Frequently Asked Questions – Trade Services

IMPORT LETTER OF CREDIT

What are the various forms of Import Services? (Payment instruments) in International Trade?

There are two main options: Letter of Credit (LC) and Documentary Collection

A Letter of Credit (LC) provides a definite commitment to pay the Beneficiary (Exporter/Seller), provided all terms and conditions of the LC have been strictly adhered to. It is commonly used in instances whereby Buyer and Seller do not know each other that well and the Buyer wants the assurance that payment is made against compliant documents. Likewise for the Seller, he takes comfort in the fact that payment will be made by the Issuing Bank upon presentation of compliant documents.

For Documentary Collection, payment becomes due when the Buyer accepts ownership of the Seller’s goods. Buyer’s bank acts as an agent for both Buyers and Sellers and maintains control of the title documents, but it does not contain an assurance of payment by the bank. Documentary Collection may be classified under Documents Against Payment (Sight Basis) or Documents Against Acceptance (Usance Basis).

What is a Documentary Letter of Credit (also known as Letter of Credit) and how does it operate?

A Documentary Letter of Credit (LC) is a ‘method of payment’ and may be described as an advice issued by a bank authorising the payment of money to a named party (the Beneficiary) against delivery by the Beneficiary of specified documents (usually accompanied by a Bill of Exchange for the amount to be paid) evidencing the shipment of described goods. The advice (LC) sets out the strict terms and conditions that must be fulfilled in order for the payment to be effected.

A LC is issued by an Issuing bank on behalf of the Buyer. The Issuing bank provides its creditworthiness in support of the Applicant (Buyer). It guarantees the Seller payment for goods or services, provided the terms of the LC are met.

Before an LC is issued, the Buyer and the Seller agree on all of the terms and conditions in a purchase agreement. Then the importing company instructs its bank to issue a LC in accordance with the sales contract, or proforma invoice between the Buyer and the Seller. The LC contains only those details that are to be reflected in the documents to be submitted by the Exporter (Seller) for payment.

How do I obtain an Import Letter of Credit from United Overseas Bank Ltd?
Import and Standby Letters of Credit are an extension of credit, like a loan. The Bank must make a decision to grant you credit, just as it would for any commercial loan. If you currently do not have any facilities with UOB, but wish to open an LC or establish facilities with the Bank, please contact us at:
How do I apply for Import Letter of Credit?

You can simply download and print out the LC Application Form from the following link: www.uob.com.sg/corporate/commercial/useful/business_resource.html

Alternatively, you can visit any UOB Group Branch to obtain the Application Forms.

Submit the completed LC Application Form bearing signatures of the Company Signatories and Company stamp to any UOB Group Branch.

You will need to have a pre-arranged Trade Facility to facilitate the processing of your application. If you do not have existing Trade facilities, you will need to submit a LC application Form together with a LC Margin Deposit Form.

How do I obtain an Import Letter of Credit if I do not have existing trade facilities?

The bank may issue a LC based on the credibility of the Buyer. Buyer will need to place a Letter of Credit margin deposit of approximately 110% to 130% with the bank. The LC margin deposit percentage will be dependent on the Trade Incoterms that you are applying.

Can the importer complete the Import Letter of Credit application online?

Yes. Customers who regularly require Letters of Credit will be able to download the Bank’s application forms from UOB’s website at uob.com.sg UOB has a Business Internet Banking (BIB) system which allows for online submission of certain applications. To find out more, please contact us at:

UOB Transaction Banking - Email: TransactionBanking@UOBgroup.com / Tel: (65) 6539 8704

Do I have to submit my Letter of Credit application form together with my proforma invoice/sales contract?

No, it is not necessary to submit as your proforma invoice/sales contract as terms between the Buyer and the Seller.

Do I have a copy of the Letter of Credit after I applied?

