, namely UCP600, ISP98, and URDG 758. Incidentally, it compares and contrasts typical standby and independent guarantee practices and also surveys general rules of letter of credit law that are related to these undertakings.

In doing so, it breaks new ground. While separate treatments of each practice rule exist,¹ until now there has been no serious comparison of the three practice rules. That such a comparison is needed is apparent to anyone considering the situation of major banks and users of these instruments. While one set of practice rules may be preferred, it is the rare Issuer/Guarantor or applicant who can insist that only these practice rules be used for its undertakings. Therefore, any serious user of these undertakings must be able to work with each of the rules.

Doing so, however, is not an easy matter. While the practice rules resemble one another in broad outline, they differ considerably in their application to specific issues and problems. The inability to move from practice rule to practice rule or ignorance or confusion about the differences will inevitably result in costly mistakes in presentation of documents, their examination, refusal, and other aspects of practice such as transfer, assignment of proceeds, etc. In addition, the failure to appreciate these differences will lead to errors in drafting of the undertaking. What is fundamental about these undertakings is not their name, whether “standby”, “demand/bank/independent guarantee”, “letter of credit”, “bond”, or whatever. What is important is the practice rule to which it is subject. An Issuer/Guarantor, Confirmer, Nominated Bank, Applicant, Beneficiary, Transferee, assignee, or successor overlooks the not insignificant differences between these practice rules at their peril.

The organization of this book follows that of the practice rules themselves, starting with basic propositions about independent undertakings (Chapter 1) and moving to obligations of the parties (Chapter 2), presentation (Chapter 3), examination (Chapter 4), honour and dishonour (Chapter 5), and miscellaneous issues such as retention of the original past expiry, transfer, assignment, succession, disclaimers, LC Fraud and Abuse, protected persons, sanctions, charges, reimbursement, syndication/participation, law, forum, and arbitration (Chapter 6).

Although the relevant text of the practice rule being discussed is recited, most readers will want to have the full text of the three rules at hand when they read this book. *LC Rules & Laws: Critical Texts for Independent Undertakings* (IIBLP) is an ideal means of doing so, containing all practice rules and legal documents related to independent undertakings in one easily managed volume. In effect, it is a companion volume to this book.

While this book was not designed to complement the Certified Standby and Guarantee Professional certification programme, it provides a useful accompanying text. This certification programme is the only one that covers all three practice rules and both standbys and demand guarantees.

James E. Byrne
10 April 2014
Upper Puddleby on Marsh

1. *UCP600: An Analytical Commentary* (IIBLP); *Official Commentary on the International Standby Practices* (IIBLP), Professor Goode et al, *The Guide to ICC Uniform Rules for Demand Guarantees* (URDG 758) (ICC Publishing).

