
Basic Trade Finance Tools: Payment Methods in International Trade

Daniele Giovannucci¹

This is part of a series of straightforward and practical (rather than an academic) papers by leading experts and presented in a specially designed format as brief and basic teaching tools with resources for more in-depth expertise. They address topics relevant to the design, monitoring, and assessment of projects and interventions for the promotion of agricultural enterprises and markets in developing countries. Information provided may change and is not a substitute for professional banking advice.

Keywords: Trade, finance, credit, export, payment, letters of credit.

Abstract: The increasing participation of relatively inexperienced enterprises in international trade calls for a concise and jargon-free, general reference to the many ways by which traders can arrange for payments to be made and the relative merits, from a risk standpoint of each. The most common methods i.e. letters of credit, are covered in some detail including their basic mechanics and examples.

I. Introduction

Many agro-enterprises, even those that operate on a global scale are sometimes unfamiliar with the legal controls, cultural expectations, business practices, and regulatory mechanisms of other countries. This is especially true for emerging agro-enterprises in developing countries. Today, international trading partners can conduct business never having even met or spoken with each other. Inadequate knowledge of the options that are available increases transactional uncertainty and the possibility of loss.

In the presence of such uncertainties the likelihood of trade is reduced. More than ever, private sector development programs are aware of the increasing globalization of trade. The implementation of trade promotion initiatives, import-export programs, production of high-value crops for export, business development centers and other trade related programs require the participants have a good understanding of one of the most critical aspects of trade: getting paid.

As new technologies and advances in communications are changing trade logistics and speeding and facilitating transactions, businesses are finding new opportunities and new ways to operate. Today, financial letters of credit can be opened by email, commitments for foreign exchange hedges can be made over the telephone and the purchase of container loads of produce and their shipping costs can be charged to corporate credit cards. Despite these cutting-edge advancements most payment transactions still follow basic rules.

¹ This document was improved by the comments of Richard Ruehle (Vice President International Banking, Mellon Bank). Some parts are adapted from the Methods of Payment section of the Agricultural Export Transportation Handbook published by the USDA. Peer review: Patrick Lecoy, Agribusiness Specialist, ECSSD, World Bank.

This teaching tool intends to serve as a straightforward and relatively jargon-free, general reference to the many ways by which traders can arrange for payments to be made. For details of export transactions please see an accompanying paper: (Hotlink to Export Procedures)

II. Roadmap

Credit check

Insuring payment starts long before a contract is signed. It is up to the seller, or his representative, to perform 'due diligence' or a reasonable assessment of the risks posed by the potential buyer. The caveat, "know who you're dealing with" applies firmly here. Even the most rudimentary market research ought to be able to provide some information on the buyer:

- In many developed countries chambers of commerce, Better Business Bureaus or their equivalents are a good start
- In the U.S. the Red Book or the Blue Book can be used to assess buyers of horticultural products
- some of the larger credit reporting services such as TRW and Dun & Bradstreet have international affiliates and a reasonably priced credit check can be conducted in a matter of minutes via the Internet
- Trade associations and trade promotion organizations can sometimes be informative
- Of course, freight forwarders, brokers, and even banks can be excellent sources of information
- Many sellers are uncomfortable directly asking the buyer to provide references but this can yield not only useful information about the buyer but also access to an expanded network, not to mention potentially improving the buyer's conscience since he must consider that his standing with other sellers in this network would suffer should he not make timely payment

Questions to ask before selecting the payment method

The next step is for the seller to use the information to make a decision based on a frank assessment of his risk tolerance. Answering some simple questions at this stage can help to avoid catastrophe later on.

- Can the business afford the loss if it is not paid?
- Will extending credit and the possibility of waiting several months for payment still make the sale profitable?
- Can the sale only be made by extending credit?
- How long has the buyer been operating and what is his credit history?
- Are there reasonable alternatives for collecting if the buyer does not meet his obligations?
- If shipments is made but not accepted can alternative buyers be found?