Upon successful LC application, you will receive a copy of the LC. This copy will be sent either via mail to you or for your collection at our UOB Trade Services Counter depending on the selection you have chosen on the LC Application Form.
What do I do if I decide to cancel the Letter of Credit after UOB has issued it?

You will need to give us a written instruction on the cancellation of your LC. UOB will only cancel your LC upon receiving your Beneficiary’s consent through the Advising Bank of the Credit.

When will the Letter of Credit margin deposit be refunded to my account?

For refund of LC margin deposit, any unutilised LC amount after LC expiry date will only be refunded to you at least one month after the LC expiry date. If the LC is a usance credit, such deposit balance will be refunded after the latest maturity date of the import documents drawn under the credit.

What type of insurance coverage should I have?

At the very least, you will need to make sure that the goods are insured in transit. Responsibility for insuring the shipment is something that should be agreed upon with your trading partner before the deal is finalised. Exporters may also want to consider credit insurance to cover potential losses that can occur if a foreign Buyer fails to pay. Prior to issuance of the LC, UOB will require the lodgement of the Original Insurance Policy with the Bank as evidence that the necessary insurance coverage has been obtained to cover the shipment of goods in question under the LC application. For shipment under FOB & CFR terms, it is the responsibility of the Applicant (Buyer) to arrange for the insurance. It is a requirement that the insurance coverage includes coverage under Clause A as this is the most comprehensive type of coverage (subject to exclusions).

How will I be notified if my Import document has arrived? And what should I do?

You will receive a “Collection Notice” via fax from UOB.

There are 2 settlement options for you to select:

- To debit from your account OR
- To require Trust Receipt Financing (You will need to have a pre-arranged Trade Facility.)

You will need to collect the Original Collection Notice from your designated collection location. (Not applicable if you select – To debit from your account)  
(Not applicable if you have existing Master Trust Receipt Agreement with UOB)

Prior to the collection of your import documents from your collection location, you are required to obtain the Company signatories to sign on the Original Collection Notice together with your Company Stamp and provide UOB with your instructions in settlement of the import bill.

If the Collection Notice has discrepancies stated pertaining to your documents. Please reply via fax to us first if you are accepting the discrepancies unless otherwise stated in order for UOB to disburse the payment for at Sight LC, you are required to obtain the Company signatories to sign together with Company Stamp.

TRUST RECEIPT FINANCING

Can UOB accept my instruction for “Collection Notice” via fax to require Trust Receipt Financing?
UOB can accept your instruction via fax when you sign a Master Trust Receipt Agreement with UOB.

A Master Trust Receipt Agreement is a blanket Trust Receipt that covers all your business transactions that require Trust Receipt financing from the Bank.

How it works:
When your import documents arrive at the Bank, you no longer need to make a trip to the Bank to collect your Original Collection Notice for signature in order to obtain Trust Receipt Financing.

With the Master Trust Receipt Agreement* in place, you now simply sign on the fax copy of the Collection Notice we send to you, and return the same copy to us by fax for processing. You just need to make ONE trip to the Bank to pick up your approved Trust Receipt financing documents. To apply, you may obtain the Master Trust Receipt Agreement Form from UOB Trade Services.

Only upon successful application, will you then be able to execute your instruction via fax to UOB. 
*You would need to sign a Fax indemnity to enable us to act on your instructions by fax.

Can I settle partial payment for my Trust Receipt?
Yes. You can give instructions to UOB to settle partial payment for your Trust Receipt.

Is there any penalty charge when I settle my Trust Receipt before the due date?
No, there is no penalty charge if you settle your Trust Receipt before the due date.

| SHIPPING GUARANTEE |

How can I arrange for cargo clearance when the Original Shipping Documents (including full set of Original BLs) have not been received under UOB’s LC?

The Applicant (Buyer) may apply for a Shipping Guarantee (SG) issued by UOB in favour of the shipping company. This is to facilitate clearance of cargo from the port and to avoid paying demurrage charges when the vessel is arriving before the receipt of shipping documents called for under UOB’s LC. This SG will subsequently be redeemed by the Applicant when original BLs are presented under UOB’s LC.

