Electronic Letter of Credit

2015.07.23
Agenda

- Traditional L/C Process
- Electronic L/C – Issues and Challenges
- Tradelink Electronic L/C Service
- Expanding the Horizon
Letter of Credit Documents

- Draft (Bill of Exchange)
- Invoice
- Packing List
- Bills of Lading
- Air Waybill
- Insurance Policy / Certificate
- Certificate of Origin
- Weight Note / Certificate
- Inspection Certificate
- Analysis Certificate
- Beneficiary Certificate
- Original LC
- Original AMD
- Multiple Country Declaration
- Export License
- Quota Statement
- Cargo Receipt
Rule Book For Document Checking

Rule Book Checking:
- Air waybill
- Beneficiary Statement
- Bill of Lading
- Cargo Receipt
- Certificate of Origin
- Commercial Invoice
- Packing List
- Export License
- Inspection Certificate
- Insurance Certificate
- Quota Statement

The requirements for completion of an insurance certificate are as follows:
- the name of the party ("A") in whose favour the document has been issued
- the name of vessel or flight details ("B")
- the place from where insurance is to commence ("C")- typically the sellers warehouse or the port of loading - and the place where insurance ceases - usually the buyer's warehouse or the port of destination
- insurance value to be that specified in the credit ("D")
- marks and numbers to agree with those on other documents("E")
- the description of the goods ("F"), which must be consistent with that in the credit and on the invoice
- the name and address of the claims settling agent("G"), together with the place where claims are payable
- countersigned ("H") where necessary
- date of issue to be no later than the date of transport document ("I"), unless cover is shown to be effective prior to that date.
Electronic Letter of Credit Transaction

1. Electronic Sale Contract
2. Application for an electronic L/C
3. Issuing L/C Subject to eUCP
4. Advising Electronic L/C
5. Shipment
6. Dispatching documents
7. Presentation of e-documents
8. Document control, payment release
9. Electronic Release of Lading

applicant

beneficiary

issuing bank

advising bank

e-Bill of Lading
Electronic Letter of Credit

» Issuing bank issues e-L/C to Advising bank

» Most banks use SWIFT format (MT700) & channel

» There are special message codes for letter of credit data that allow SWIFT messages to be processed by computer

PORTION OF SWIFT LETTER OF CREDIT

:40A: IRREVOCLABLE
:31C: 971027
:31D: 971215 LAGOS
:50 : NIGERIA AUDIO
:59 : VICTORIA ISLAND 33
:59 : NG-LAGOS
:59 : TOWER DESIGNS
:59 : 150 PO KONG ST
:59 : KOWLOON, HONG KONG

form of letter of credit

date of issue
date & place of expiry
applicant

beneficiary
Electronic L/C Advising

Issuing Bank → SWIFT → Advising Bank

MT700

MT700
L/C Advise & Document Collection?

Document Format?
Channel?
Negotiability

- L/C can be negotiable

- How to address the duplication, integrity, authenticity issues with electronic documents?

- Bill Of Lading Electronic Registry Organization (BOLERO)
  - Rulebook - common legal agreement entered into by all users
  - Title Registry – repository to manage the transfer of title documents
  - Exchange – common infrastructure to facilitate document exchange
  - Rigorous registration system
  - Unable to gain momentum in this region
Tradelink eL/C Service
DTTN - A Common Digital Platform To Facilitate Document Exchange (Any to Any)

Mega Trend to Enhance Competitiveness: A Common Digital Platform to Facilitate Information Exchange

Industry Challenges: Discrete Communication Models

IMPORTER REGION

EXPORTER REGION

Common Functions

Seller 賣家
Manufacturer 生產商
Buyer 買家

Bank 銀行
Forwarder 承運商
Warehouse 貨倉
DTTN Supports the Entire Supply-Chain

**Purchase Process**
Purchase / Sales Order, Order Confirmation

**Delivery**
Packing List / ASN, Commercial Invoice, Inspection Certificate, Insurance

**Local and Overseas Transportation**
Booking, Shipping Order, Arrival Notices, Transport Documents - Master / House Waybill - Sea / Air, Cargo Receipt, Transport Set, EIR, Delivery / Release Order