Common Payment Methods

Once acceptable risks have been determined then the most appropriate payment method can be selected. While this document is a useful starting point, the advice of a qualified financier or banker should be sought at least for the first transactions. Here is a list, beginning with those that present the least risk for the seller, of the most common payment methods. They are further described below:

- 1) Cash in advance
- 2) Letter of credit
- 3) Documentary collection
- 4) Open account or credit
- 5) Countertrade or Barter

1. Cash in Advance

Cash in advance clearly is risk-free except for consequences associated with the potential non-delivery of the goods by the seller. Cash in advance is usually a wire transfer or a check. Although an international wire transfer is more costly (from U.S. \$15 to more than U.S. \$100), it is often preferred because it is speedy and does not bear the danger of the check not being honored. The check can be at a disadvantage if the exchange rate has changed significantly by the time it arrives, clears and is credited. On the other hand, the check can make it easier to shop for a better exchange rate between different financial institutions.

For wire transfers the seller must provide clear routing instructions in writing to the buyer or the buyer's agent. These include:

- The full name, address, telephone, and telex of the seller's bank
- The bank's SWIFT and/or ABA numbers²
- The seller's full name, address, telephone, type of bank account, and account number.

No further information or security codes should be offered.

2. The Commercial Letter of Credit

2.1A Basic Understanding

The letter of credit (LC) allows the buyer and Seller to contract a trusted intermediary (a bank) that will guarantee full payment to the seller provided that he has shipped the goods and complied with the terms of the agreed-upon Letter. This instrument, although inherently simple, can have many variations.

The LC serves to evenly distribute risk between buyer and seller since the seller is assured of payment when the conditions of the LC are met and the buyer is reasonably assured of receiving the goods ordered³. This is a common form of payment, especially when the contracting parties

² Society for Worldwide Interbank Financial Telecommunications

³ Since banks deal with documents, not with products, they must pay an LC if the documents are presented by the seller in full compliance with the terms, even if the buyer never receives the products. Products lost during shipment

or unfamiliar with each other. Although this instrument provides excellent assurances to both parties, it can be confusing and restrictive. It can also be somewhat expensive, ranging from several hundred U.S. dollars up to 5 percent of the total value⁴.

LCs are typically irrevocable, which means that once the LC is established it cannot be changed without the consent of both parties. Therefore the seller, especially when inexperienced, ought to present the agreement for an LC to an experienced bank, a trusted broker, and its freight forwarder so that they can help to determine if the LC is legitimate and if all the terms can be reasonably met. A trusted bank, other than the issuing or buyer's bank can guarantee the authenticity of the document for a fee.

2.1B Disadvantages

The LC has certain disadvantages. If even the smallest discrepancies exist in the timing, documents or other requirements of the LC the buyer can reject the shipment⁵. A rejected shipment means that the seller must quickly find a new buyer, usually at a lower price, or pay for the shipment to be returned or disposed. Besides being one of the most costly forms of payment guarantee LCs also take time to draw up and usually tie up the buyer's working capital or credit line from the date it is accepted until final payment, rejection for noncompliance, expiration or cancellation (requiring the approval of both parties). Hotlink Annex 2 Common Discrepancies that Cause Non-payment

The terms of an LC are very specific and binding. Many traders, even experienced ones, encounter significant difficulties because of their failure to understand or comply with the terms. Some statistics show that approximately 50 percent of submissions for LC payment are rejected for failure to comply with terms! For example, if the terms require the delivery of four specific documents and one of them is incomplete or merely delivered late then payment will be withheld regardless of whether every other condition was fulfilled and the shipment received in perfect order. The banks whose job it is to ensure a safe payment transaction will insist that the terms be a fulfilled exactly as written. The buyer can sometimes approve the release of payment if a condition is not fulfilled but changing terms after the fact is costly, time consuming and sometimes impossible. The lesson is clear: consider all of the details before accepting an LC and be certain that the details are followed to the letter.

