DOCUMENTARY CREDIT OPERATIONS IN COMMERCIAL BANKS

(A case study of LION BANK of NIGERIA PLC)

by

KEHINDE, BAMIDELE MUDASHIRU

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DEDICATION

This project is dedicated to my late friend **OLUFEMI ADEBAYO ADEKEYE** who is the source of my inspiration for this programme.

AND

To my parents **MR & MRS A. KEHINDE** whom though were not opportuned to acquire such academic knowledge but laid a solid foundation for my educational upbringing to this level.

DECLARATION

I hereby declare that this research project was written by me and that it is a record of my research work and that to the best of my knowledge the study had not been presented to any postgraduate school for the award of higher degrees.

CERTIFICATION

This project report entitled documentary credit operations in commercial Banks, a case study of Lion Bank of Nigeria, Plc by **KEHINDE, BAMIDELE MUDASHIRU** meets the regulations governing the award of the degree of Master of Business Administration (MBA) of the Ahmadu Bello University and is approved for its contribution to knowledge and literacy presentation.

17.7.1998	30.4.98
Supervisor	Date
External Examiner	Date
Date:	1/5/98
Head of Department	Date
	14/7/98
Dean of Postgraduate School	Date

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A B S T R A C T

This study entitled Documentary Credit Operations in Commercial Banks, a case study of Lion Bank of Nigeria PLC is an attempt to examine the role of Lion Bank of Nigeria PLC as one of the Central Bank of Nigeria Agents in achieving prompt settlements for international transactions.

The study is prompted on the ground that the Federal Government of Nigeria wants to strengthen and stabilize the Naira exchange rate and documentary credit operations. The objective of the study therefore is to critically examine the procedure of documentary credit operations of Commercial Banks over the period.

In analysing the documentary credit operations of commercial banks, Lion Bank of Nigeria PLC is picked at random as sample of other commercial banks, the researcher made use of both Primary and Secondary data. The data revealed high concentration of the procedure involved when opening a letter of credit.

Certain set back of the documentary procedure bank have also been identified. This include, the inability of the bank officials to properly put in place the necessary documents to facilitate the opening of the L/C consequently leading to the rejection of the document by Central Bank of Nigeria and the general problem which is non-availability of funds in the foreign reserve by the government.

Based on the above, it is recommended among other things that the Federal Government should source for more foreign exchange to beef up the country foreign reserves.

CHAPTER ONE

1.0 INTRODUCTION

Man's quest for knowledge and adventure has brought the different people of the world in contact with each other despite the divergence of the climates and terrains of the earth. The knowledge acquired by man through contact brought with it the demand for commodities not available in our country.

Interdependence on each other by the people of the world is the ultimate effect of the knowledge obtained by man through contacts. This interdependence has best been evidenced by the fact that the world's economy hinges on international trade.

Mode of trade has progressed from barter stage to highly sophisticated and more practical methods being employed at present which depends on banks for their successful operations. Since a necessity of trading is to be able to make payments for or receive payments for goods sold or bought, banks have come to play an indispensable role in international trade.

The different modes of payments available to the exporter (seller) for the goods shipped to the importer (buyer) includes open accounts, Bills for collection, direct remittance and documentary letters of credit.

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Documentary letters of credit have however become the most

commonly used method of payment for international trade. Since they provide a form of security for the parties involved and also ensure payments, provided that the terms and conditions of the credit have been fulfilled.

1.1 PURPOSE OF RESEARCH

The purpose of this research is to see the extent to which documentary credits serves as effective instrument of facilitating payments for goods imported into to the country by the customers of Lion Bank of Nigeria, Plc (LBN) and to get people acquainted with the procedure of opening a letter of credit as directed by the Federal Government of Nigeria in its media broadcast of their budget which states that

> **"...To strengthen and stabilize the Naira exchange rate, the Central Bank of Nigeria is hereby introducing the following guidelines for the operation of Foreign exchange market.**
>
> - **The exchange rate of Naira is now fixed at ₦21.9960 per US dollar.**
> - **All imports must be on the basis of letter of credits. ..."**[1]

Any difference in what is suppose to be the procedure and what actually happen at the Lion Bank of Nigeria, Plc will be explained in terms of ease with which operations are carried out.

