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Documentary Credit WORLD

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■ BANK PAYMENT OBLIGATION

The concept of the Bank Payment Obligation was first introduced to the international banking community five years ago and launch of the Uniform Rules for BPO (URBPO) followed in June 2013 to govern practice for this product. The goal of the BPO is to reintroduce banks into the supply chain process from which they have been increasingly excluded by open account transactions. The BPO has been described as an irrevocable and independent undertaking issued by a bank to another bank that payment will be made on a specified date after successful electronic matching of data. While some people have drawn sharp distinctions between BPO and LCs, others have suggested that BPO is the latest attempt to electrify the commercial letter of credit. In this issue, Matthew V. Raketti delves into this area.

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