Hotlink Annex 1 Sellers Checklist

2.1C The basic mechanism

At least four parties are involved in any transaction using an LC:

- a) Buyer or applicant
- b) Issuing bank or Applicant's bank
- c) Beneficiary's bank or receiving bank

or embargoed are some examples. Iraq for example, never received products that were shipped before its embargo but the LCs had to be paid anyway.

⁴ Although many LCs can typically be opened for .5% to 1%, application and processing costs especially for smaller LCs can add up. Also see section 2.1C.

d) Seller or beneficiary

a) Buyer or Applicant

The buyer applies to his bank for the issuance of an LC. If the applicant does not have a credit arrangement with this issuing bank then he must deposit cash or other negotiable security.

b) Issuing bank

The issuing or applicant's bank issues the LC in favor of the beneficiary and routes the document to the beneficiary's bank. The applicant's bank later also verifies that all of the terms, conditions, and documents comply with the LC, and pays the seller directly or through his bank.

c) Beneficiary's bank

The seller's or beneficiary's bank verifies that the LC is authentic and notifies the beneficiary. It, or another trusted bank, can act as an advising bank. The advising bank is used as a trusted bridge between the applicant's bank and the beneficiary's bank when these do not have an active relationship and to verify the authenticity of a document. It also forwards the beneficiary's proof of performance and documentation back to the issuing bank. However, the advising bank has no liability for payment of the LC.

The beneficiary, or his bank, can ask an advising bank to confirm the LC. This means that the confirming bank also promises to ensure that the beneficiary is paid when he is in compliance with the terms and conditions of the LC⁶. The confirming bank charges a fee for this service⁷. This is most useful when the issuing bank and its credibility is not familiar to either the beneficiary or his bank, or if the issuing bank (even a well-established one) is in a high-risk country.

d) Beneficiary or Seller

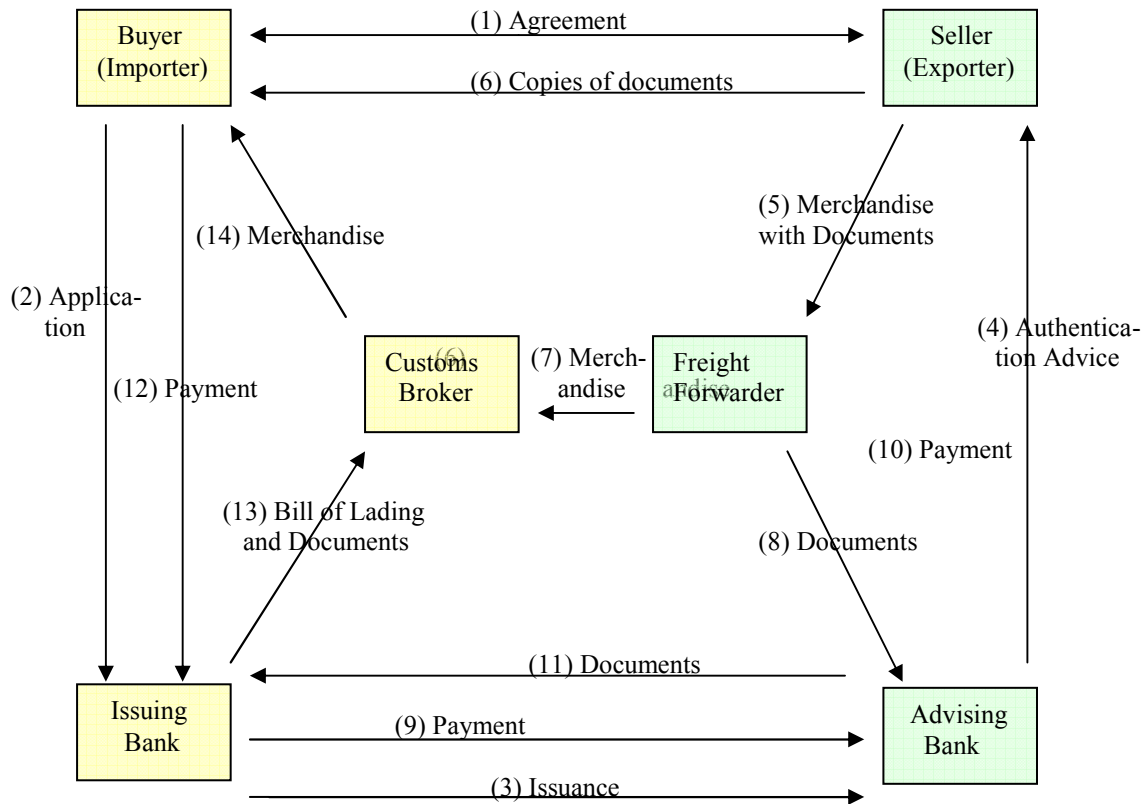
The beneficiary must ensure that the order is prepared according to specifications and shipped on time. He must also gather and present the full set of accurate documents, as required by the LC, to the bank.