1.2 RELEVANCE OF STUDY

In terms of the magnitude of business in the economy and the fact that most of these businesses are financed or supported in one way or the other by the banking system, it is evident that banking institutions has made a tremendous contribution to the Nigerian economy.

The Nigerian economy has grown in the last few years and this growth increases activities and responsibility for the banking industry. More banks have sprung up in recent times and in terms of services, the banking system has diverged to meet the growing needs and sophistication of the economy. Today there are number of commercial banks operating in the country , and offering specialized services which are varied and vital to the economic growth of the country.

A focus on one of the commercial banks (i.e. Lion Bank of Nigeria, Plc) will thus give us an insight into how the banks assist businessmen in Nigeria as well as the extent to which they fulfill their roles in the economic growth of the country.

1.3 STATEMENT OF THE PROBLEMS

Documentary credit operations used to be carried out with considerable ease in the past and it was a sure and prompt method of facilitating payments for goods imported by businessmen. But as a result of the deterioration of the economy, government was forced to review its economic stabilization measures introduced on the 1st of January 1994.

Highlights of the review which took effect from the 4th of February 1994 includes drastic restriction of importation of virtually all imported items by placing them under license, extension of list of prohibited imports, review of customs tariffs and all imports must be on basis of letter of credit except those that cost 1000 US dollars or less. The new order jolted many business operators especially those in the industrial and manufacturing sectors who have no previous experience of documentary credit.

Coupled with these facts, bills are not settled on time at the Central Bank of Nigeria (CBN) as a result of the low level of the country's foreign exchange earnings. The need thus arises to see how effective the documentary credits are as a means of facilitating payments for goods imported as well as the ease with the operation.

1.4 SCOPE OF STUDY

This study focuses attention on the documentary credit operations of Lion Bank of Nigeria, Plc. The mechanics of the opeartions are critically examined for the period of 1978 - 1994 which marked a considerable volume of large importations due to opportunities provided by the Structural Adjustment Programme (SAP) (including regulations and requirements) as well as highlighting of the problems associated with them especially in relation to CBN guidelines as related to financial institutions, and also making suggestions and recommendations that could ease documentary credit operations.

1.5 LIMITATION OF STUDY

Due to the limited time available, documentary credit operations at only LBN is looked into. The study thus assume that what happens at LBN can be said to be representative of other commercial banks in Nigeria since they are all governed by the same banking Act of 1969, as amended by September 1982 and Banking and other Financial institution decree of 1991.

1.6 DEFINITION OF TERMINOLOGIES

The terminologies used in the study are in connection with parties concerned with letters of credit.

CREDIT TERMINOLOGY	OTHER NAMES OF PARTIES
The applicant	Importer or buyer
The issuing bank	Importer's bank or buyer's bank
Advising bank	Correspondent or bank in the seller's country.
Confirming bank	The bank authorised by the issuing bank to add its confirmation, this may be the advising bank or another bank.
Beneficiary	Seller or exporter.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The use of documentary credits dated back to a very long time. "In the years following world war II, there was a considerable development in the use of documentary credits. In some quarters, however, it was felt that this instrument was most suited to 'difficult periods' and that when confidence was re-established and conditions stabilized, the use of documentary credits in international payments of exchange would be decline"[1].

The retention of exchange controls, the uncertainty of the economic situation and the continued need for international transaction, have been fundamental factors in the continual development of documentary credits.

The conflicting problems in a trading transaction between importer and exporter are usually that the importer is anxious to receive his goods in good condition before a stipulated date, the goods he has ordered, and he would prefer not to pay for them until he receives them. The exporter on the other hand would want to be sure that the goods he is exporting will be paid for and, particularly in case of international transaction that he will receive payment before he parts with the goods. This conflict of interest calls for a compromise in form of payment against documents representing the goods from the point of view both parties, the documentary credit is satisfactory of achieving

these objectives.

"The simplest way of describing a documentary credit therefore may be that it is a conditional undertaking given by a bank at the request of the importer to effect settlement to the exporter against presentation of documents relating to goods as specified by the importer."[2]

Credits in general tend to favour the exporter and as a result exporter may insist upon the importer establishing in the former's favour a credit which will advise him of the documentary requirements and conditions he must fulfill before he gets paid. The exporter needs to have this information before shipment is made. From the importer's point of view the credit he wants his bank to issue an import credit (or outward credit), and it would normally be referred to as such by the importer and the issuing bank.

