

Will the UCP 600 Provide Solutions to Letter of Credit Transactions?

Roberto Bergami*

It is generally accepted that international trade transactions carry inherently more risk than domestic trade transactions, because of differences in culture, business processes, laws and regulations. It is therefore important for traders to ensure that payment is received for goods despatched and that the goods received and paid for comply with the contract of sale. One effective way of managing these risks has been for traders to rely on the letter of credit as a payment method. However for exporters in particular, the letter of credit has presented difficulties in meeting the compliance requirements necessary for the payment to be triggered. The current rules that govern letter of credit transactions (UCP 500) have been under review for the past three years and an updated set of rules (UCP 600) is expected to be introduced on 1 July 2007. This paper focuses on the changes mooted for 2007 and compares these main issues with the existing rules and other associated guidelines and regulations governing this method of payment. The conclusion is that the UCP 600 have not paid enough consideration to traders and service providers and are likely to engender an environment of uncertainty for exporters in particular.

Field of Research: Economics

1. Introduction

This paper considers the implication to changes of letter of credit transactions and the sharing of risk. Firstly the paper provides some background to letters of credit, then comments on existing literature and models, and subsequently an analysis of the most important changes to the existing rules, before reaching a conclusion. Letters of credit have been described “as the lifeblood of international commerce” (D'Arcy, Murray & Cleave 2000, p. 166). Recent estimates place letter of credit transactions in excess of USD 1 trillion per annum (Klein 2006, p. 1), making this method of payment significant indeed. The letter of credit transaction is governed by a specific set of rules: the Uniform Customs and Practice for Documentary Credits (UCP 500), issued by the International Chamber of Commerce (ICC) in 1993. These rules allow for two distinct types of letters of credit: revocable and irrevocable.

*School of Applied Economics, Institute for Logistics and Supply Chain Management, Victoria University, Melbourne, Australia

Revocable letters of credit allow the document and the clauses to be changed without the agreement of the exporter, whereas irrevocable letters of credit, once issued, require the agreement of the exporter before any changes can be incorporated. The irrevocable credit, therefore provides a higher degree of payment security for the exporter. Under the UCP 500 all letters of credit are irrevocable unless the parties explicitly wish otherwise. As revocable letters of credit are hardly used in modern commerce, they are not considered in the context of this paper.

The letter of credit is well suited to large transactional values and in areas of higher risk, as this payment instrument allows the exporter to substitute the credit standing of the buyer with that of his bank, or even another bank outside the buyer's country. The letter of credit is a conditional guarantee of payment given by the issuing bank (who establishes the credit - typically the importer's bank) to the beneficiary (the recipient of the credit - the exporter). The condition is that the beneficiary must meet all of the issuing bank's requirements, thereby triggering the payment.

The whole transaction, insofar as the payment mechanism is concerned, is based purely on documentation that banks check for compliance against the letter of credit, and each other document for consistency. The documents are deemed to represent the goods. Documentary compliance for the exporter, therefore, is imperative in claiming an unencumbered payment. Yet, according to the ICC, documentary non-compliance is as high as seventy per cent (ICC Thailand 2002). In the majority of cases exporters run the risk of not being paid because they fail to satisfy the banks' requirements for specific data content on documents. Exporters choose to deal through letters of credit to ensure payment, yet lose that benefit by the provision on non-compliant documents.

One of the reasons for documentary non-compliance has been a somewhat subjective and interpretative approach to letter of credit compliance that, in the first instance, is unilaterally decided by the banks. This issue comes at a cost to exporters. In the UK alone, it is estimated that the cost of documentary discrepancies is in the order of £ 113 million per annum (SITPRO 2003, p. 2). The ICC has made a number of attempts to clarify this area, but none have been successful, and a new set of rules - UCP 600 (International Chamber of Commerce 2006) - is due to be invoked on 1 July 2007. This paper considers whether the UCP 600 will invoke changes that will enable a higher proportion of documentary compliance to be achieved by exporters. This is an important consideration, because of the potential financial losses exporters face through non-compliant documents. To continue to play a pivotal role in international trade finance, the letter of credit rules must provide certainty and stability on a transaction-by-transaction basis, with clear and predictable outcomes. In this context it is therefore important to examine the new rules in detail in order to determine whether these meet the expected outcomes of all stakeholders involved in the transaction.

2. Literature Review

There is a high volume of literature in the field of risk management with different foci. The majority of these publications focus on financial risk management from different perspectives, such as banking, (Bessis, 1998) credit or debt management, (Clarke, 1997; Finnerty & Emery, 2001), marketing, (Keegan, 1997), decision making, (Bell, Raiffa, & Tversky, 1988) legal (Mugasha, 2003) and so on.

These publications bear little relevance to the focus of this paper.

