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CONDENSED AGENDA: 1-DAY SEMINAR ON BANK PAYMENT OBLIGATION

Traditional risks and issues in maritime trade based on Letter of Credit:

- Timing of issuance, availability and utilisation
- Paper documents and discrepancies
- Trust certificates
- Bills of exchange: liquidated and unliquidated debts
- Creditor/bank remedies in case of non-acceptance of the goods or non-payment
- Security position of the bank
- LC confirmations (silent and open) and usage of correspondents
- Cost of credit against an LC due to Basel I and II

Open Account trade:

- Creditor rights under an invoice
- Timing and usage of electronic documents sent direct from seller to buyer
- Creditor remedies in case of non-acceptance of the goods or non-payment
- Issues requiring a new instrument to cover payment risks on Open Account trade

Bank Payment Obligation:

- What is it?
- In whose favour is it issued and by whom, and on behalf of whom?
- Issuance mechanism
- Contingency on electronic documents
- When it goes on-risk
- When it goes off-risk
- Intended advantages compared to LC

Applicable rulebooks:

- International Chamber of Commerce
- Approved shipping term
- SWIFT and Trade Services Utility
- Alternative eDocument warehouses

Practicability of Bank Payment Obligation in terms of risk acceptability:

- Which banks will be the issuers of a BPO?
- Are those banks acceptable to the sellers?
- Is there a confirmation mechanism built in?
- Banks generally reducing international focus and maintaining fewer correspondent relationships

Bank capital adequacy:

- Reduced capital adequacy under an LC where the bank has security
- Degradation of security where shipment is by container, air, rail or truck
- Erosion of capital adequacy advantages for trade finance under Basel III
- Counter-argument in favour of BPO

Case study:

- Launch customer is BP
- Example of a supply of oil out of Rotterdam to Alexandria
- Comparison under LC and under BPO
- Syndication of BPO