**Government Trade Documents**
Export / Import License, Customs Clearance, Certification of Origin etc.

**Financial Settlement**
Letter of Credit, Company Guarantee, Bill of Exchange, L/C collection Letter; Document Arrival Notice

88+ major documents related to trade, logistics and finance for both import and export business processes
International Trade

Business Matching  Receive PO  Production  Inspection  Insurance  Chamber of Commerce  Customs  Outbound Logistic  Freight Forwarder  Terminal  Payment

E-Document Exchange
Tradelink Electronic Letter of Credit

Electronic L/C Service

LC Advise

Document Collection

Electronic Document Exchange Platform
Tradelink Electronic Letter of Credit

Electronic L/C Advising

1) LC Notification
2) Log on to Tradelink Web Site
Collection Doc
1) Electronic message + electronic Image
2) Hard copy originals

Doc Validation
Doc Collection

Issuing Bank
Advising Bank HK

Paper Doc
Suppliers
Forwarder

Signed Electronic Messages

Tradelink
DTTN
Govt
Terminal
Bridging the Trading and the Banking Industries
Prepare Shipment Documentation (Invoice)
Prepare Shipment Documentation (Packing List)

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**Reference**: PL-22005802  
**Type**: PL  
**Status**: Draft  
**Version**: Amendment 1

**PO No.**: 22005802  
**Style No.**: 6256-BLU-30  
**Season Code**: 128/AV13  
**Buyer Dept No.**: 24

**Description**: LADIES BLOUSE 1/2 SLEEVE 100% POLYESTER

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**Total Carton**: 10  
**G.W.**: 8.30

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**Totals**: 10 Carton  
**G.W.**: 8.30
Receive eSWB from Forwarder
Inspection Report
Compliance Checking of Full Set Document

PT. JAKARTA FASHION LTD
MAFPION PLAZA GUNUNG SAHARI 9TH FLOOR JL. GUNUNG SAHARI RAYA M.
JAKARTA 14420

City: Jakarta, Java  Tel: (62)-22-23856627  Fax: (62)-22-23656627  Co.

PACKING LIST

Supplier Code: JOSEF WITT GMBH
SCHILLERSTADT, 4-12
92637 WEIDEN
GERMANY

To: JOSEF WITT GMBH
SCHILLERSTADT, 4-12
92637 WEIDEN
GERMANY

Shipping Mark: HAMBURG H/LEGEN
ORDER NO.: 22005802
e-Signing on Full Set Document to Buyer
Expanding the Horizon

PAA Network

- EDI-I (Indonesia)
- InterCommerce (Philippines)
- CAT Telecom (Thailand)
- TEDMEV (Macau)
- NACCS (Japan)
- CrimsonLogic (Singapore)
- KTNET (Korea)
- Trade-Van (Taipei)
- Trade-Van (Taipei)
- Tradelink (Hong Kong)
- CIECC (China)
Expanding the Horizon
Discussion

Q&A
**Tradelink Electronic Letter of Credit**

**Value Proposition of the Partnership**

- **Bank@HK**
  - Professional consultation in International Trade
  - Express processing in LC document
  - Better Risk Control

- **Tradelink**
  - Connection to all im/exporters, govt, and various logistic service providers
  - Secure, robust, and easy to use electronic document exchange platform
  - Cover most of the commercial documents in any format
Tradelink Electronic Letter of Credit

The Combined Strength

1. **LC Advise**
   - Validate and issue the LC
   - Electronic Advise of LC
     - Electronic document template, data inheritance, and validation rules, etc
     - Connection to parties like govt, forwarder, carriers, etc

2. **Doc Preparation**
3. **Doc Exchange**
4. **Doc Presentation**
5. **Doc Checking**
   - Efficient checking of doc on-line
   - Efficient rectification of discrepancy
   - Prompt response to Issuing Bank
   - On time payment

6. **Collection or Negotiation**
7. **Payment**

Electronic set of Drawing doc