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SUMMARY OF CONTENTS

SUMMARY OF CONTENTS.....vii

TABLE OF CONTENTS.....ix

Chapter One: Independent Undertakings.....1

Chapter Two: Obligations of Parties to an Independent Undertaking.....45

Chapter Three: Timely Presentation of Documents.....93

Chapter Four: Examination and Compliance of Documents Presented.....121

Chapter Five: Honour and Dishonour.....173

Chapter Six: Miscellaneous Issues194

Questions & Answers.....213

Index262

TABLE OF CONTENTS

Dedication	.....	iii
Preface	.....	v
Chapter One: Independent Undertakings	.....	1
1.1 Types of LCs and Their Characteristics	.....	1
1.1.1 Types of Independent Undertakings/LCs	.....	3
1.1.2 Common Characteristics of all Independent Undertakings	.....	4
1.1.2.1 Documentary Promises	.....	4
1.1.2.2 Independence	.....	5
1.1.2.3 Payment on Underlying Transaction	.....	7
1.1.2.4 Not a Consumer Transaction	.....	8
1.1.2.5 Binding and Irrevocable	.....	8
1.1.2.6 Definite Promise	.....	9
1.2 Independent Undertakings Distinguished from Dependent Undertakings	.....	10
1.2.1 Traditional or True Guarantees	.....	10
1.2.2 Bonds or Indemnities	.....	11
1.2.3 Insurance Undertakings	.....	12
1.2.4 Commercial or Financial Contracts	.....	12
1.2.5 Negotiable Instruments	.....	13
1.3 Types of Standbys and Demand Guarantees	.....	13
1.4 Practice Rules	.....	14
1.4.1 What is Practice?	.....	14
1.4.2 Uniform Customs and Practice for Documentary Credits (“UCP600”)	.....	16
1.4.3 International Standby Practices (“ISP98”)	.....	19
1.4.4 Uniform Rules for Demand Guarantees (“URDG 758”)	.....	20
1.4.5 Uniform Rules for Bank-to-Bank Reimbursements (“URR 725”)	.....	21
1.4.6 Practice Rules Overview	.....	21
1.5 LC Law	.....	22
1.5.1 The Relationship Between LC Law and Practice	.....	22
1.5.2 Sources of LC Law	.....	22
1.5.2.1 Statutes	.....	23
1.5.2.2 The Supreme People’s Court of the People’s Republic of China	.....	24
1.5.2.3 Judicial Decisions	.....	25
1.5.2.4 Bank Regulations	.....	25
1.5.3 Litigation	.....	26
1.6 Forms and Standardization	.....	26
1.6.1 SWIFT Messages	.....	26
1.6.2 ISP98 Model Forms	.....	27
1.6.3 Other Forms	.....	28
1.7 Standbys vs. Demand Guarantees	.....	28
1.7.1 Definitions	.....	29
1.7.2 Secondary Differences between Standbys and Demand Guarantees	.....	30
1.7.3 Historical Evolution	.....	30
1.7.3.1 Evolution of Standby LCs	.....	30
1.7.3.2 Evolution of Bank Guarantees	.....	31
1.7.4 Geography	.....	32
1.7.5 Transactions and Rules	.....	32
1.7.6 Familiarity	.....	33
1.7.7 Practices	.....	33
1.8 Achieving and Determining Independence	.....	35

1.8.1	Factors in Determining Whether an Undertaking is Independent	35
1.8.1.1	The Undertaking	36
1.8.1.2	Terms and Phrases	36
1.8.1.3	Name of the Undertaking	37
1.8.1.4	Applicable Practice Rules	38
1.8.1.5	Applicable Laws	38
1.8.1.6	Person Making the Promise	38
1.8.2	Interpreting Undertakings to Determine Independence	38
1.8.3	Intent	39
1.9	Review Questions	41
Chapter Two: Obligations of Parties to an Independent Undertaking		45
2.1	Issuance	45
2.1.1	Meaning of Issuance	45
2.1.2	Meaning of “Issuer” and Related Terms	46
2.1.3	Issuance in Practice	47
2.1.4	Issuance Via Advising Banks or Other Third Parties	48
2.1.5	Conditional Issuance, Pre Drawing Conditions, or Non-Operative Provisions ..	49
2.1.6	Non-Documentary Conditions to Issuance	49
2.1.7	Obligation Where Undertaking Not Issued	50
2.1.8	ISP98 Model Form 1 (Standby Incorporating Payment Demand)	50
2.2	Obligations of Issuer/Guarantor	51
2.2.1	“Issuer”/“Guarantor” Defined	52
2.2.2	“Credit” Definitions	52
2.2.3	Substantive Rules Regarding the Undertaking	53
2.2.4	Characteristics of an Independent Undertaking	54
2.2.5	ISP98 Model Form 1 (Standby Incorporating Payment Demand): The Undertaking	55
2.3	Additional Undertakings in the Standby/Demand Guarantee	56
2.3.1	Undertakings Supplementing Those of the Issuer/Guarantor	56
2.3.2	Confirmation and Confirmer	56
2.3.3	ISP98 Model Forms 7, 8, IX, and X Regarding Confirmation	58
2.3.4	Counter Undertakings	59
2.3.5	Challenges of Counter Undertakings	61
2.3.5.1	Challenge 1: Parallelism	61
2.3.5.2	Challenge 2: The Compliance of Documents	62
2.3.5.3	Challenge 3: The Separate and Independent Character of the Counter Undertaking and the Local Undertaking	63
2.3.5.4	Challenge 4: Governing Law	64
2.3.6	ISP98 Model Form 6 (Counter Standby)	64
2.3.7	Comparing Confirmations and Counter Undertakings	65
2.4	Advice	65
2.4.1	The Meaning and Significance of Advice	65
2.4.2	Who is an Adviser, Whether it is Nominated, and Second Advising Banks	67
2.4.3	Obligations of an Adviser	68
2.5	Nomination and Confirmation	70
2.5.1	A Confirmer as a Nominated Bank	70
2.5.2	Confirmers	71
2.6	Amendments	72
2.6.1	Meaning of “Amendment”	72
2.6.2	Issuance of an Amendment: the Issuer/Guarantor	73
2.6.3	Confirmer and Beneficiary Bound by an Amendment?: Consent	73
2.6.4	Routing of Amendments	76