The world's first standard on risk management was published Standards Australia/New Zealand in 1999 (Joint Technical Committee OB/8 - Risk Management). The model developed by the standard is generic in nature and is independent of industry or economic sectors. This model concentrates on the management aspects of any risk, but does not appear to be closely linked to the operations of an organisation and therefore has limited value for this paper.

There is an abundance of literature on L/C transactions, (Venedikian & Warfield, 2000), (Burnett, 2004), (Madura, 2003), but this is only descriptive and general in nature, lacking analysis. Journal articles in various disciplines concentrate on the need of using L/C as a financing tool (Luxon, 1998; Karpen, 1995; Schlesinger, 2003), and the different types that of L/C that have been devised (Weissman, 1996). The legal status of L/C varies from country to country and journals and books have covered this aspect to varying degrees. (Creed, 2001; Mugasha, 2003) The ICC has even published a book comparing legislation on L/C in 35 countries (Schutze & Fontane, 2001). All of the current literature does not consider the new UCP 600, and its usefulness is therefore generally limited.

The issue of documentary discrepancies has received attention in journals, however the focus has been general in nature with summarised steps attempting to provide ideas for solutions through simple checklists. (Baker, 2000; Metha, 1999). Whilst descriptive literature is abundant, there appears to be a world-wide dearth of theoretical literature in documentary discrepancies research.

The most applicable study conducted in the area of letters of credit appears to be that undertaken in the US by Mann (2000, pp. 2494 - 2547). Mann confirms the high rate of discrepancies that occur in L/C transactions. As part of his study Mann claims that the high discrepancy rate is probably of little financial consequence in a market where buyer demand is buoyant and the goods are highly sought after by the overseas buyer. There were three responses to Mann's paper. One concludes his article by stating that "Mann's data and his analysis both make it possible and demand a number of promising lines of future research" (Corre 2000, p. 2553). Another comments that some of Mann's explanations are "creative, interesting and, as far as I now, original" (Katz 2000, p. 2555). The third disputes the findings on the basis that Mann's study ignored some of the parties involved in a L/C transaction stating that "reliable empiricism demand that the relevant enquiries be made of all parties to the transaction" (Gillette 2000, p. 2547). The responses to Mann's work include praise for the research conducted and describe it as a "valuable contribution", (Katz, 2000, p. 2554) and "groundbreaking" (Corre, 2000, p. 2553). However, other comments also point out that "Mann's information-verification theory of letters of credit is instructive, original, and important, but incomplete" (Katz, 2000, p. 2572). These comments suggest that notwithstanding Mann's work, there is an opportunity for more research to deepen the understanding of the seller-bank-buyer inter-relationships that are set up under a L/C transaction. Mann's study is also limited in value, as this was done under the current UCP 500 not the new UCP 600, so the findings could at best be used for comparative purposes. As the UCP 600 are not expected to take effect until 1 July 2007, any comparative study would need to wait until some history with new rules has developed, probably beyond 2008.

A business risk framework, such as the one proposed by McNamee (2000)ⁱ, shown in Figure 1 below is a useful model in considering the major elements of risk.

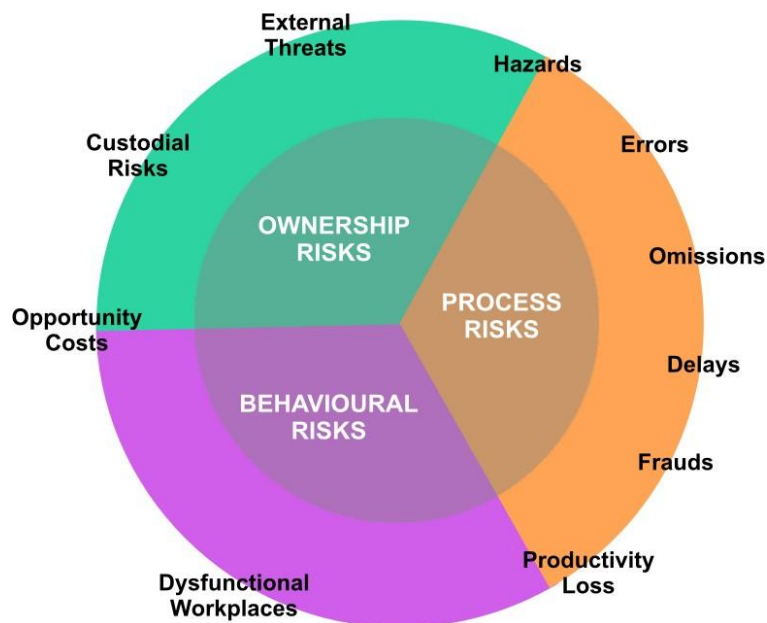


Figure 1: Business Risk Model (McNamee 2000)

The risks most relevant to this the focus of this paper are the behavioural and process risks as they give rise to a number of elements that are closely linked to the problems of letter of credit transactions, viz: errors, omissions, delays, frauds, productivity losses and a dysfunctional work place. All of these elements either form part of or contribute to documentary discrepancies. Whilst the McNamee model may prove valuable as a basis for considering the firm's risk, particularly as it applies to external risk, this model has limited application in the context of this paper, because the new UCP 600 rules are yet to be implemented, and there is current uncertainty on possible results from the implementation of aspects of the new rules, as discussed later in the paper. The MacNamee model therefore has not been included in the discussion of the proposed changes outlined in this paper.

