

Standby Letters of Credit

Product Description Sheet

AIB Global Treasury Services UK



A Standby Letter of Credit is a bank undertaking that covers default by a Buyer. The Buyer pays directly for goods ordered and only in the event of non-payment by the Buyer does the Seller claim under the Standby Letter of Credit.

Product Description

Standby Letters of Credit are used to support regular supply contracts with Exporters. The Importer arranges for their bank to provide the Exporter with a undertaking that, in the event that goods have been shipped and the Exporter has not been paid, the Importer's bank will effect payment for a pre-determined amount.

It is issued subject to International Chamber of Commerce rules and is usually payable against a written declaration of non-payment supported by a copy of the unpaid invoice and relevant shipping documentation.

See over for Sample Wording.

Product Benefits

- Importer can secure a regular supply of goods.
- Enables the Importer to establish a pre-determined credit line with the Exporter.
- Utilisation of the Importer's credit facility with their bank is limited to the maximum amount due to the Exporter.
- Enables the Importer to negotiate better price or credit terms with the Exporter.

Import Letters of Credit, Standby Letters of Credit and Guarantees are subject to credit approval being in place prior to issuance.

**THIS DOCUMENT IS FOR INFORMATION PURPOSES
FOR FURTHER INFORMATION PLEASE CONTACT YOUR RELATIONSHIP MANAGER
OR OUR TRADE FINANCE TEAM - TEL. NO. 0044 161 2375723**

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Standby Letter of Credit
(Proposed Wording Only)

FROM: ALLIED IRISH BANKS, p.l.c., TRADE FINANCE SERVICES

TO:(BENEFICIARY'S BANKERS)

WE HEREBY OPEN OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO.....

APPLICANT:
.....
.....
.....

BENEFICIARY:
.....
.....

COPY

CURRENCY & AMOUNT: (IN FIGURES AND WORDS)

THE PURPOSE OF THIS STANDBY LETTER OF CREDIT IS TO COVER THE EVENTUALITY OF GOODS BEING SHIPPED TO AND THEIR FAILING TO EFFECT PAYMENT IN ACCORDANCE WITH THE AGREED TERMS (Applicable payment terms e.g. 30 days from Shipment/60 days from invoice date).

PARTIAL SHIPMENTS ALLOWED

OUR STANDBY LETTER OF CREDIT IS AVAILABLE WITH ALLIED IRISH BANKS, p.l.c., BY PAYMENT UPON PRESENTATION BY THE BENEFICIARY OF THE FOLLOWING DOCUMENTS:

1. COPY OF RELATIVE UNPAID INVOICE.
2. BENEFICIARIES SIGNED DECLARATION STATING THAT THE APPLICANTS HAVE FAILED TO EFFECT PAYMENT IN ACCORDANCE WITH THE AGREED TERMS.
3. COPY OF RELATIVE TRANSPORT DOCUMENT EVIDENCING DESPATCH OF GOODS TO APPLICANT.

CLAIMS IF ANY, MAY BE MADE AT THE COUNTERS OF ALLIED IRISH BANKS, p.l.c., UP TO AND INCLUDING/...../..... AFTER WHICH DATE OUR STANDBY LETTER OF CREDIT MAY BE CONSIDERED CANCELLED.

ALL CHARGES OUTSIDE UNITED KINGDOM ARE FOR THE ACCOUNT OF THE (APPLICANT or BENEFICIARY).

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL CHAMBER OF COMMERCE RULES IN FORCE ON DATE OF ISSUANCE THIS IS THE OPERATIVE INSTRUMENT AND NO MAIL CONFIRMATION WILL FOLLOW.

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