2.7	Expiry of an Independent Undertaking.....	77
2.7.1	The Meaning and Significance of Expiry	77
2.7.2	Substantive Provisions Regarding Expiry	78
2.7.3	Expiry Events	79
2.7.4	The Place of Presentation for Expiry	80
2.7.5	Open Ended Undertakings.....	81
2.8	Automatic Amendment and Variation	82
2.8.1	Meaning of Automatic	82
2.8.2	Automatic Extension of the Expiration Date	82
2.8.3	Automatic Increase or Decrease	84
2.9	Informing the Instructing Party of a Payment Demand	86
2.9.1	The Applicant's Relationship to the Undertaking.....	86
2.9.2	The Applicant vs. the Instructing Party	87
2.9.3	The Issuer/Guarantor's Duty Under Different Practice Rules	87
2.10	Review Questions.....	89
Chapter Three: Timely Presentation of Documents.....		93
3.1	What is a "Presentation" and a "Presenter"?	93
3.2	Where is Presentation to be Made?.....	94
3.3	To Whom is Presentation to be Made?	95
3.3.1	Providing for Exclusive Presentation to an Entity Other Than the Issuer/Guarantor	95
3.3.2	Timely Presentation.....	96
3.3.3	Problems with Specifics Regarding Presentation	96
3.4	The Manner of Presentation: How	97
3.4.1	Mode of Presentation.....	98
3.4.2	Documents Lost in Transit.....	99
3.5	Incomplete Presentations.....	99
3.6	Partial and Multiple Drawings	100
3.6.1	Re-Presentation.....	102
3.6.2	Installments	102
3.6.3	Separateness of Each Presentation.....	103
3.6.4	Cure	103
3.6.5	Wrongful Dishonour.....	104
3.7	Presentation After Normal Banking Hours.....	104
3.8	Extend or Pay Demands.....	104
3.8.1	Consequences of Extension	105
3.9	Deadline When Bank is Ordinarily Closed	107
3.10	Closure When the Expiration Date is on a Business Day	108
3.10.1	Closure Due to Force Majeure.....	108
3.10.2	Inadequacy of Force Majeure as a Basis for LC Practice	109
3.10.3	Solutions and Guidance to Closure from the Practice Rules: UCP600.....	110
3.10.4	Solutions and Guidance to Closure from the Practice Rules: ISP98.....	110
3.10.5	Solutions and Guidance to Closure from the Practice Rules: URDG 758	111
3.10.5.1	URDG 758 Article 26 (Force Majeure): Force Majeure Preventing Presentation	111
3.10.5.2	URDG 758 Article 26 (Force Majeure): Documents Presented, but Force Majeure Preventing Examination	112
3.10.5.3	URDG 758 Article 26 (Force Majeure): Force Majeure Preventing the Issuer/Guarantor from Paying.....	112
3.10.5.4	Closure and Extension in Counter Undertaking Situations & Confirmation	113
3.10.5.5	ISP98 Approach to Closure in Counter Undertaking Situations; UCP600	114