⁶ In most cases, LCs are channeled to the beneficiary's bank via an advising bank.

⁷ Confirmation fees for some very risky countries can be as high as 25 % of the LC (Patrick Lecoy, personal communication).

Figure 1.

LETTER OF CREDIT DIAGRAM



Explanation:

1. Buyer and seller agree on a commercial transaction.
2. Buyer applies for a letter of credit.
3. Issuing bank issues the letter of credit (LC)
4. Advising bank advises seller that an LC has been opened in his or her favor.
5. Seller sends merchandise and documents to the freight forwarder.
6. Seller sends copies of documents to the buyer.
7. Freight forwarder sends merchandise to the buyer's agent (customs broker).
8. Freight forwarder sends documents to the advising bank.
9. Issuing bank arranges for advising bank to make payment.
10. Advising bank makes payment available to the seller.
11. Advising bank sends documents to the issuing bank.
12. Buyer pays or takes loan from the issuing bank.
13. Issuing bank sends bill of lading and other documents to the customs broker.
14. Customs broker forwards merchandise to the buyer.

*This is an illustration of one common way in which an LC transaction can work. There can be variations.
 Source: Plans and Solutions Inc. 1999.*

2.2 Variations

Letters of credit can be quite flexible in the design and each is used for a specific purpose. For example, a Back to Back LC allows a seller to use the LC received from his buyer as collateral with the bank to open his own LC so that he can purchase the inputs or supplies necessary to fill his buyer's order. Because of the dependency on other parties and extra steps to fulfill the original transaction, the risk is increased and some banks may therefore be reluctant to open a Back to Back LC.

Since letters of credit are simply financial contracts they can vary enormously just like any other contract. Some LC variations include: Revolving, Negotiable, Straight, Red Clause, Transferable, and Restricted. But perhaps the safest and most desirable letter of credit, at least from the seller's point of view, is the Standby letter of credit.

2.3 Standby Letter of Credit

The standby LC is unlike other letters of credit and is more of a bank guarantee. It is most often used not as the primary payment method but rather as a fail safe method or guarantee for longer-term projects. This LC promises payment only should the buyer fail to make an arranged payment or otherwise fail to meet pre-determined terms and conditions. Otherwise, the buyer pays on receipt of goods or according to the credit terms arranged with the seller. Should the buyer default, the seller must then apply to the bank for payment -- a relatively simple process without the burden of complicated documentation.

It is somewhat simpler for the seller or beneficiary to comply with the terms this instrument and its use therefore favors the seller. Since the standby LC can remain valid for years (Evergreen Clause) it eliminates the cost of separate LCs for each transaction with a regular client. It is not commonly used in agribusiness trade.

3. Documentary Collection

To collect payment from a foreign buyer using documentary collection, the seller sends a draft or other demand for payment with the related shipping documents through bank channels to the buyer's bank. The bank releases the documents to the buyer upon receipt of payment or promise of payment. The banks involved in facilitating this collection process have no responsibility to pay the seller should the buyer default unless the draft bears the aval (ad valutem) of the buyer's bank⁸. It is generally safer for exporters to require that bills of lading be "made out to shipper's order and endorsed in blank" to allow them and the banks more flexible control of the merchandise.

