

Discrepancy processing emerged as a clear and present challenge for banks seeking to be more productive, recover a portion of added cost, recognize and mitigate risk, and preserve customer relationships. While some banks may have been hesitant to assess such fees, once one bank charged a discrepancy fee others followed suit. Since the fee was charged to the beneficiary, i.e. deducted from proceeds, the bank's customer, the applicant, was not charged directly and if the beneficiary complained to the applicant, the bank could simply tell them to amend the LC. In addition, banks were very judicious in assessing a discrepancy fee. Banks did not need to, nor did they look to, find discrepancies just to charge a fee. The most common discrepancies noted were late shipment, credit expired, and credit overdrawn, all easily avoided by amendments prior to shipment. For those documentary content discrepancies, it was felt that they could be avoided by the beneficiary exercising greater care and review prior to presentation. Arguing whether or not a point was indeed a discrepancy would not be worth the fee and would marginalize the bank's integrity in defense of a "real" discrepancy.

Clearly, while discrepancy fees generated revenue for banks, they were not viewed as new products to be marketed or profit streams to be exploited. Over time, discrepancy fees have created significant revenue for banks, hopefully sufficient to offset the additional processing cost and risk assessment.

Exporters who wish to avoid discrepancy fees should take greater care in document preparation and require amendments where they anticipate non-compliance. Importers who wish to protect their suppliers from additional discrepancy fees should be willing to amend their LCs when they know changes have been made which will affect compliance of the presentation. ■

## **Dumb and Dumber Discrepancies**

While I don't think (and don't want to believe) that banks intentionally create discrepancies to collect fees, I have worked with beneficiaries who disagree and think otherwise.

One example: Major US banks have cited as a discrepancy invoices and other documents showing currency as \$ or US\$ instead of USD as stated in a SWIFT advised LC.

This is my best submission of a dumb discrepancy.

Are there dumber discrepancies? Let us know! E-mail: [info@doccreditworld.com](mailto:info@doccreditworld.com)