3.10.5.6	URDG 758 Article 26 (Force Majeure): Application to Counter-Guarantee Situations	114
3.10.5.7	Does URDG Force Majeure Rule Affect Inability to Present?	116
3.10.5.8	Closure Prior to Expiry	117
3.11	Review Questions	118
Chapter Four: Examination and Compliance of Documents Presented		121
4.1	Standard of Compliance	122
4.1.1	Beyond Compliance: Preclusion	122
4.1.2	Compliance Standards in the Practice Rules	123
4.1.3	Strict Compliance	124
4.1.4	The Standard for Data	124
4.2	Complying Presentation	126
4.3	Extraneous Documents	126
4.3.1	Extraneous Data	127
4.4	Inconsistency or Conflict within Documents Presented	128
4.4.1	Conflict in LCs	130
4.4.2	Conflict in Standbys	130
4.4.3	Conflicts and Non-Documentary Conditions	130
4.5	Language	131
4.5.1	ISP98 Approach to Language	132
4.5.2	UCP600 Approach to Language	132
4.5.3	URDG 758 Approach to Language	133
4.6	Identification of the Undertaking	134
4.6.1	No Instructions in Standby/Demand Guarantee and No Identification of Number in Documents, But Identification in Presentation	134
4.6.1.1	Under ISP98	134
4.6.1.2	Under URDG 758	135
4.6.1.3	Under UCP600	135
4.6.2	No Instructions in Standby/Demand Guarantee and No Identification of Number in Document or Presentation	135
4.6.2.1	Under ISP98	136
4.6.2.2	Under URDG 758	136
4.6.3	Time for Examination Where There is No Identification	136
4.6.3.1	Under URDG 758 & ISP98	136
4.6.3.2	Under UCP600	137
4.6.4	Instructions in Standby/Demand Guarantee, But No Identification in Presentation	137
4.6.4.1	Under ISP98	137
4.6.4.2	Under UCP600 & URDG 758	138
4.6.5	Identification Revisited	138
4.7	Document Issuer, Document Date, and Amount Drawn	139
4.7.1	Early Presentation	139
4.7.2	Greater Amount Due Than Demanded	140
4.7.3	Lesser Amount Due Than Demanded	141
4.7.4	Demand in Excess of Balance on Standby/Demand Guarantee	141
4.7.5	Use of Imprecise Terms	142
4.7.5.1	“Unconditional” or “Abstract”	142
4.7.5.2	“Absolute”	143
4.7.5.3	“Primary”	143
4.7.5.4	“Payable From the Issuer’s Own Funds”	143
4.7.5.5	“Payable on Demand” or “Clean”	143
4.7.6	Calculations	143

