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# DOCUMENTARY CREDITS

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A payment method used in international trade that provides an element of protection for both the buyer and the seller



## Documentary Credit

A Documentary Credit (DC) is a payment method used in international trade that provides an element of protection for both the buyer/importer (the applicant) and the seller/exporter (the beneficiary). A DC is commonly referred to as a letter of credit.

A DC guarantees payment for the beneficiary if the terms and conditions of the credit are met.

### Target market

A DC is a method of payment commonly used by both importers and exporters where the parties involved do not know each other.

It protects the interests of both the importer and the exporter after they have entered into an agreement of sale.

### Key features

<b>Protection</b>	A DC provides protection as the instrument is governed by Uniform Customs and Practice for Documentary Credits, version UCP600, standardised by the International Chamber of Commerce. This set of rules and regulations governs the issuance of letters of credit.
<b>Refinance and Discounting</b>	The applicant/beneficiary can use short-term finance opportunities by discounting or refinancing letters of credit.
<b>Trade discounts and rebates</b>	As the beneficiary is assured of payment under a DC, the applicant can negotiate favourable discounts and rebates.
<b>Independent credit backing</b>	The beneficiary obtains an independent credit backing and a clear-cut promise to be paid by a bank. The payment will take place if the documents presented by the beneficiary under the DC comply with the terms and conditions of the credit.

## Benefits of this product for your business

<b>Protection</b>	<p>It protects the applicant against buyer, bank and commercial risk, and it protects the interests of both the applicant and the beneficiary. No payment will be made unless the beneficiary meets the terms and conditions of the credit.</p> <p>The quality, quantity and time of the shipment can be controlled, provided that the correct documents, the person who should issue them and the information they should contain are specified.</p>
<b>Payment</b>	<p>Reliance for payment is on a bank and not on the applicant.</p> <p>Extended payment terms can be given to the applicant as the beneficiary could arrange to discount the proceeds of the letter of credit without recourse to the beneficiary there is therefore no impact on the facilities. Refers to the facility of the beneficiary.</p>
<b>Assurance</b>	<p>The applicant has the assurance that the beneficiary will be paid only if the documents provided are in accordance with the terms and conditions of the letter of credit.</p>



## Value-added services

<b>Discounting of an export letter of credit</b>	If you are an exporter, this service allows you to give extended payment terms to your buyer, where you would otherwise not have been in a position to do so. The proceeds of a letter of credit can be discounted once the letter of credit is confirmed (the commercial and country risk of the issuing bank must be acceptable to the discounting bank), and if the terms and conditions of the credit have been complied with. This means you can receive the proceeds of the sale earlier than specified in the payment terms agreed to with your buyer. The bank will pay you and recover the funds from your buyer at the time stipulated in your payment terms, thereby releasing working capital to you.
<b>Refinancing of import letters of credit</b>	If you are an importer, this service allows you to take advantage of extended payment terms, while the seller is paid in accordance with the terms and conditions of the letter of credit. This type of finance will be marked against your facility with the bank.
<b>Assignment of proceeds</b>	If you are an exporter, you have the option of assigning the proceeds receivable from your buyer under a letter of credit to a supplier (if you are not the manufacturer of the goods or if you are sourcing the goods from another party for delivery under the letter of credit/contract). An assignment is not a guarantee of payment but merely the right to the proceeds if payment under the letter of credit is received.
<b>Back-to-back letters of credit</b>	This service is used when the beneficiary under a letter of credit is not the final supplier of the goods. The beneficiary will then request the bank to issue a letter of credit to the final supplier using the first credit as security.
<b>Transferable credits</b>	This type of credit is used when the beneficiary in terms of a letter of credit is not the actual supplier of the goods and wishes to transfer all or part of the rights under the credit to one or more suppliers.
<b>Standby letters of credit</b>	A standby letter of credit (SLOC) is a financial instrument used primarily in international trade. The SLOC is issued by a bank on behalf of the buyer (applicant) and guarantees that the seller (beneficiary) will receive payment on presentation of specified documents in the event that the buyer fails to pay the beneficiary according to the terms of the contract.
<b>Electronic channels</b>	The ability to manage your cross border payment and trade transactions in a secure environment.

## How to apply

- Business Banking clients call: **0860 555 333** or send an email to **busassist@nedbank.co.za**.
- Small Business Services clients call: **0860 116 400** or send an email to **sbsassist@nedbank.co.za**.

## Steps to get started

- 1 Complete a letter-of-credit application form.
- 2 Submit an exchange control application form, if required.
- 3 Submit the signed letter-of-credit application form and supporting documents to the bank for processing.
- 4 Sign the general application for letters of credit and submit it to your transactional banker, the client service centre or a global business centre. For more information relating to our electronic channels please contact us directly.

## Frequently asked questions

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**Q: How do I apply for an import letter of credit?**

**A:** Complete the letter of credit application form which is available from Nedbank.co.za under 'Apply Online'.

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**Q: Who can I contact regarding the DC solution?**

**A:** You can contact your transactional banker, business manager or relationship manager or the Global Product Fulfilment team.

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**Q: Is payment guaranteed if letters of credit are issued or received?**

**A:** Payment is guaranteed if compliant documents are presented to the bank.

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**Q: Can the terms and conditions of the letter of credit be changed after the credit has been issued?**

**A:** The terms and conditions can be changed only with consent from both the applicant and the beneficiary.

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Authorised financial services and registered  
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