Documentary collection carries the risk that the buyer will not or cannot pay for the goods upon receipt of the draft and documents. If this occurs it is the burden of the seller to locate a new buyer or pay for return shipment. Because the bill of lading for ocean freight is a valid title to the goods and is a negotiable document whereas the comparable airway bill is not negotiable as an ownership title, documentary collections are only viable for ocean shipments.

⁸ The bank's collateral signature on the draft functions as a guarantee

Drafts

A draft (sometimes called a bill of exchange) is a written order by one party directing a second party to pay a third party. Drafts are negotiable instruments that facilitate international payments through respected intermediaries such as banks but do not involve the intermediaries in guaranteeing performance. Such drafts offer more flexibility than LCs and are transferable from one party to another. There are two basic types of drafts: sight drafts and time drafts.

Sight Draft

After making the shipment the seller sends a sight draft, through his bank to the buyer's bank, accompanied by the agreed upon documentation such as the original bill of lading, invoice, certificate of origin, phytosanitary certificate, etc. The buyer is then expected to pay the draft when he sees it and thereby receive the documentation that gives him ownership title to the goods that were shipped. There are no guarantees made about the goods other than the information about quantities, date of shipment, etc. which appears in the documentation. Of course, could refuse to accept the draft thereby leaving the seller in the unpleasant position of having shipped goods to a destination without a buyer. It is then the seller's responsibility to find a new buyer, dispose of the goods, or arrange that they be shipped back. There is no recourse with the banks since their responsibility ends with the exchange of money for documents.

Time Drafts

A time draft or date draft is similar to a sight draft except that it demands payment after a specified time or on a certain date after the buyer accepts the draft and receives the goods. By signing and writing "accepted" on the draft, the buyer is contractually obligated to pay as directed on the draft. Again, the bank does not guarantee this payment and a buyer can put off payment by delaying acceptance of the draft. In most countries, an accepted time draft is legally stronger evidence of debt than an unpaid invoice.

4. Hybrid Methods

In practice, international payment methods tend to be quite flexible and varied. Frequently, trading partners will use a combination of payment methods. For example: the seller may require that 50% payment be made in advance using a wire transfer and that the remaining 50% be made by documentary collection and a sight draft.

5. Open Account

Open account means that payment is left open to an agreed-upon future date. It is one of the most common methods of payment in international trade and many large companies will only buy on open account. Payment is usually made by wire transfer or check. This can be a very risky method for the seller unless he has a long and favorable relationship with the buyer or the buyer has excellent credit. Still, there are no guarantees and collecting delinquent payments is difficult and costly in foreign

countries especially considering that this method utilizes few official and legally binding documents. Contracts, invoices, and shipping documents will only be useful in securing payment from a recalcitrant buyer when his country's legal system recognizes them and allows for reasonable (in terms of time and expense) settlement of such disputes.

Other Payment Methods

Consignment

Although not technically a method of payment, its use in international trade merits mention. The consignment method requires that the seller ship the goods to the buyer, broker or distributor but not receive payment until the goods are sold or transferred to another buyer. Sometimes even the price is not pre-fixed and while the seller can verify market prices for the sale date or hire an inspector to verify the standard and condition of the product, he ultimately has very little recourse. Although this is the riskiest sort of transaction it is nonetheless common in the trade of fresh produce.

Credit Card

Some banks now offer buyers special lines of credit that are accessible via credit card to facilitate even substantial purchases. While this can be very convenient for both parties the seller should confirm the discount percentage that the bank will charge him for using the service and bear in mind that the laws that govern domestic credit card transactions differ from those govern international use.

Countertrade and Barter

Countertrade or barter is most often used when the buyer lacks access to convertible currency or finds that rates are unfavorable or can exchange for products or services desirable to the seller. Countertrade indicates that the buyer will compensate the seller in a manner other than transfer of money or products. Barter is the exchange of goods or services between two parties.