Shipping Guarantees are formal financial obligations or undertakings in favour of third parties, issued by banks on behalf of customers, to facilitate their business dealings.

How do I apply for Shipping Guarantee?
You can simply download and print out the Shipping Guarantee Form from the following links:

For Delivery without Bill of Lading
Application & Indemnity for Shipping Guarantee – Delivery without Bills of Lading

For Endorsement of Airway Bill **
Application & Indemnity for Endorsing of Airway Bill

For Endorsing Original Bill of Lading **
Application & Indemnity for Endorsing Original Bill of Lading

Alternatively, you can visit any UOB Group Branch to obtain the application forms.

Submit the completed Shipping Guarantee Form bearing the signatures of Company Signatories and Company stamp together with the required attachment to any UOB Group Branch.

You will need to have a pre-arranged Trade Facility to facilitate in the process of your application. (**Only applicable to Bill of Lading / Airway Bill consigned to UOB).

What should I do when I receive my Original Bill of Lading / Original Airway bill from UOB after I apply for Shipping Guarantee?

If you have applied your Shipping Guarantee:

For Delivery without Bill of Lading
You are required to return your Original Bill of Lading to your Shipping Company in exchange for the Shipping Company’s Letter of indemnity and return this indemnity to UOB to discharge your liability.

For Endorsement of Airway Bill
You are not required to return the Original Airway Bill to UOB / Airline Company or agents You may keep it for your records.

For Endorsing Original Bill of Lading
You are not required to return the Original Bill of Lading to UOB / Shipping Company. You may keep it for your records.

IMPORT DOCUMENTARY COLLECTION

What is Documentary Collection?

Documentary Collection (including Bills of Exchange) can be another option to be considered when negotiating a contract of sale. Collections can be either at sight or term, also depending on contract of sale terms.

If the collection is at sight, that is Documents Against Payment (D/P Sight), the Importer/Buyer must pay the amount of the collection, before they receive the documents that are needed to clear the goods.

If the collection is at a previously negotiated agreed term, that is Documents Against Acceptance (D/A xxx days/xxx days from shipment date), the Importer/Buyer is usually required to accept a Bill of Exchange before documents are released.
Collections are sent and received with various instructions and each collection will be treated individually, depending on the instructions.

**How will I be notified of arrival of my Import Collection document? And what should I do?**

**For Documents against Payment (D/P)**

You will receive a “Debit Note” via fax from UOB.

There are two settlement options for you to select from:
- To debit from your account OR
- To employ Trust Receipt Financing (You will need to have a pre-arranged Trade Facility)

You will need to collect the Original Debit Note from your designated collection location.
(Not applicable if you have existing Master Trust Receipt Agreement with UOB)

Prior to collecting your import documents from your collection location, you are required to obtain signatures of the Company signatories on the Original Debit Note together with your Company Stamp and provide UOB with your settlement instructions for the Import Collection bill.

If you choose to debit from your account, you can also obtain signatures of the Company signatories on the faxed copy together with your Company Stamp and provide UOB with your settlement instructions for the Import Collection bill.

**For Documents against Acceptance (D/A)**

You will receive a “Debit Note” via fax from UOB.

You will need to collect the Original Debit Note and Bill of Exchange from your designated collection location.

Prior to collecting your import documents from your collection location, you are required to obtain the signatures of the Company signatories on the Bill of Exchange and Original Debit Note (optional) together with your Company Stamp to exchange for your Import documents.

On the maturity date of D/A bill, you are required to let us have your instructions regarding the settlement of the bill.

