

### Letter of Credit available by Sight Payment

These letters of credit authorise the Nominated Bank to pay the Beneficiary at sight immediately on presentation of the complying documents to the Nominated/Confirming Bank. In the case of sight payment, the Beneficiary can draw the draft on the bank nominated in the letter of credit. Unless the letter of credit is available only with the Issuing Bank, it must state the Nominated Bank authorised to pay. If the letter of credit is payable at sight and is **confirmed** by the Nominated Bank, the latter cannot delay payment while waiting for reimbursement from the Issuing Bank, provided of course the documents comply.

### Letter of Credit available by Deferred Payment

The Beneficiary is paid on the maturity date determinable in accordance with the stipulations of the letter of credit provided all terms and conditions of the letter of credit are complied with. The credit is available without drafts. If the letter of credit is **confirmed** and is **payable at a future date**, the Confirming Bank undertakes to make payment against documents on the maturity date. If the letter of credit is **not confirmed**, the bank can inform the exporter that the documents comply with letter of credit terms and conditions, however, without a payment undertaking. The bank will pay the exporter on receipt of funds from the importer's bank.

The **maturity date** can be specified by a period of time after the date of shipment of the goods, by a period of time after the date of the presentation of the documents, as a fixed future date, etc.

### Summary of Types of Documentary Credits

- **Confirmed.** Additional undertaking of Confirming Bank provided all terms and conditions have been met.
- **Unconfirmed.** Settlement is based on undertaking the Opening (buyer's) Bank or its authorisation for payment to be made.
- **Irrevocable.** Cannot be cancelled or amended without agreement of all parties.
- **Revocable.** May be cancelled at any time - do not accept.
- **Revolving.** Used for regular shipments; may revolve as to time, e.g. monthly, or else to value.
- **Transferable:** The LC can be transferred by the Beneficiary to a third party (second Beneficiary) at full or part of its value - useful for buying agents and traders.
- **Back-to-back:** The export letter of credit backs a second letter of credit which is used to pay a supplier - useful for buying agents and traders.
- **Import Letters of Credit.** This is a short but very important learning unit. The ability of the trade practitioner and their bankers to issue documentary credits which are complete and precise is essential. This unit will familiarise you with the role of the Issuing Bank, how to complete the DC application form and most importantly how to analyse the Credit as issued.

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