3. The Letter of Credit Contracts and Cycle

The letter of credit transaction is complex, as its issue gives rise to a number of contracts that operate independently of the sales contract. These contracts are shown at Figure 2.

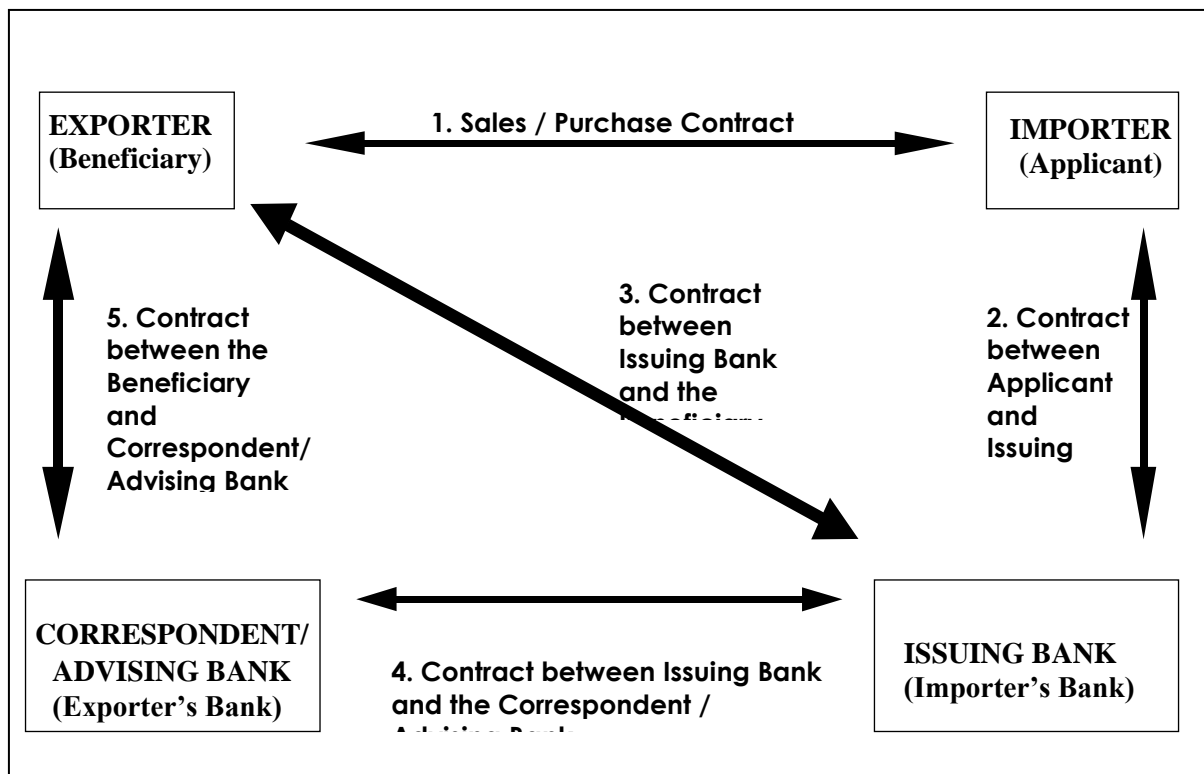


Figure 2: Typical contracts arising from a letter of credit transaction (Bergami 2004, p. 23)

The sales contract is the legally binding agreement in which the exporter and importer will agree to utilise the letter of credit as the method of payment (contract number 1). The importer needs to apply to his bank to have the letter of credit issued (contract number 2). This application is subject to the bank's usual commercial risk analysis and due diligence and therefore it may be rejected where the credit risk of the buyer is unacceptable to the bank. If the decision is taken by the bank to issue this payment instrument, then an undertaking to pay, subject to certain conditions is created (contract number 3). As letters of credit operate through the banking system, the issuing bank engages the services of the exporter's bank to advise the credit (contract number 4). The advising bank in turn engages with the exporter in advising the letter of credit, after authenticating same (contract number 5). The sequence of events that typically apply to a deferred payment letter of credit transaction is shown at Figure 3.