There are two settlement options for you to select from:
- To debit from your account OR
- To employ Trust Receipt Financing (You will need to have a pre-arranged Trade Facility and is subjected to the availability of your TR Tenor)

**EXPORT DOCUMENTARY COLLECTION**

In instances where financing is required, UOB may consider granting you the following facilities:

- Export Collections/Discounting: UOB may consider granting an advance or discount on your Export Documents. You will need to have a pre-arranged Trade Facility to facilitate the processing of your discounting and that the Bank has recourse to you.
- If the documents are not in order, UOB may consider granting advance or discount on your Export documents upon your signing to UOB a Letter of Indemnity Form (GI form) under your pre-arranged trade facilities and that the Bank has recourse to you.
How do I apply for Export Documentary Collection?

You can simply download and print out the Documentary Collections Form from the following link:
Documentary Collections

Alternatively, you can visit any UOB Group Branch to obtain the Application Forms.

Submit the completed Documentary Collections Form and Bill of Exchange together with your shipping documents to any UOB Group Branch. Please ensure that both documents bear signatures of the Company Signatories and the Company Stamp.

NEGLIGENCE OF EXPORT LETTER OF CREDIT

How do I apply for Negotiation of Export Letter of Credit?

You can simply download and print out the LC Negotiation Form from the following link:
Request for Letter of Credit Negotiation
uob.com.sg/corporate/commercial/useful/business_resource.html

Alternatively, you can visit any UOB Group Branch to obtain the Application Forms.

Submit the completed LC Negotiation Form and Bill of Exchange together with your required stipulated documents and your Original Export LC and LC amendments (if any) to any UOB Group Branch. Please ensure that both documents bear signatures of the Company Signatories and the Company Stamp.

If my documents presented are discrepant, can I request UOB to telex the Issuing Bank to obtain the Issuing Bank’s authority to negotiate?

Yes, you can. Upon the Issuing Bank giving authorisation to UOB to negotiate, UOB will process the documents accordingly.

If my documents presented are discrepant, can I request UOB to send documents to the issuing bank for acceptance or payment?

If you are confident of the Buyer accepting all discrepancies and have no wish to amend your documents, you may instruct UOB to forward documents to the Issuing Bank for their acceptance or payment.

CONFIRMATION OF EXPORT LETTER OF CREDIT

How do I mitigate the risk of non-payment by the Issuing Bank?

Mitigation of Bank and Country Risk through Letter of Credit Confirmation

When an Exporter/Seller receives a documentary credit, it is usually advised 'without any engagement or responsibility' by the Advising Bank. This means that the payment risks of both the overseas Issuing Bank and the overseas country remain for the Seller, even though the Seller may present compliant documents on the shipment.
Commonly known as 'bank and country risk' these can be mitigated for the Seller by asking the Buyer to have the Issuing Bank request the Seller's bank to add its 'confirmation' to the documentary credit. If the Seller's bank agrees to do so, it adds its obligation for payment to the documentary credit subject to presentation of compliant documents.

UOB is able to add its confirmation to documentary credits for Sellers for a fee subject to the availability of Bank lines & country limits.

**How do I obtain a confirmation for my Letter of Credit?**

UOB can consider adding a LC confirmation for you if it is stipulated and requested by the Issuing Bank. LC Confirmation charges are normally charged to the account of the Beneficiary (Seller) unless agreed otherwise.

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**TRANSFERRING OF EXPORT LETTER OF CREDIT**

**What is a Transferable Letter of Credit?**

A Transferable Letter of Credit (LC) is a documentary credit under which the Beneficiary (first Beneficiary) may request the bank specifically authorised in the credit to transfer the credit, available in whole or part, to one or more secondary Beneficiary(ies).

The LC can be transferred only in accordance with the terms and conditions stipulated in the original LC, with the exception of the following which may be changed:

- the LC amount
- the unit price of goods (if stated in the original LC)
- the time of shipment
- the last date for presentation of negotiation documents
- the expiry date of LC

Any or all of the above may be reduced in the transferred credit to the second Beneficiary.