An advising bank when it receives the credit is normally required to advise the beneficiary in his own country of the terms and conditions against which payment will be made, and therefore from the advising bank's and beneficiary's point of view, this same credit is referred to as a export credit (or inward credit).

Under documentary credits, banks undertake to effect settlement against presentation of documents which appears to meet the stipulation of the credit and comply with all other terms and conditions. The stipulated documents are likely to include those

required for commercial, official, insurance or transport purposes such as commercial invoice, certificate of origin, insurance policy or certificate, the bill of lading or combined transport documents. Therefore the protection available to the applicant depends upon the documents he calls for.

2.2 PARTIES INVOLVED IN DOCUMENTARY CREDITS

2.2.1 BENEFICIARY (EXPORTER)

If a letter of credit is required, this must be stipulated in the sales contract between the importer and exporter since a letter of credit generally benefits the exporter, such payment terms are usually included in the contract at his request. The party in whose favour the instrument is issued is called "**beneficiary (exporter)**".

2.2.2 APPLICANT (IMPORTER)

It is up to the importer to find a commercial bank or other financial institution that is willing to open a letter of credit on his behalf. In banking circles, the applicant for a letter of credit, i.e the import is referred to as the applicant.

2.2.3 ISSUING BANK/OPENING BANK

The bank that opens the letter of credit on behalf of the importer is called the opening or issuing bank. By issuing a credit it assumes full responsibility for payment after the proper drafts and documents have been presented. the credit of the opening bank this thus substituted for that of the importer.

2.2.4 ADVISING BANK

The letter of credit may be mailed directly to the exporter who may then present his draft and documents to any local bank willing to negotiate the draft. Alternatively, the issuing bank may send the letter of credit to one of its correspondent which is called the notifying or advising bank, it has the task of informing the exporter that a letter of credit has been opened in his favour.

2.2.5 PAYING BANK

In addition to notifying the exporter of the establishment of the credit , the advising bank may also be authorised to pay the exporter's local currency drafts when presented and accompanied by the proper documentation. In this case, the notifying bank also becomes the paying bank . The latter, after having paid the exporter, get reimbursed by the opening bank. Legally, the paying bank acts as agent for opening bank.

2.2.6 NEGOTIATING BANK

A bank which, at its own choice, buy's exporter's drafts submitted to it under a letter of credit is called a negotiating bank. sometimes a letter of credit may be addressed and mailed directly to the exporter without going through the intermediary of an advising bank. The exporter may then present his draft and documents to any local bank willing to buy his drafts drawn under the credit.If all letter of credit conditions are met, the negotiating bank buy's the exporter's drafts with or without recourse. It then forward the draft and documents to the opening

bank for reimbursement. The opening bank itself examines the documents, if everything is in order, it in turn reimburses the negotiating bank

2.2.7 CONFIRMING BANK

Frequently, an advising or paying bank is requested to add its own commitment to the letter of credit. In this case it is called the confirming bank for adding its own name to the credit, the confirming bank charges a fee which is usually paid by the opening bank and thus indirectly by the importer, such a confirmed letter of credit is considered very safe from exporter's point of view since it contains the obligation to pay on the part of two banks.

2.3 THE UNIFORM CUSTOMS AND PRACTICE (UCP) FOR DOCUMENTARY CREDITS

As an instrument for conducting business, on an international level, documentary credits had to have standard definitions and terminology to be fully effective. Principles had to be formulated which were to be applicable to international law and set up in form of brief concise rules for common usage and practice. These principles are in form of what is known as uniform customs and practice for documentary credits (UCP) as laid down by the **International Chambers of Commerce (ICC).**

ICC is a world business organization. It acts to promote the greater freedom of world trade, to harmonize and facilitate business and trade practices, and to represent the business

community at international levels, Paris-based, the ICC is represented by Nations, committees and councils in over fifty countries and also has members in over forty countries.

