



THE READERS SPEAK

CHANGING THE BENEFICIARY IN A NON-TRANSFERABLE STANDBY: THE AMENDMENT OPTION

Query:

We have issued an irrevocable standby letter of credit subject to UCP600. The beneficiary is a bank in New York. The purpose of the issuance is for collateral for credit extended to an insurance company based in Canada.

The insurance company is changing banks. The current beneficiary bank is adamant about only receiving an amendment from us in order to change the name of the beneficiary to another bank. Its argument is that there is no article in the UCP that prohibits amending the beneficiary name.

My question: Is it possible to issue an amendment to change the beneficiary name, with beneficiary consent if the standby is not transferable?

DCW Responds:

You are asking because this procedure is not optimal. The question is whether you can do it.

You could amend the credit to make it transferable. If the applicant requests and you have no problem, there is no reason that you could not skip this step although you might document it in writing (and charge a transfer fee). You would treat it as a transfer request, asking for the appropriate documentation.

Once you have received such a request from the current beneficiary complying with your form for transfer and are satisfied that the current beneficiary consents to the transfer (in writing) to the new beneficiary, you can issue an amendment naming the new beneficiary. It is possible for a beneficiary to pre consent to an amendment (although you should make it clear in advance that it is doing so). Of course, you need to vet the new beneficiary.

Not having read the LC, this response is only directed to the interpretation of the UCP.

Comments to all queries posed are not necessarily those of DCW and are not provided as legal advice. If legal advice or other expert assistance is required, the service of a competent professional should be sought.