The critical area for the exporter endeavouring to achieve documentary compliance, and therefore payment, is at step 6. By this stage the exporter, having received the letter of credit (step 4) and checked it for consistency against the contract of sale, had dispatched the goods (step 5) and lodged same with the bank (step 6), for examination and acceptance. The payment will be received by the exporter provided the documentary compliance is achieved to the satisfaction of the bank.

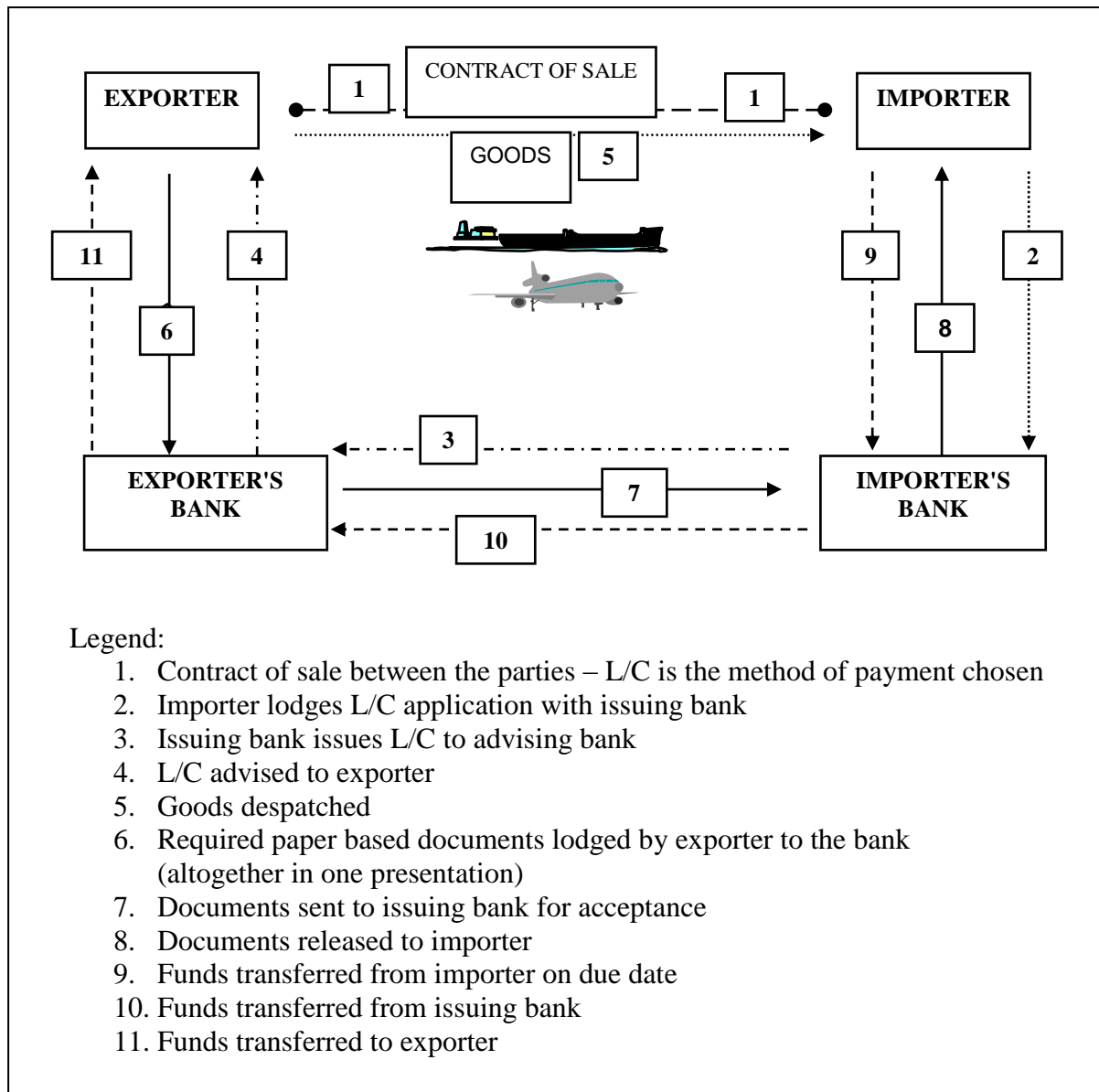


Figure 3: Typical letter of credit cycle - deferred payment option (Bergami 2005)

been a number of ongoing problems associated with the interpretation of some of the rules, resulting in the ICC publishing four position papers to clarify the main issues (Collyer 2006). In particular, seven articles (numbers 9, 13, 14, 21, 23, 37 and 48) have been the subject of “more than 58% of all the ICC Opinions” (Department of Policy and Business Practices 2003, p. 2). A specially convened ICC Taskforce was charged with the review of these articles, while a smaller Working Group was charged with the review of the remaining forty-two articles. Of particular importance to exporters and transport document providers are the following three UCP 500 articles:

- 13 - Standards for Examination of Documents;
- 14 - Discrepant Document and Notice;
- 37 - Commercial Invoices.