The Articles of Uniform customs and practice and its various provisions enable the buyer, as applicant for the credit, to state what documents he requires and what are the terms and conditions. The rules interpret current practice and create a basic frame work and for his, Nigerian banks go by the uniform customs and practice for documentary credits.

"Documentary credits are almost always operated in accordance with the UCP for documentary credits of the International Chambers of Commerce, a code of practice which is recognised by banking communities in one hundred and fifty-six countries."[3] World wide adherence to ICC's UCP for documentary credits thus assists towards a uniform documentary credit practice. Please see appendix 1 for more details.

2.4 CREDIT AS A MEANS OF SETTLEMENT

Documentary credits as a means of international trade settlement, there are various types of documentary credits. If settlement is to be made by means of a documentary credit, the type of documentary credit to be used is decided between the importer and the exporter. There are various types of documentary credits that can be used, these are as follows:

2.4.1 REVOCABLE CREDITS

A revocable credit can be amended or cancel at any time without prior notice to the exporter. The issuing bank may amend or revoke a revocable credit either upon the request of the applicant or when the issuing bank considers it will not be possible to obtain reimbursement from its customer. In the latter case, it may be prudent for the issuing bank, in its own interest to revoke the credit.

If any bank authorise to do so has paid, negotiated or accepted in respect of documents presented in accordance with the terms of a revocable documentary credit, such actions with stand, provided they were made prior to the bank's receiving notice of amendment or revocation. For the exporter, this type of credit involves risk as the credit may be amended or canceled while the goods are in transit and before documents are presented. The exporter would then face the problem of obtaining payment directly from the importer. It however gives the importer maximum flexibility as it can be amended or canceled without prior notice to the exporter up to the moment of payment by the

advising/confirming bank at which the issuing bank has made the credit available.

2.4.2 IRREVOCABLE CREDIT

On the other hand, irrevocable credit may not be amended or canceled without prior agreement of all parties. It thus gives the seller greater assurance of payment but the remains dependent on an undertaking of the issuing bank while it gives less flexibility to the buyer.

2.4.3 CONFIRMED IRREVOCABLE CREDIT

There are occasions when the beneficiary will insist on the bank in his own country adding its undertaking to that of the issuing bank. When the bank which advises the credit does undertake to make payment against correctly tendered documents, it is called a confirming bank and the action of such bank adding its undertaking is known as "confirming".

This type of credit thus gives the exporter a double assurance of payment, since a bank in his country has added its own undertaking to that of the issuing bank. This represents an additional requirement on the part of the exporter and is more costly for the buyer. It can thus be seen that the commercial value of documentary credit depends upon its types.

2.4.4 REVOLVING CREDIT

A revolving credit is one where under the terms and conditions. The amount is renewed or reinstated without specific amendment

A red clause credit is a credit with a special clause incorporated into it that authorises the advising or confirming bank to make advance to the beneficiary before presentation of the documents. The clause is incorporated at the specific request of the applicant, and the wording is dependant upon his requirements.

A typical red clause reads "The negotiating bank is hereby authorised to make advances to the beneficiary up to an aggregate amount of or the remaining unused balance of this letter of credit, whichever is less, against the beneficiary's receipt stating that such advances are used to buy the merchandise for which the credit is opened ....."

It is often used as a method of providing the exporter with funds prior to shipment. Therefore, it is of value to middlemen and dealers in areas of commerce that require a form of pre-financing and where a buyer will be willing to make special concessions of this nature.

Risk to importer - since the clean advances are based on the responsibility of the opening bank and its customer, the importer, is liable for repayment in cases where no shipment is made under the letter of credit or when the loan is not repaid by the exporter, in addition to assuming a credit risk, the importer also takes on an exchange risk since red clause advances are usually in the local currency.

2.4.6 TRANSFERABLE CREDIT

A transferable credit is one that can be transferred by the

The transfer is effected, on instructions of the first beneficiary, by the bank where the credit is available. Thus, it permits a credit to be arranged by the first beneficiary in favours of one or more second beneficiaries, while allowing the first beneficiary to substitute his invoices for those presented to the bank by the second beneficiary(ies). The bank must of course, correlate and check both invoices with the other documents called for and ensure that all documents comply with the terms of the original credit.