A note on currencies and hedging

The U.S. dollar followed by the British pound, the deutschemark, the French franc and the Japanese yen are by far the most popular and the most easily convertible currencies. Typically the seller will request payment in his own preferred currency. Where the transaction value is considerable -- typically in excess of \$50,000 -- there may be an opportunity to accept a foreign currency and hedge against the foreign exchange risk. While this may yield a better exchange advantage or provide an additional incentive for the buyer to participate in a transaction, it should not be attempted by novices without the support of an experienced international banker.

Figure 2

International Payment Instruments Comparison Chart

Payment Method	Features	Advantages	Disadvantages
Wire Transfer	<p>Fully electronic means of payment Uses correspondent bank accounts and Fed Wire U.S. Dollars and foreign currencies Same convenience and security as domestic wires Pin numbers for each authorized individual Repetitive codes for frequent transfers to same Beneficiaries</p>	<p>Fastest way for Beneficiary to receive good funds Easy to trace movement of funds from bank to bank</p>	<p>Cost is usually more than other means of payment Funds can be hard to recover if payment goes astray Intermediary banks deduct charges from the proceeds Details needed to apply funds received for credit management purposes are often lacking/insufficient Impossible to stop payment after execution</p>
Foreign Checks	<p>Paper instrument that must be sent to Beneficiary and is payable in Beneficiary's country Uses account relationships with foreign correspondent banks Available in U.S. Dollars and all major foreign currencies</p>	<p>Convenient when Beneficiary's bank details are not known Useful when information/documentation must accompany payment (subscriptions, registrations, reservations, etc.) Relatively easy to stop payment if necessary</p>	<p>Mail or courier delivery can be slow Good funds must still be collected from the drawee bank If payable in foreign currency, value may change during the collection period Stale dating rules differ in various countries</p>
Commercial Letters of Credit	<p>Bank's credit replaces Buyer's credit Payment made against compliant documents Foreign bank risk can be eliminated via confirmation of a bank in Beneficiary's country Acceptance credits offer built-in financing opportunity</p>	<p>Rights and risks of Buyer and Seller are balanced Seller is assured of payment when conditions are met Buyer is reasonably assured of receiving the goods ordered Confirmation eliminates country risk and commercial risk</p>	<p>More costly than other payment alternatives Issuance and amendments can take time Strict documentary compliance by Seller is required Reduces applicant's credit facilities</p>
Standby Letters of Credit	<p>Powerful instrument with simple language Increasingly popular in U.S. and abroad Foreign bank risk can be eliminated via confirmation of a bank in Beneficiary's country "Evergreen" clauses shift expiry risk from Beneficiary to issuer</p>	<p>May be cheaper than Commercial Letter of Credit More secure than open account or Documentary Collection Discrepancies less likely than under Commercial L/C Confirmation eliminates country risk and commercial risk</p>	<p>Weak language can give Beneficiary unintended advantages More costly than Documentary Collections Reduces Buyer's credit facilities</p>
Documentary Collections	<p>Seller uses banks as agents to present shipping documents to Buyer against Buyer's payment or promise to pay With Direct Collection Letter (DCL), Seller ships and sends shipping documents directly to Buyer's bank, which collects and remits funds to Seller's bank</p>	<p>Somewhat more secure than open account Cheaper and less rigid than Commercial L/C No strict compliance rules apply No credit facilities required</p>	<p>Country risk and commercial risk exist No guaranty of payment by any bank No protection against order cancellation No built-in financing opportunity as with Commercial L/C</p>

Source: Firstar Bank from www.ams.usda.gov/ Pub.

III. Resources and Annex

Related teaching tools on this site

Hotlink The Basics of a Business Plan for Development Professionals

Hotlink Export procedures

Hotlink Commodity Exchanges: What, Why, and How

Hotlink International Market Studies

Select Resources

The International Chamber Of Commerce <http://www.iccwbo.org> offers excellent publications:

The Uniform Customs and Practices For Documentary Credits (UCP), Publication No. 500 contains the rules which govern documentary credit and standby credits. Publication 522 defines the rights and responsibilities of the parties to a collection and defines various terms used in collections.