The UCP 600 proposed response to these articles is considered in next section of this paper in the context of the implications for exporters in future letter of credit transactions.

4. The Proposed UCP 600 and its “Solutions”

The UCP 500 is comprised of 49 articles, whereas the UCP 600 (Drafting Group - Commission on Banking Technique and Practices 2006) only has 39 articles. The reduction in the number of articles does not translate to an easier interpretation of the UCP 600. Various experts and industry representative bodies are confused and in disagreement with some of the proposed provisions of the UCP 600. This is evidenced throughout the executive summary of the May meeting of the Commission on Banking Technique and Practice (Department of Policy and Business Practices 2006), where comments from participants about the proposed rules amounted to more than 150 pages (Kreitman 2006a, p. 1), and recent public media statements by industry bodies (International Federation of Freight Forwarders Associations 2006). The concern with this situation is that, despite the lack of unity of stakeholders involved in letter of credit transactions, the draft UCP 600 will be subject to “a ‘yes’ or ‘no’ vote at the ICC Banking Commission meeting to be held on October 24/25, 2006 solely based on the content of that draft” (Collyer 2006). If the majority vote is positive, then the UCP 600 will take effect, most likely, from 1 July, 2007. Whilst the time frame for educational dissemination of the new rules may be acceptable, it is the content of the new articles that continues to cause concern for exporters, transport providers and insurers. The three articles identified earlier are considered below.

(i) Article 13: UCP 500 (Article 14: UCP 600)

From the exporter’s point of view one of the most crucial steps is the presentation of the documents to the counters of the receiving bank under a letter of credit transaction (step 6 in Figure 3), as this triggers the documentary compliance check cycle. It is at this stage that Article 13, one of the most important articles of the UCP 500, takes effect. Article 13 requires the bank to check the documents received by the exporter for compliance against the letter of credit and such compliance “shall be determined by international standard banking practice as reflected in these articles” (International Chamber of Commerce 1993, p. 5). The problem with UCP 500 Article 13 is that, at the time these rules became operational, it made a reference to a non-existent standard. Indeed it was not until 2003 that the ICC published the International Standard Banking Practice (ISBP), ten years after the international banking system was supposed to use such standards for accepting documentation upon which to effect payments. To make matters even more ludicrous, the ICC decided to make the adoption of the ISBP voluntary and in an amazing display of “vacuum” thinking, the ISBP were declared to be merely “guidelines”. Although the ISBP were devised to provide a standard for bankers to operate with and provide a degree of predictability in documentary compliance, the voluntary adoption clause meant that exporters were now dealing in a more uncertain world, one where two banks may have differing opinions about documentary compliance depending on whether they followed the ISBP or not. Even though the ISBP have no “power” of their own, they do influence the interpretation of the UCP 500, however rejection of

documents must be based on breaches of the UCP 500 articles, without reference to ISBP. In summary the ICC waits ten years to issue a standard and then makes this voluntary and gives it no authoritative power. This is hardly what could be considered to be an approach designed to instil confidence in traders. The UCP 600 Article 14 (replacing UCP 500 Article 13) is the future “solution” proposed by the ICC, but it is not without problems for exporters:

- The requirements for banks to follow international standard banking practice remains in this article but, significantly, this requirement does not appear to refer to the ISBP necessarily (Kreitman 2006b, p. 2). It is therefore unclear as to which international banking practices ought to apply, certainly not ISBP, as these guidelines are linked to the UCP 500 articles. There has been no statement or attempt by the ICC, to date, to indicate whether, or when, the ISBP may be revised in line with the UCP 600. The lack of such direction may result in another phase of uncertainty for exporters, similar to the period of 1993 to 2003, where international standard banking practices were expected, but not in existence.
- The cause of many discrepancies has not been alleviated as the requirement for consistency of data among documents is retained, regardless of whether these data are actually called for in the credit or not. The doctrine of materiality does not appear to have been considered in the UCP 600, rather the doctrine of strict compliance is still being followed. As an example, a spelling error between two documents, even in a field not specified in the letter of credit, still enables a bank the opportunity to reject the documents and jeopardise the payment, regardless of how minor or irrelevant this spelling error may be. The practice of “inventing discrepancies” is still commonplace with banks “using technicalities to dishonour documentary credits - for example, a misspelling of the word ‘suit’” (International Chamber of Commerce 2004). Indeed this is a common occurrence in some parts of the world as evidenced by the representations made at an ICC meeting in 2005, where there were “a number of very frank admissions from some banks in Asia that re-examination of documents represented a very significant source of income” (Kreitman 2005, p. 2). Such practices also cause longer settlement periods, as no funds are transferred until the documents are re-examined and finally accepted. This situation negatively impacts on exporters’ cash flows and increases the risk of payment default.
- The expression “on their face” in relation to the checking of documents for compliance has been retained, despite the fact that the UCP 600 “Consulting Group took the position (in an 18-5 vote) that the way the UCP was worded now ‘on its face’ was superfluous and should be removed” (Department of Policy and Business Practices 2006, p. 6). This expression has created concern because of its unclear meaning, not only in English, but also in other languages. As an example there is no such expression in the French language (International Chamber of Commerce 2005). It appears that the ICC to date has ignored calls for changes to this article, despite obvious and significant difficulties in implementing its requirements.

