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	QUERIES TO
	Systems & Operations Division - C.S.O.

Branches may be aware of numerous cases of fraudulent documents, particularly Bills of Lading, presented to banks for negotiation under letters of credit. One such incident occurred at one of our branches recently, where the beneficiaries attempted to obtain payment against presentation of fraudulent documents for a large amount. Vigilance of Staff at the branch foiled the beneficiaries attempt and the matter is under investigation of the local police.

Besides exercising extreme care in scrutiny of all transactions relating to letters of credit, branches should, as a measure of additional precaution, be guided by the following guidelines:-

A. IMPORTS

For Opening/Issue of Letters of Credit

1. A satisfactory credit report on the beneficiary of each letter of credit of US \$50,000 and over should be obtained. In cases where branches already have a credit report on a particular beneficiary on their files and if it is not more than six months old they may dispense with the need to obtain fresh credit report on receipt of application form for opening a letter of credit. In case branches are otherwise satisfied about the integrity and credit worthiness of the beneficiaries due to their being well known international big companies, the report at the discretion of the manager, need not be called for.
2. Branches should also start compiling indexed credit reports on the beneficiaries in whose favour letters of credit were opened this year, so that when in future an application is received for opening a letter of credit in their favour, it may be referred to immediately and possible delay in awaiting for the report avoided. It is however, essential that these reports are reviewed six monthly and updated.

B. EXPORTS

For Advising/Negotiating Letters of Credit

1. Letters of credit received for advice to beneficiaries should be examined to establish their genuineness. This will entail verification of signatures of the officials of the issuing bank on credits advised by mail and of tests affixed on credits advised by cable/telex.

Lately, instances of fictitious letters of credit, purportedly opened/issued by banks based in Nigeria are on increase. It is imperative therefore, that meticulous care is exercised in establishing genuineness of the letters of credit before they are advised.

2. Thorough scrutiny should be made of the documents submitted for negotiation to check for any discrepancy which may result in refusal of the applicant to accept the documents.

Negotiation of documents with discrepancies should not be allowed against the guarantee given by the beneficiaries, as a routine. The acceptance of such guarantee amounts to grant of an overdraft. All necessary precautions taken at the time of granting an overdraft, should be taken. Documents against beneficiaries' guarantee,



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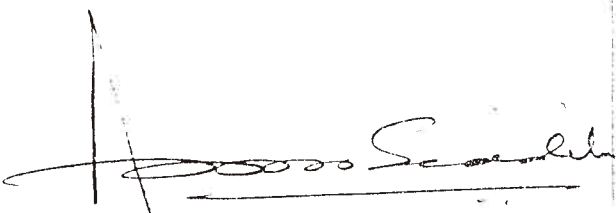
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exceeding the amount over which the branch manager does not enjoy power to grant overdraft should not be negotiated. Prior approval of Regional Office should be obtained in such cases.

3. Additional precaution in handling letters of credit involving commodities such as cement, steel etc., should be exercised.
4. Movement of vessels said to carry the goods covered by the documents submitted for negotiation should be checked. Such checks in many cases in the past have helped in establishing genuineness of the bill of lading submitted by the beneficiary. Details about movement of ships appear in Lloyds Register in the U.K., or are available from shipping agents. Branches should match the details of voyage of the ship as mentioned in the bill of lading with those given by the shipping agent or appearing in the Lloyds Register or by making enquiries directly from shipping agents.
5. Airmail confirmation copy should be insisted upon where complete details of IC are received by telex and where the telex is not an operative instrument.

Please follow the above instructions meticulously. Where the branches are presented with any difficulty which they are unable to solve, immediate reference should be made to their Regional Office for further instructions.


AKHTAR ANIS


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