4.8	Formality Requirements for Documents that are to be Presented	144
4.8.1	Is a Signature Required?	145
4.8.2	Is Formalization Other than a Signature Required?	145
4.9	Standby/Demand Guarantee Requirements for the Insertion of Specified Text or Provisions.....	146
4.10	Applicant Approval	149
4.11	Non-Documentary Conditions in Standbys/Demand Guarantees	150
4.11.1	Practice Rules Regarding the Issuer/Guarantor's Own Records	151
4.11.2	The Practice Rules as Applied	152
4.11.3	Non-Documentary Conditions Not Limited to Presentation of Documents.....	152
4.11.4	Conflicts Between Non-Documentary Conditions and Data in Other Documents	152
4.12	Merger of Issuer/Guarantor or Confirmer with Another Entity and Change of its Name	153
4.13	Originals and Copies	154
4.13.1	Originality of Documents	155
4.14	Presentation of Demands or Drafts.....	156
4.14.1	Elements of a Demand.....	157
4.14.1.1	Demands Under ISP98	157
4.14.1.2	Demands Under UCP600	157
4.14.1.3	Demands Under URDG 758.....	157
4.14.2	Problems in the Use of "demand" in URDG 758	158
4.14.3	Drafts or Bills of Exchanges.....	158
4.14.4	Drafts Under the Practice Rules.....	159
4.14.5	Explanatory Statements	159
4.14.6	ISP98 Model Form 1 (Standby Incorporating Payment Demand)	160
4.14.7	Default Under URDG 758	160
4.14.8	Excluding or Modifying a Supporting Statement Under URDG 758	162
4.15	Requirement that Legal Documents be Presented.....	163
4.16	Requirements that Negotiable Documents Other than Drafts be Presented ...	163
4.17	Documents Related to Counter Undertakings.....	164
4.18	Examination of Documents Under Commercial Standbys.....	165
4.19	"Other Documents"	166
4.20	Review Questions.....	168
Chapter Five: Honour and Dishonour.....		173
5.1	Making a Decision to Honour or Dishonour	173
5.1.1	Time Frame for Examination.....	174
5.1.2	Beginning to Calculate Time	174
5.1.3	Acceleration of Time Frame.....	175
5.2	Honour of a Complying Presentation	175
5.2.1	Discretion in the Decision to Honour	176
5.2.2	Payment.....	176
5.2.3	Waiver of Discrepancies Prior to Refusal.....	177
5.3	Reimbursement of Nominated Banks	178
5.3.1	Documents Lost in Transit.....	179
5.3.2	LC Fraud or Abuse	179
5.4	Dishonour	179
5.4.1	Notice of Refusal: ISP98	180
5.4.2	Notice of Refusal: URDG 758.....	181
5.4.3	Notice of Refusal: UCP600	182
5.4.4	Adequate Notice of Refusal	184
5.4.4.1	Indication of Refusal	184

5.4.4.2	Statement of Discrepancies.....	184
5.4.4.3	Disposition of the Documents.....	185
5.4.5	Effect of LC Fraud or Abuse.....	185
5.4.6	Waiver of Discrepancies.....	186
5.5	Preclusion.....	186
5.5.1	Preclusion Under UCP600.....	187
5.5.2	Preclusion Under ISP98.....	188
5.5.3	Preclusion Under URDG 758.....	188
5.5.4	Beneficiary Options After Notice of Refusal Received.....	188
5.5.5	Separate Presentations.....	189
5.6	Applicant Reimbursement.....	189
5.6.1	Who is the Applicant?.....	189
5.6.2	Reimbursement in the Practice Rules.....	189
5.6.3	Binding the Applicant.....	190
5.6.4	Confirmer's Right to Reimbursement from Applicant.....	191
5.7	Review Questions.....	192
Chapter Six: Miscellaneous Issues.....		194
6.1	Retention of the Operative Instrument.....	194
6.1.1	The Operative Instrument as a Required Document.....	195
6.1.2	Retention and Return.....	195
6.2	Transfer of Drawing Rights.....	195
6.2.1	Transfers in Commercial LCs and UCP600.....	196
6.2.2	Transfers in Standbys/Demand Guarantees: Whole Transfer.....	197
6.2.3	Multiple Transfers.....	197
6.2.4	Issuer of Required Documents.....	197
6.2.5	URDG Signed Statement.....	198
6.2.6	Mandatory Transfer.....	198
6.3	Assignment of Proceeds.....	198
6.4	Transfer by Operation of Law.....	199
6.5	Disclaimers.....	200
6.5.1	Loss in Transit and Translation Errors.....	200
6.5.2	Acts of an Instructed Party, Foreign Law, and Usage.....	201
6.5.3	Force Majeure.....	201
6.6	LC Fraud, Abuse, or Unconscionability.....	202
6.6.1	LC Fraud or Abuse.....	202
6.6.2	Abusive Drawing and Unconscionability.....	202
6.6.3	Duty and Right to Dishonour.....	203
6.6.4	Injunctions and Similar Court Orders.....	203
6.7	Protected Persons.....	204
6.8	Sanctions and Illegality.....	205
6.9	Bank Charges.....	205
6.10	Bank-to-Bank Reimbursement.....	206
6.11	Syndication and Participation.....	207
6.12	Law, Forum, and Arbitration.....	207
6.12.1	Choice of Law.....	207
6.12.2	Choice of Forum.....	208
6.12.3	ISP98 Model Form: Choice of Law and Forum Clause.....	208
6.12.4	LC Arbitration and Mediation.....	208
6.13	Review Questions.....	210
Questions & Answers.....		213

