

Documentary Credit

WORLD

In This Issue...

■ **3 UPDATES:** Fraudulent Draws on Direct Pay LCs on the Rise; Registration Open to Public for ICC Banking Commission Meeting; Latest ICC Draft Opinions Released; Separating LC Fact from Fiction, Part II; Russian LCs a Popular Choice for Domestic Trade; Domestic Correspondent Report: Russia; Open-Minded, But Not to Open Assignment; Antazo Joins TD Bank; South Korea Paves Way for Trade with Cuba; Revision of *Official Commentary on ISP98* in the Works; Bangladesh Implements Electronic LC System; Compensation Insurers Ease Collateral Requirements; Pakistan Updates Authorizations to Fight Illegal Arms Imports; International Updates; LC Uses



■ **12 LITIGATION DIGEST:**

- *Walton Construction Pty Ltd. v. Pines Living Pty Ltd.*
- Newly Decided Cases

ShowCase



ARTICLES

■ **27:** What to do When State-Owned Beneficiaries Give Inadequate Consideration to Expiry Dates in Guarantees

by Ahmir MANSOOR

■ **30:** Negotiation under UCP600: Should a Purchased Transport Document Count as a Document of Title?

by HEI Zuqing



■ **33 LC STATISTICS:**
US Banks (3Q14)

■ **44 SCAM SURVEY**

■ **46 LC TRADE NEWS**

18 FEATURE



■ ASSIGNMENT

In this issue, Jun XU reviews a case from China that serves as a good example to banks of the care needed to handle assignment. Under a letter of credit undertaking (including a demand guarantee), the undertaking of the issuer/guarantor runs only to the named beneficiary. Because the issuer/guarantor makes this undertaking at the request of the applicant, its entitlement to reimbursement turns on proper payment and payment to a stranger will not suffice. There are situations where it is important to the parties to the transactions giving rise to letter of credit undertakings to effect payment to strangers, however. As a result, different practices have arisen to permit payment to be made to a person other than the named beneficiary without jeopardizing the right to reimbursement. The fundamental distinction in such situations is from whom documents are to be presented.

(continued on page 3)