Questions Raised in LC Cases: YOU BE THE JUDGE

No legal jargon. Just the impact that the decisions had on issues of LC practice and whether the court got it right: YOU ARE THE APPELLATE COURT and will vote on the decision at the end of each discussion.
Questions Raised in LC Cases: YOU BE THE JUDGE

- When does a court have jurisdiction over the issuing bank? *JTG Management* (British Columbia, Canada)
- The Name of the Beneficiary:
- Using a real name instead of the name in the LC: *Taurus Petroleum* (England);
- Mistake by applicant in LC application: *New South Wales* (Australia);
- Abbreviation of Applicant’s Name in commercial invoice: TA 837

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- Sales Contracts: The downside of receiving a transferred LC from the perspective of the transferee beneficiary: *CEP* (Hong Kong)
- The Effect of Arbitration Clauses in Underlying Contracts where fraud is at issue: Can the court take up issues regarding breach and fraud? *Joint Stock Co.* (China)
JTG Management

- Issuer in Nanjing, no offices in Canada
- LC advised through Advising Bank in Toronto, Canada
- Beneficiary in Vancouver, British Columbia, Canada
- Action against Issuer for Wrongful Dishonor in British Colombia

Q: Was it proper for the British Colombia court to exercise jurisdiction?
Taurus Petroleum

- Action by third party judgment creditor against bank that issued LCs
- Judgment Debtor (State Oil Marketing Company of the Ministry of Oil, Republic of Iraq) as beneficiary
- Payment to Debtor and Central Bank of Iraq at account in NY Fed.
- Held: Third Party Judgment Creditor’s appeal from dismissal of order to pay proceeds denied

Q: Who is the Beneficiary of the LC?
New South Wales

- Beneficiary’s name: New South Wales Land and Housing Corporation

- Applicant verbally instructed Issuer: New South Wales Land and Housing Department

- Drawing used: New South Wales Land and Housing Corporation

- Issuer dishonored due to name

- Action by Beneficiary for wrongful dishonor

- Judgment for Issuer

Q: Do you agree?
CEP

- Contract between Ultimate Seller and Broker: payment by “irrevocable documentary letter of credit”
- Tendered: transferred transferable LC in favor of Ultimate Seller/Transferee Beneficiary
- Ultimate Seller rejected, claiming that contract did not permit transferable LC
- Action by Broker vs. Ultimate Seller for breach and repudiation of contract

Q: Does the tender of duly transferred transferable LC involve added risks not present if Ultimate Seller/Transferee Beneficiary was the original beneficiary?
Joint Stock Co.

• Contract provided that all disputes regarding contract would be settled through arbitration

• LC issued by Export-Import Bank of China governed by URDG 458

• Applicant sued Beneficiary and Guarantor to enjoin for fraud

Q: Did the court have jurisdiction because of arbitration clause?