(ii) Article 14: UCP 500 (Article 16: UCP 600)

Article 14 of the UCP 500 has been replaced by Article 16 of the UCP 600. This article prescribes actions that banks must follow when confronted with discrepant

documents. Under the UCP 500 regime the issuing bank may, in its sole judgement, approach the importer for a written waiver, seeking acceptance of the documents. Even where the waiver is given, though, the issuing bank has no obligation to accept same, because of the contractual considerations that exist in the letter of credit mechanism, as shown in Figure 1, contracts 2 and 3.

The UCP 600 provide a better opportunity for the exporter in situations where discrepant documents exist. Although the prescribed action pathway remains, there is now an additional option for the bank to handle the documents in accordance with the exporter's prior instructions. It would be possible for the exporter to request consultation from the bank, prior to seeking a written waiver from the buyer to accept the discrepant documents. This may prove useful in a situation where the market price of the goods has increased with the exporter now having an opportunity to gain additional revenue (Kreitman 2005, p. 2).

(iii) Article 37 UCP 500 (Article 14: UCP 600)

Article 37 of the UCP 500 has been incorporated into Article 14 of the UCP 600. The strict compliance requirement expected on the product description on the commercial invoice under the UCP 500 appears to have been diluted. The UCP 500 Article 37(c) states "The description of the goods in the commercial invoice must correspond with the description in the credit". In part this statement was responsible for the development of the practice of "inventing discrepancies" referred to earlier. The UCP 600 no longer bears such a prescriptive approach on the description of the goods on commercial invoices, thereby allowing document checkers a greater degree of flexibility that should result in fewer documentary discrepancies and rejections.

5. Other Major Areas of Concern

As late as 23 September 2006, FIATA (International Federation of Freight Forwarders Associations), the body representing the freight forwarding community, expressed concern about the UCP 600 transport articles (International Federation of Freight Forwarders Associations 2006), as these rules would no longer recognise FIATA transport documents. On a broader basis the concept of a "document of title" in relation to Bills of Lading, is a well developed Anglo-Saxon common law concept, but such a concept does not exist in countries such as China (Department of Policy and Business Practices 2006, p. 8). A number of other parties have also criticised the latest draft in relation to the transport document articles and the documentary data requirements, and the ICC noted that at least thirteen national committees had expressed reservation about the draft, and in a seeming late change of mind, the ICC is seeking a last minute review of these articles before the matter goes to vote in October 2006 (Department of Policy and Business Practices 2006, p. 9).

Similarly the cargo insurance industry has expressed concerns about the wording of relevant articles that did not, among other things, consider the different liabilities notion under the "all risk" insurance cover policies. As an example, the "notions of liability in France under the Lloyds clauses and the American Institute clauses were all different" (Department of Policy and Business Practices 2006, p. 13), once again the ICC is reviewing its position.

6. Conclusion

Intellectually it would appear that, in the theory of risk management, no existing current model has yet extended to cover letter of credit transactions as particular field of practice. The level of economic significance, in terms of possible money losses, is high when exporters engage in letter of credit transactions. As mentioned earlier in this paper, letter of credit compliance is a serious cost to business, with estimates for the UK alone at £ 113 million per annum, and this figure is just to rectify documentary discrepancies (SITPRO 2003, p. 2).

The letter of credit continues to remain an important instrument of finance that is particularly suited to international business transactions and it is vital that the rules that govern such transactions are acceptable to traders and financiers alike. The main reason for the UCP 500 is to bring it more in line with modern day practices that recognise the changing patterns of trade. Globalisation has had a tremendous impact not only on the opening up of the economies, but also on the consequential relationships and business practices between traders across the globe. For example, initiatives designed to automate business processes through electronic data interchange across the globe have resulted in increased usage of electronic non-negotiable transport documents. Yet, these changes in business practices do not seem to have been fully understood in the UCP 600 draft.