2.4.7 BACK TO BACK CREDIT

In circumstances when the credit in favour of the exporter is not transferable and he is unable to supply the goods and needs to purchase them from, and make payment to, another suppliers, he need to use a Back-to-Back Credit, by the exporter in favour of his supplier.

Under the back-to-back credit, the exporter as a beneficiary of the first credit, offers it as "Security" to the advising bank for the issuance of the second credit. As applicant for the second credit the exporter is responsible for reimbursing the bank for payments made under the first credit. There is, however, no compulsion for the bank to issue the second credit, and in fact, many banks will not do so.

The most commonly used and acceptable type of documentary credit today is the confirmed irrevocable credit because of its advantages as stated above in that it can be amended or canceled only with the agreement of all parties involved. It also gives

the exporter a double assurance of payment.

2.5 REIMBURSEMENT UNDER A CREDIT "PAYMENTS"

The documentary credit achieves a commercially acceptable compromise between the conflicting interests of buyer and exporter by matching time of payment for the goods with the time of delivery. It does this, however, by making payment against documents representing the goods rather than against the goods themselves.

The beneficiary will want to make sure that the amount of the credit is sufficient after all required transportation and insurance charges are added to the basic cost of the merchandise. He should also check the latest permissible dates for shipping and submission of documents to ascertain whether these allow him sufficient time to manufacture and/or purchase the merchandise, place it on board the steamer, and obtain necessary documentation for submission to the bank. All the required documentation should be carefully reviewed for obtainability.

The requirements for insurance coverage particularly have to be checked for agreement with the sales contract and availability. The description of the goods should contain no cumbersome technical terms in representing the merchandise, such unnecessary details may give the importer an excuse to refuse payment based on mere technicality.

Should there be any discrepancy between the underlying sales contract and the letter of credit, or should the beneficiary not be able to comply with in the conditions, he should then take

immediate action to contact the importer with a request for the necessary amendment. An amendment can be requested either by contacting the importer directly or by passing the request through banking channels, i.e through the advising and opening banks.

The beneficiary should remember that his compliance with the terms of the letter of credit must be complete in every detail before he can obtain payment. If there is any discrepancy or misunderstanding it is important that it may be cleared up immediately.

2.5.1 CHECKING OF DOCUMENTS

After the exporter has shipped the merchandise and obtained all necessary documents, he submit these as soon as possible to the negotiating or paying bank. The documentary section of the bank's letter of credit department examines the documents in detail to make sure that they comply with all the terms of the credit. While insurance documentation must be exactly as specified in the credit, when general terms such as "usual insurance" or "usual risks" are used, the bank may accept the insurance documentation as rendered.[4] The currency of the insurance coverage must be the same as the currency of the letter of credit.[5] Banks may also refuse any insurance document that bears a date later than the date of shipment as stated in the bill of lading[6].

The commercial invoice should be made out in the name of the customer and its total amount may not be in excess of what is allowed under the letter of credit. The description of the goods on the invoice should be exactly the same as it is in the credit and on the shipping documents the goods may be described in general terms[7].

2.5.2 SETTLEMENT

The importer sends the transport documents to the carrier who will then proceed to deliver the goods, when the documents has been checked by the issuing bank and found to meet the credit requirements, they are released to the buyer upon payment of the amount due or upon other term agreed between him and the issuing bank.

Settlement could be in the following ways:-

- BY PAYMENT

The exporter sends the documents evidencing the shipment to the bank where the credit is available (the paying bank). After checking that the documents meet the credit requirements, the bank makes payment. This bank, if other hand the issuing bank, then sends the documents to the issuing bank reimbursement is obtained in the pre-agreed manner[8].

- BY ACCEPTANCE

After document evidencing the shipment had been sent, the accepting bank accompanied by a draft drawn on the bank at the specified tenor, the bank signifies its commitments to pay the face value at maturity. The seller can, therefore, usually convert the accepted draft into cash by discounting it with his own bank, or on the local money market[9].

- BY NEGOTIATION

When document evidencing the shipment had been sent by the exporter, (the negotiating bank) accompanied by a draft drawn on the importer or on any other drawee specified in the credit, at sight or at a tenor[10], as specified in the credit. After checking that the documents meet the requirements, the bank may negotiate the draft. Negotiation by the issuing bank or the confirming bank will be without recourse to the exporter. Negotiation by any other bank will be with recourse to the exporter.

