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)