International Trade Procedures and Management, A. G. Walker, 1996,

Agricultural Export Transportation Handbook <http://www.ams.usda.gov/>

Annex 1

Seller's Checklist

An LC can be customized via a number of special conditions, such as "approximately" or "partial shipments allowed". Sometimes a word or two can change the requirements of the document. Here is a checklist that the seller can use to review the proposed letter of credit.

1. _____ Is the L/C irrevocable?
2. _____ Has the credit been confirmed, if requested?
3. _____ Is the type of credit (revolving, transferable, etc.) as agreed?
4. _____ Is the amount of the credit sufficient to cover all costs permitted by the terms of the contract? Are the Incoterms correct? Have the terms "about" or "approximately" been included?
5. _____ Is the credit available with your bank, freely negotiable, or available with any bank, or is it restricted to the issuing bank or any other designated bank?
6. _____ Are the descriptions of the goods and unit prices, if any, in accordance with the sale contract? Have the terms "about" or "approximately" been included, if requested?
7. _____ Are transshipment and partial shipments allowed, if necessary?
8. _____ Are the points of dispatch/taking in charge/loading on board of the goods, as the case may be, and of discharge/final destination as agreed?
9. _____ Do the shipping and expiry dates and the period for presentation of documents after issuance of the transport document allow sufficient time for processing the order, effecting shipment, and presenting the documents to the bank?
10. _____ Are the provisions for insurance in accordance with Incoterms?
11. _____ Can the necessary documents be obtained in the form required and in the timeframe allowed by the credit?
12. _____ Have any unacceptable conditions been added to the credit without your approval; e.g., an inspection certificate to be provided by the buyer?

Source: *Firststar Bank from www.ams.usda.gov/ Pub.*

Annex 2

**Common Discrepancies Which Can Lead To Non-payment
of a Commercial Letter of Credit**

General

1. Documents inconsistent with each other.
2. Description of goods on invoice differs from that in the credit.
3. Marks and numbers differ between the documents.
4. Absence of documents called for in the credit.
5. Incorrect names and addresses.

Draft (Bill of Exchange)

1. Amount does not match invoice.
2. Drawn on wrong party.
3. Not endorsed correctly.
4. Drawn payable on an indeterminable date.

Transport Documents

1. Shipment made between ports other than those stated in the credit.
2. Signature on bill of lading does not specify on whose behalf it was signed.
3. Required number of originals not presented.
4. Bill of lading does not evidence whether freight is prepaid or collect.
5. No evidence of goods actually "shipped on board."
6. Bill of lading incorrectly consigned.
7. "To order" bills of lading not endorsed.

Insurance

1. Insurance document presented of a type other than that required by the credit.
2. Shipment is underinsured.
3. Insurance not effective for the date in the transport documents.
4. Insurance policy incorrectly endorsed.

Deadlines

1. Late shipment.
2. Late presentation of documents.
3. Credit expired.

Source: Firstar Bank from www.ams.usda.gov/ Pub.

Annex 3

Sample Letter of Credit
SWIFT Format

5 07 july 95 09:13 page: 2355 LP00
*** HARDCOPY msg id 0131-00010-00333 ***
RECEIVED FROM: IMPORTER'S COMMERCIAL BANK
TAIPEI, TAIWAN
sent to :
SELLER'S U.S. COMMERCIAL BANK
INTERNATIONAL DIVISION
SAN FRANCISCO, CA
date : 07 july 95 time : 09.13 issue of a documentary credit ****urgent****
:27 /sequence of total :1/1
:40a/form of documentary credit :IRREVOCABLE