2.5.3 COMMON DISCREPANCIES

Unfortunately, the submission of documents that do not meet all the specifications of the credit occurs quite often. Sometimes documentation requirement is difficult or impossible to obtain and the exporter realized this only relatively later when it is no longer possible to amend the credit. More typically, however, discrepancies are due to clerical errors, delays at the office, and failure to understand or follow instructions of the letter of credit. It may, therefore, be useful to list some common discrepancies that often cause additional work and delays in

getting payment to the beneficiary:-

1. Presentation of documentation to the bank after expiration date of credit.

2. Documents presented before the expiration date of the credit but with a stale bill of lading. A bill of lading becomes stale when the time between shipment of the goods and the time it is delivered to the bank is unduly long. Determination of whether a bill of lading is stale is up to the bank. When making this judgement, banks consider the shipping time required from the port of departure to port of destination. The documents, after being processed by the paying bank and air mailed to the opening bank abroad, should arrive before the merchandise. If an exporter delays submitting the documents to the bank, there is a danger that they will not arrive overseas before the merchandise and consequently payment will probably be refused.

3. The exporter may be making partial shipments when the credit allows only one shipments are permitted, the draft for one particular shipment may be in excess of the pro rate value allocated to the partial shipment.

4. The invoice value may exceed the amount available under the letter of credit. Often this means that the exporter has shipped a larger quantity of merchandise than is permitted.

5. A beneficiary of two letter of credit from the same opener may be tempted to combine the shipment and present only one set of documents. This is not permitted. Each credit is considered a separate transaction and, unless specifically authorised, no combined shipment is allowed.

6. The documents submitted may not be internally consistent. The amount, quantity, description etc may not be the same on all of the documents.

7. Insurance coverage may not be as prescribed in the credit. The amount of insurance may be inadequate. The exporter may submit a certificate or cover note when the credit actually calls for a policy.

8. The bill of lading may not be in order. Unless specifically allowed, banks may not accept foul or on-desk bills of lading. If the bill of lading is consigned to the shipper, it must endorsed before being turned over to the bank.

2.5.4 ACTION IN CASES OF DOCUMENTARY DISCREPANCIES

When a negotiating or paying bank discovers some documentary discrepancies, it will withhold payment from the beneficiary. Should this happen, the exporter can follow one of several courses of action.

- Correction of discrepancies - If still possible, the best course is for the beneficiary to promptly get the discrepancy corrected and to re-submit his draft and document for payment. This can be done, however, only, if time permits and if the discrepancy is of such a nature corrective action is still possible, If for instance, the discrepancy is a foul on board bill of lading, no corrective action is possible since the defectively packaged goods are already on the high seas.

Another possible alternative is for the beneficiary to request a waiver of the discrepancy from the importer. The normal procedure is for the paying bank to contact the exporter and the opening bank by telex to get their waiver for specific discrepancies. An importer may be persuaded to overlook minor discrepancies if they do not impair the quality and quantity of merchandise he is to receive.

In times of falling prices or a business recession, however the buyer may well insist that his instructions be followed exactly before payment can be made. Sometime an importer will request a reduction in price before accepting a shipment with documentary discrepancies.

Indemnity - In case of incomplete documentation, the beneficiary's bank, (i.e the negotiating bank) may issue a letter of indemnity to the paying bank. This holds the paying bank harmless in case it does not receive payment from the opening bank and importer as a result of the discrepancies. Consequently, the indemnity is made under the assumption that, while the exporter's performance has been deficient in some way, this deficiency will not result in a loss.

An indemnity is a convenient way of getting payment to the exporter if it is too late to correct any documentary discrepancies. Of course any bank issuing a letter of indemnity retains recourse to the exporter in case a payment must be made the exporter therefore loses one of the key advantages of a letter of credit opened in his favour: i.e, the payment of his draft without recourse, provided he meets an stipulation of the credit.

Collection Basis - As a last result, the exporter may request the opening bank to present the documents to the importer against payment or acceptance or the draft, i.e on a collection basis. In this case, the exporter is entirely at the mercy of the importer who may or may not accept the shipment. For instance, desire to accept delivery only if he receives a cut in price to make up for the document discrepancies. If the importer refuses to accept the goods, some other buyer will usually have to be found, often at substantial losses to exporter.