Q&A: Chapter 1 Independent Undertakings.....	215
1.1 Types of LCs and Their Characteristics.....	215
1.2 Independent Undertakings Distinguished from Dependent Undertakings.....	216
1.3 Types of Standbys and Demand Guarantees.....	217
1.4 Practice Rules.....	217
1.5 LC Law.....	218
1.6 Forms and Standardization.....	219
1.7 Standbys vs. Demand Guarantees.....	219
1.8 Achieving and Determining Independence.....	221
Q&A: Chapter 2 Obligations of Parties to an Independent Undertaking.....	223
2.1 Issuance.....	223
2.2 Obligations of Issuer/Guarantor.....	224
2.3 Additional Undertakings in the Standby/Demand Guarantee.....	225
2.4 Advice.....	226
2.5 Nomination and Confirmation.....	226
2.6 Amendments.....	227
2.7 Expiry of an Independent Undertaking.....	230
2.8 Automatic Amendment and Variation.....	230
2.9 Informing the Instructing Party of a Payment Demand.....	231
Q&A: Chapter 3 Timely Presentation of Documents.....	232
3.1 What is a “Presentation” and a “Presenter”?.....	232
3.2 Where is Presentation to be Made?.....	232
3.3 To Whom is Presentation to be Made?.....	233
3.4 The Manner of Presentation: How.....	234
3.5 Incomplete Presentations.....	235
3.6 Partial and Multiple Drawings.....	235
3.7 Presentation After Normal Banking Hours.....	236
3.8 Extend or Pay Demands.....	237
3.9 Deadline When Bank is Ordinarily Closed.....	238
3.10 Closure When the Expiration Date is on a Business Day.....	238
Q&A: Chapter 4 Examination and Compliance of Documents Presented.....	241
4.1 Standard of Compliance.....	241
4.3 Extraneous Documents.....	242
4.4 Inconsistency or Conflict within Documents Presented.....	242
4.5 Language.....	243
4.6 Identification of the Undertaking.....	243
4.7 Document Issuer, Document Date, and Amount Drawn.....	244
4.8 Formality Requirements for Documents that are to be Presented.....	246
4.9 Standby/Demand Guarantee Requirements for the Insertion of Specified Text or Provisions.....	246
4.10 Applicant Approval.....	247
4.11 Non-Documentary Conditions in Standbys/Demand Guarantees.....	247
4.12 Merger of Issuer/Guarantor or Confirmer with Another Entity and Change of its Name.....	248
4.13 Originals and Copies.....	249
4.14 Presentation of Demands or Drafts.....	249
4.15 Requirement that Legal Documents be Presented.....	249
4.16 Requirements that Negotiable Documents Other than Drafts be Presented.....	249
4.17 Documents Related to Counter Undertakings.....	250
4.18 Examination of Documents Under Commercial Standbys.....	250

4.19	“Other Documents”	250
Q&A: Chapter 5 Honour and Dishonour		251
5.1	Making a Decision to Honour or Dishonour	251
5.2	Honour of a Complying Presentation	251
5.3	Reimbursement of Nominated Banks	252
5.4	Dishonour	253
5.5	Preclusion	254
5.6	Applicant Reimbursement	254
Q&A: Chapter 6 Miscellaneous Issues		256
6.1	Retention of the Operative Instrument	256
6.2	Transfer of Drawing Rights	256
6.3	Assignment of Proceeds	257
6.4	Transfer by Operation of Law	257
6.5	Disclaimers	258
6.6	LC Fraud, Abuse, or Unconscionability	258
6.7	Protected Persons	259
6.8	Sanctions and Illegality	259
6.9	Bank Charges	259
6.10	Bank-to-Bank Reimbursement	260
6.11	Syndication and Participation	260
6.12	Law, Forum, and Arbitration	260
Index	.....	262