Moreover, the name of the Applicant can be substituted with the name of the first Beneficiary, unless the original LC stipulates that the name of the Applicant be used in any document other than the invoice.

If all or part of the LC is transferred, the first Beneficiary retains the right to substitute their own drafts and invoices for those of the second Beneficiary, if they so require.

Instructions must also be provided on whether the bank is allowed to make any amendments to the original LC to the second Beneficiary.

**How do I apply for Transferring of Letter of Credit to my supplier?**

To apply for a Transfer LC for total or partial value, simply download and print out the Transfer LC Form from the following link:

Alternatively, you can visit any UOB Group Branch to obtain the Application Forms.
Submit the completed Transfer LC Form together with your Original Export LC (LC must be advised through UOB) to any UOB Group Branch. Please ensure that the form bears the signatures of the Company Signatories and Company stamp. Upon successful application/approval, your application for Transfer LC will be processed.

**How do I know if my Export Letter of Credit has arrived?**

You will receive a “Notice from UOB LC Advising Section” via fax informing you to collect your Export LC from UOB.

**What should I do if I want to cancel my Export Letter of Credit?**

You are required to furnish a cancellation consent letter together with the Original LC and LC amendments (if any) to UOB for cancellation of the LC. The letter must bear the signatures of the Company Signatories and Company stamp.

**PERFORMANCE GUARANTEE**

**How do I apply for Performance Guarantee?**

You can simply download and print out the Performance Guarantee Form from the following link:

Performance Guarantee
uob.com.sg/corporate/commercial/useful/business_resource.html

Alternatively, you can visit any UOB Group Branch to obtain the Application Forms.

Submit the completed Performance Guarantee Form together with a copy of specimen text for Performance Guarantee both to be with Company Signatories and Company Stamp to any UOB Group Branch.

You will need to have a pre-arranged Trade Facility or you are required to place a Fixed Deposit/Cash Deposit to facilitate in the process of your application.

**Where can I obtain the Trade Services Application Forms?**

You can simply download and print out the Trade Services Application Form from the following link:

Trade Services Application Forms
uob.com.sg/corporate/commercial/useful/business_resource.html

Alternatively, you can visit any UOB Group Branch to obtain the application forms.
**Who can I call at UOB for assistance on my queries?**

We have a team of experienced customer service officers who can assist you with your enquiries on Trade and Remittance services.

**Trade Enquiries (General)**
Tel: (65) 6788 3329

**Remittance Enquiries**
General/Inward & Outward Remittances Tel: (65) 6892 1111
Foreign Cheque Collections Tel: (65) 6850 8676

**Where are UOB Trade Services located?**

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<th>UOB Trade Services</th>
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<tr>
<td>(Alexandra)</td>
<td>(Tampines)</td>
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<tr>
<td>396 Alexandra Road</td>
<td>1 Tampines Central 1</td>
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<td>#17-00</td>
<td>#02-01 UOB Tampines Centre</td>
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<tr>
<td>Singapore 119954</td>
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<th>UOB Trade Desk</th>
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<tr>
<td>(Raffles Place – Trade Services)</td>
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<tr>
<td>80 Raffles Place</td>
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<tr>
<td>#05-00 UOB Plaza 1</td>
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<td>Singapore 048624</td>
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Operating Hours: 9am – 6pm
From Monday to Friday
(Closed on Saturday/Sunday and Public Holidays)

**Why should I choose UOB as my Bank of Choice?**

Besides the vast array of products being offered by UOB, we also provide Trade Advisory Services to help you understand your business needs. When you expand overseas, we will be able to help you in your expansionary requirements.

Our team of dedicated trade professionals offers a vast knowledge base to provide customised solutions to fit your specific needs. Whether you require guidance on the occasional transaction or seek a long-term expansion strategy, we will be there to provide our expertise and support.

Our range of consulting services includes:

- Training and customer education
- Counseling on international trade financing
- Technical advice on solving specific international trade and financing problems.