2.6 USES OF DOCUMENTARY CREDITS

The uses of documentary credit as become of a great important in Nigeria, due to the Federal Government Budget release which centred on strengthen and stabilising the naira exchange rate, in pursuance of the objective on the Federal Military Government, the Central Bank of Nigeria hereby introduces (the following guidelines for the operations of the foreign exchange market (FEM) which includes

- The exchange rate of the Naira is now fixed at N21.9960 per US Dollar.
- All imports must be on the basis of letters of credit except those that cost $1000 or less.
- Foreign exchange sale will now be made directly to the importers and other end users through the designated banks, who will be their agents. The designated banks will not change any spread on the Central Bank of Nigeria selling rate but are allowed the normal transaction charges and commissions as prescribed by the Banker's tariff. For further detail see Appendix II.

  To mention few, documentary credits according to "Alasdair Watson"[11] serve four main purposes.

  They are a classic instrument for financing purchases of foreign goods and foreign equipment.

  They assist the issuing bank to grant finance to the importer and monitor as uses. They are an effective way of bringing an element of security into transactions for the commercial parties. And lastly, they constitute a routine instrument for exporters to serve payment, provided they

are not burdened by needlessly complicated clauses and conditions.

These thus explain why documentary credits are commonly used.

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9. U C P Article 21
10. U C P Article 11(b)
11. Watson Alasdair: OP Cit Pg.187

CHAPTER THREE

COMMERCIAL BANKING ENVIRONMENT IN NIGERIA.

3.1 BRIEF HISTORY AND DEVELOPMENT OF BANKS IN NIGERIA.

A bank may be defined as an institution which accepts deposits which are subject to transfer by cheque as well as granting of loans and advance. The history of banking in Nigeria is related to the early history of banking itself in Farmer British West Africa,(and that cannot either be divorced from the history of the Bank of British West Africa).

Banking business in Nigeria dated back to the turn of the 19th century when Elder Dempster started specie movements throughout the country. African Banking Corporation which had its headquarters in South Africa established its presence in Nigeria in 1882 and took over the specie movements from Elder Dempster Company. The bank of British West Africa (BBWA) (now first Bank of Nigeria PLC) which was established in 1894[1] absorbed African Banking Corporation. The BBWA was for many years, the sole bankers to the Colonial Government and all the important expatriate firms of their time. Its position remain unchallenged until the coming into the scene in 1925 of Barclays Bank D.C.O. (now Union Bank of Nigeria PLC) another foreign bank, the British and French Bank (now United Bank of Africa PLC) was established in 1948[2].

Alongside the foreign banks were indigenous banks which sprang up to break the monopoly of foreign area. In 1914, some Nigerian

came together to establish industrial and Commercial Bank which failed in 1930 due to under-capitalisation and poor management.

A group of other Nigerians formed the second indigenous bank, the Nigerian Mercantile Bank in 1931. It also failed in 1936 for reasons that were related to the failure of the Industrial and Commercial Bank. In 1933, National Bank of Nigeria was promoted and established by those who floated the Nigerian Mercantile Bank before it. The fourth private indigenous bank to be established was the Agbonmagbe Bank by Chief Okupe in 1945. The bank survived till 1969 when its assets were taken over by the Western State Government and its name changed to Wema Bank. There was also the African Continental Bank founded by Dr. Nnamdi Azikiwe in 1947 to serve the Zik Group of Companies. It has since become one of the enduring indigenous banks in the country. In the same year, the Nigerian Farmers and Commercial Bank was established but went under in 1953 with untold losses to the Nigerian public.
An enquiry had to be set up to investigate Banking practices. The recommendations of the Patrons Report which emanated from the enquiry served as the basis for the First Banking Ordinance in 1952[3].

The 1952 Banking Ordinance virtually brought to an end the era of free-for-all banking with no licensing required and no regulation to restrict and control the establishment and operation of a bank. The ordinance introduced important regulations to bring about orderly banking business and to stop the establishment of mushroom banks. It limited banking business

to institutions holding valid licenses, laid down procedures and standards for the conduct of banking business.