The review process undertaken by the ICC has seen comments funnelled through national committees to the UCP Drafting Group for consideration. Yet, even when on a vote basis there was overwhelming majority to make changes, the ICC appears to have ignored "its own voices". For example, the words "on its face" was subject to a vote by national committees with 25 in favour of its removal, against 12 who voted to retain it - this point was further voted on, at a Consulting Group meeting, with a vote of 18 in favour of its removal and 5 wishing to retain it, but despite two overwhelming negative votes, these words have not been removed (Department of Policy and Business Practices 2006, pp. 8, 14). The reasons for such developments are unclear.

Further dissention about the draft UCP 600 has been voiced by world-wide industry representative bodies in relation to transport documents and insurance issues, forcing a last minute rethink by the ICC.

The ICC appears to have ignored the implications of introducing the UCP 600 without a review of either the ISBP or the eUCP (The Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation). In relation to the eUCP, "at an early stage, it was decided that the eUCP would be a supplement to UCP 500 and, as such would not operate as a stand-alone set of rules" (Byrne & Taylor 2002, p. 13). The IBSP "does amend UCP. It explains how the practices articulated in the UCP are to be applied by documentary practitioners" (International Chamber of Commerce 2003, p. 8). Given that both ISBP and eUCP are completely dependent on the existence and the operation of the UCP 500, it is hard to see why these rules have not been concurrently reviewed with UCP 600, so as to release a "new suite" of regulations that are consistent and relevant to future letter of credit transactions. Some experts have supported the notion that the UCP 600 should be reviewed in a vacuum, as "it was felt that this was not the right time to incorporate the eUCP into UCP 600" (Collyer 2006) and that "it is not sensible to revise the ISBP until there is some experience of how the new UCP is working" (Kreitman 2005, p. 2).

Exporters using the letter of credit as a mechanism to both finance international trade transactions and reduce, or eliminate, payment risks need to operate in an environment of certainty and stability. Exporters need to understand and predict what banks are looking for in documentary compliance and how the new rules are to be interpreted, to ensure that payment for goods already shipped takes place as agreed. It is argued here that certainty not ambivalence is what makes the letter of credit desirable.

The UCP 600, to its credit, is proposing some positive changes, nevertheless. The rules on the description of the goods on the commercial invoice appear to have been relaxed, a new Article 2 that provides definition of key terms has been added, the timelines for checking documents for compliance has been reduced from the current maximum of seven clear bank working days to five and exporters have a new option on requesting that banks consult with them prior to seeking written waivers where discrepant documents exist.

The ICC has certainly made progress in revising the current rules, but the proposed UCP 600 do not appear to have satisfied the future needs of significant stakeholders.

References

Baker, W 2000, 'Dealing with letter of credit discrepancies', *Business Credit*, vol. 102, no. 10.

Bell, DE, Raiffa, H & Tversky, A 1988, *Decision making: descriptive, normative, and prescriptive interactions*, Cambridge University Press, Cambridge.

Bergami, R 2004, 'eUCP: A Revolution in International Trade?' *The Vindobona Journal of International Trade Law and Arbitration*, vol. 8, no. 1, pp. 23 - 36.---- 2005, 'International Standard Banking Practice: A Solution for Letter of Credit Transactions?' paper presented to 10Th AIBF Banking and Finance Conference, Melbourne, Australia, 29 and 30 September.

Bessis, J 1998, *Risk management in banking*, John Wiley & Sons Ltd, Chichester, UK.

Burnett, R 2004, *Law of international business transactions*, 3rd edn, The Federation Press, Sydney.

Byrne, E & Taylor, D 2002, *ICC Guide to the eUCP: Understanding the Electronic Supplement to the UCP 500*, ICC Publishing, S.A., Paris, France.

Clarke, B 1997, 'Documentary letters of credit', in BW Clarke (ed.), *Handbook of international credit management*, Gower Publishing Limited, Aldershot, Hampshire.

Collyer, G 2006, *The Origins of the UCP 600 Revision*, Coastline Solutions, viewed 31 August 2006, <<http://www.coastlinesolutions.com/news.htm>>.

Corre, JI 2000, 'Reconciling the old theory and the new evidence', *Michigan Law Review*, vol. 98, no. 8, pp. 2548-53.

D'Arcy, L, Murray, C & Cleave, B 2000, *Schmitthoff's Export Trade: The law and practice of international trade*, Sweet and Maxwell, London, U.K.

Department of Policy and Business Practices 2003, *Commission on Banking Technique and Practice: Meeting on 21 and 22 May at Paris, France (Document Number 470/1003)*, International Chamber of Commerce, Paris, France.