:20 /documentary credit number	:DOC.500
:31C/date of issue	:950707 USA
:31D/date and place of expiry	:950921 USA
:50 /applicant	:IMPORTER'S COMPANY NAME IMPORTER'S COMPANY ADDRESS TAIWAN
:59 /beneficiary	:EXPORTER'S COMPANY NAME EXPORTER'S COMPANY ADDRESS USA
:32B/currency code amount	
currency code	: USD US DOLLAR
amount	: #100,000.00#
:39B/maximum credit amount	:NOT EXCEEDING
:41D/available with/by-name, address	:ANY BANK BY NEGOTIATION
:42C/drafts at	:SIGHT
:42D/drawee – name and address	:IMPORTER'S COMMERCIAL BANK TAIWAN
:43P/partial shipments	:PROHIBITED
:43T/transshipment	:PROHIBITED
:44A/on board/disp/taking charge	:USA PORT
:44B/for transportation to	:TAIWAN PORT
:44C/latest date of shipment	:950831
:45A/descr goods and/or services	:FUJI APPLES CIF TAIWAN
:46B/documents required	:+COMMERCIAL INVOICE AND THREE COPIES. +FULL SET CLEAN ON BOARD BILLS OF LADING, MARKET FREIGHT PREPAID CONSIGNED TO BUYER +INSURANCE CERTIFICATE. +CERTIFICATE OF ORIGIN. +USDA INSPECTION CERTIFICATE.
:47A/additional conditions	:+ALL DRAFTS MUST INDICATE: DRAWN UNDER IMPORTER'S COMMERCIAL BANK TAIWAN LETTER OF CREDIT NUMBER DOC.500
:48 /period for presentation	:DOCUMENTS ARE TO BE PRESENTED WITHIN 21 DAYS AFTER SHIPMENT BUT WITHIN L/C VALIDITY.
:49 /confirmation instructions	:WITH
:78 /instructions to pay/acc/neg bk	:ALL REQUIRED DOCUMENTS ARE TO BE SENT TO IMPORTER'S COMMERCIAL BANK, TAIPEI, TAIWAN IN ONE SET, VIA COURIER CONFIRMING THAT ALL TERMS AND CONDITIONS HAVE BEEN COMPLIED WITH. DOCUMENTS ARE TO INCLUDE YOUR SETTLEMENT INSTRUCTIONS
:72 /sender to receiver information	:THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS ICC PUBLICATION NO. 500, 1993 REVISION.
-AUT/**** Authentication Result	
*END	

Source: Firststar Bank from www.ams.usda.gov/ Pub.

Swift Field Descriptions

Most letters of credit are issued by electronic means. The following is a list of the fields in a SWIFT MT 700 message (Issuance of Documentary Letter of Credit). Only a few fields are mandatory; most are optional and depend on the nature of the transaction.

27 Sequence # (Page number within the total sequence)
40A Form of Documentary Credit (Irrevocable or Revocable)

20	Issuing bank's reference number
31C	Date of issue
31D	Date and place of expiry
51A/D	Applicant bank/applicant reference number
50	Applicant
59	Beneficiary
32B	Currency code and amount
39A	Percentage credit amount tolerance
39B	Maximum credit amount
39C	Additional amounts covered
41A/B	Available with (bank)...by (payment, negotiation, acceptance)
42C	Drafts at (sight, time, etc.)
42A	Drawn on (what party)
42M	Mixed payment details (part sight, part time)
42P	Deferred payment details
43P	Partial shipments (allowed or prohibited)
43T	Transshipments (allowed or prohibited)
44A	Loading on board/dispatch/taking in charge from/at...
44B	For transportation to...
44C	Latest date of shipment
44D	Shipment period
45A	Description of goods and/or services
46A	Documents required
47A	Additional conditions
71B	Charges (which party pays)
48	Period for presentation (within L/C validity)
49	Confirmation instructions (with/without)
53A	Reimbursement bank
78	Instructions to paying/accepting/negotiating bank
57A	"Advise Through" Bank
72	Sender to receiver information

Source: *Firststar Bank from www.ams.usda.gov/ Pub.*