

International Standard Banking Practice

for the Examination of Documents under UCP 600



ISBP

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**International Standard Banking Practice for the Examination
of Documents under UCP 600**

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Introduction

International Standard Banking Practice (ISBP) first approved by the ICC Banking Commission in 2002 (Publication 645) and updated in 2007 (Publication 681), has developed into an invaluable aid to banks, corporates, logistics specialists and insurance companies alike, on a global basis. Participants in ICC seminars and workshops continue to indicate that rejection rates have decreased over the past 11 years, and it would be appropriate to acknowledge that a major contributing factor is the application of the practices detailed in ISBP.

At the time ISBP Publication 645 was approved by the Banking Commission it was stated by a number of national committees that its application had no relationship with UCP 500, mainly due to UCP 500 having been implemented some 8 years previous. With the approval of UCP 600 in October 2006, it became necessary to provide an updated version of the ISBP. It is emphasized that this was an updated version as opposed to a revision of ICC Publication 645. This publication is the first revision of Publication 645.

As a means of overcoming the concerns expressed for Publication 645, and to create a relationship between the UCP and ISBP, the introduction to UCP 600, states: “During the revision process, notice was taken of the considerable work that had been completed in creating the *International Standard Banking Practice for the Examination of Documents under Documentary Credits* (ISBP), ICC Publication 645. This publication has evolved into a necessary companion to the UCP for determining compliance of documents with the terms of letters of credit. It is the expectation of the Drafting Group and the Banking Commission that the application of the principles contained in the ISBP, including subsequent revisions thereof, will continue during the time UCP 600 is in force. At the time UCP 600 is implemented, there will be an updated version of the ISBP to bring its contents in line with the substance and style of the new rules.”

The comments appearing in the introduction to UCP 600 have equal value today with this revision of the ISBP. A number of the practices that are described herein have not changed, materially or at all, since their inclusion in Publication 645.

The international standard banking practices documented in this publication are consistent with UCP 600 and the Opinions and Decisions of the ICC Banking Commission, with the exception of Opinions R751 and R766 for which ICC will make a separate announcement.

It is important to note that this document does not amend UCP 600. It explains how practices articulated in UCP 600 are to be applied by documentary credit practitioners. This publication and the UCP should be read in their entirety and not in isolation. To emphasize this point, paragraph i. of Preliminary Considerations reads “This publication is to be read in conjunction with UCP 600 and not in isolation.” It is, of course, recognized that the law in some countries may compel a different practice than those stated here.

No single publication can anticipate all the terms or the documents that may be used in connection with documentary credits or their interpretation under UCP 600 and the standard practice it reflects. However, the Drafting Group have reviewed and revised this publication to conform to UCP 600.

It should be noted that any term in a documentary credit that modifies or excludes the applicability of a provision of UCP 600 may have an impact on international standard banking practice. Paragraph ii. of Preliminary Considerations emphasizes this point “The practices described in this publication highlight how the articles of UCP 600 are to be interpreted and applied, to the extent that the terms and conditions of the credit, or any amendment thereto, do not expressly modify or exclude an applicable article in UCP 600.” This principle is implicit throughout this publication. Where examples are given, these are solely for the purpose of illustration and are not exhaustive.

In a similar vein, ISBP cannot anticipate situations created by poorly or inappropriately drafted credits and the Drafting Group have been diligent in not condoning such issues. The need for care at the application and issuance stage under Preliminary Considerations and the paragraphs covering “Expressions not defined in UCP 600” have been extended and refined.

This publication reflects international standard banking practice for all parties to a documentary credit. Since applicants’ obligations, rights and remedies depend upon their undertaking with the issuing bank, the performance of the underlying transaction and the timeliness of any objection under applicable law and practice, applicants should not assume that they may rely on these provisions in order to excuse their obligations to reimburse the issuing bank.

The incorporation of this publication into the terms of a documentary credit is deemed inappropriate, as the requirement to follow agreed practices is implicit in UCP 600.

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