---- 2006, *Commission on Banking Technique and Practice: Executive Summary of Meeting on 16 and 17 May at Vienna Austria (Document Number 470/1078)*, International Chamber of Commerce, Paris, France.

Drafting Group - Commission on Banking Technique and Practices 2006, *UCP 600 - June 2006 Draft*, International Chamber of Commerce, Paris, France.

Finnerty John D. & Emery Douglas R. 2001, *Debt management: a practitioner's guide*, Harvard Business School Press, Boston, MA.

Gillette, CP 2000, 'Comments on Ronald Mann's The role of letters of credit in payment transactions', *Michigan Law Review*, vol. 98, no. 8, pp. pp. 2537-547.

ICC Thailand 2002, *Examination of documents waiver of discrepancies and notice under UCP500*, ICC Thailand, viewed 1 June 2004, <<http://www.iccthailand.or.th/article2.asp?id=9>>.

International Chamber of Commerce 1993, *Uniform Customs and Practice for Documentary Credits: ICC Publication number 500*, ICC Publishing, S.A., Paris, France.

---- 2003, *International Standard Banking Practice (ISBP): For the Examination of Documents Under Documentary Credits*, ICC Publishing, S.A., Paris, France.

---- 2004, *Chinese Bank Executive Wants ICC Trade Rules to Keep up with the Times*, viewed 3 September 2006, <<http://www.iccwbo.org/policy/banking/icccef/index.html>>.

---- 2005, *The Insight Interview: Ole Malmqvist Candid Views From a Member of the UCP Drafting Group*, viewed 3 September 2006, <<http://www.iccbooks.com/Home/OleMalmqvistInterview.aspx>>.

---- 2006, *Uniform Customs and Practice for Documentary Credits (draft): ICC Publication number 600*, ICC Publishing, S.A., Paris, France.

International Federation of Freight Forwarders Associations 2006, *FIATA Worried About UCP 500 Revision (Doc.PR06/03)*, FIATA, viewed 25 September 2006.

Karpen, L 1995, 'Your company's ticket abroad', *Nation's Business*, vol. 83, no. 8, p. 47.

Katz, AW 2000, 'Informality as a bilateral assurance mechanism', *Michigan Law Review*, vol. 98, no. 8, pp. pp. 2554-73.

Keegan, WJ, Green Mark C. 1997, *Principles of global marketing*, Prentice Hall, Upper Saddle River, NJ.

Klein, CH 2006, *Letter of Credit Law Developments*, Jenner & Block LLP, Chicago, IL, USA.

- Kreitman, R 2005, 'UCP 600: The End in Sight?' *Mantissa Support*, no. October 2005, viewed 19 September 2006, <<http://www.mantissa.co.uk/Support/nextucp3a.htm>>.
- 2006a, 'UCP 600: Approval in October?' *Mantissa Support*, no. July 2006, viewed 19 September 2006, <<http://www.mantissa.co.uk/Support/nextucp3a.htm>>.
- 2006b, 'UCP 600: Recent Progress', *Mantissa Support*, no. July 2006, viewed 27 August 2006, <<http://www.mantissa.co.uk/Support/nextucp3a.htm>>.
- Luxon, GK 1998, 'Fifty ways to use a letter of credit', *TMA Journal*, vol. 18, no. 6, pp. 92-4.
- Madura, J 2003, *International Financial management*, 7th edn, South-Western, Mason, Oh.
- Mann, RJ 2000, 'The role of letters of credit in payment transactions', *Michigan Law Review*, vol. 98, no. 8, pp. pp. 2494-536.
- Metha, R 1999, 'Export letters of credit - eight steps to error free compliance', *International Trade Forum*, no. 4, pp. 12-5.
- Mugasha, A 2003, *The law of letter of credit and bank guarantees*, The Federation Press, Sydney, NSW.
- Schlesinger, V 2003, 'The beleaguered letter of credit', *Journal of Commerce*, vol. 4, no. 2, pp. 26-7.
- Schutze, RA & Fontane, G 2001, *Documentary credit law throughout the world*, ICC Publishing, S.A., Paris.
- SITPRO Ltd. 2003, *Report on the use of export letters of credit 2001/2002*, SITPRO Ltd., London.
- Venedikian, HM & Warfield, GA 2000, *Global trade financing*, John Wiley & Sons Inc., New York.
- Weissman, I 1996, 'Letters of credit - doing business in a global market', *CPA Journal*, vol. 66, no. 1, pp. 46-9.

ⁱ The McNamee model encompasses the principles of the Committee of Sponsoring Organizations in the United States (COSO) 1990 framework. COSO had a mandate to address enterprise-wide risk management and governance issues. COSO provides an enterprise level framework for corporate governance. The framework includes five areas: Risk Assessment; Information and Communications; Control Activities; Monitoring; and Enterprise.