It prescribed permissible capital and reserve requirements for the banks. Under the ordinance, existing banks were given three years to comply with the main provisions of the ordinance and by December 1953 the three foreign banks - BBWA, Barclays Bank, DCO and the British and French Bank and three indigenous banks, National Bank of Nigeria, African continental Bank, and Agbonmagbe Bank had been licensed.

The earliest support for the establishment of a Central Bank for the country dates back to the period of bank failures of the early 1950's when the power of central of banking was vested in the Financial Secretary. The then Financial Secretary speaking for the Government considered the establishment of a Central Bank "to regulate credit in the absence of a highly organised money market".

Sequel to pressures from all angles, Mr. J.C. Fisher an adviser to the Bank of England was appointed "to examine the desirability and practicability of establishing a Central Bank of Nigeria as an instrument of promoting the economic development of the country"[4]. The ordinance was passed by the house on March 17,1958 and was brought partially into force on September 13, 1958 when those sections necessary for carrying out the initial functions became law. The Act was fully implemented on July 1959, when the CBN came into full operation.

The concept of "Merchant Banking" has its origin in the pioneering activities of British Merchants which later became acceptance houses. This dated back from 1960 when Philip Hill (Nig.) Limited was established to carry out business in Nigeria, later to dominate until 1973 when new ones began to appear in the field because of the advert of the petro-naira from enormous crude oil trade. In quick succession between 1973 and 1975 four of them - first National Bank of Chicago (now International Merchant Banks)[5]; First National City Bank of New York, Chase Manhattan Bank (now Continental Merchant Bank) and ICON Limited Merchant Bankers were established, Nigerian Merchant Bank joined the Club afterwards.

Following the promulgation of Nigerian Enterprises Promotion Decree of 1972, the Federal Government indicated its intention to acquire 40% equity participation in the erstwhile foreign banks when the scheme became operational, all those banks complied except City Bank of New York which left the country because of its belief in free market enterprises.

The number of Merchant Banks in Nigeria grew to six in 1982 and to eleven in 1984. The figure has since witnessed a remarkable increase, to 42 by June 1990 and the current number of existing Merchant Banks in the Country is 54 after withdrawal of operational licenses of the Kapital Merchant Bank Limited and Financial Merchant Bank Limited. The Merchant Bank is much more compact as an organisation with fewer branches and professionalism in management dealing mainly in wholesale banking and mostly with corporate customers.

Co-operative Banks tend to be identified with rural development and tend to be expected to serve as the main vehicle of bank credit to farmers and associated units. In 1952,the co-operative Banks of Western and Eastern Regions established with public funds to finance agriculture were licensed[6].

In the meantime, the Regional Governments were getting interested in banking, probably with a view to filling in the gap created by the exit of indigenous enterprises and reaping the benefits that would accrue from their investments. This era ushered in many state governments and increased the tempo of their participation in banking so much so that virtually every state governments now either has its own bank or in the process of establishing one.

The need for economic development has also brought about the need for specialised financial institution to be set up in line with the priorities of the Government. The essence of the Development Financial Institution is born out by the fact that Commercial and Merchant Banks are all purpose institutions and despite directives and credit rationing aimed at Favouring Specific sections it would still be impossible for these banks to meet the unnecessary financial requirements of different sectors that require urgent attention.

Moreover there is the need for government direct participation by way of governments direct capital investment. It is also hoped that these institutions will become specialists in the

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various fields and would be able to exert greater impact on their respective sectors than commercial and merchant banks. The Nigeria Industrial Development Bank was one of such institutions established on 22nd January 1964 with the primary aim of speeding up Nigeria's industrial base through provision of sizeable long term finance for industrial development on the different sectors of the economy.

The Nigerian Building Society was established in 1957, it was re-constructed as the Nigerian Mortgage Bank on 20th January 1977 to take over the assets and liabilities of the Nigerian Building Society following the acceptance by the Federal Government of the recommendations of the Financial Review Panel.

Also in April 1994, Federal Mortgage Bank, was split into two thus, Federal Mortgage Bank of Nigeria Ltd as Apex Institution and Federal Mortgage finance Nigeria Ltd as one other numerous primary mortgage institutions set up to meet the Federal Government policy of Housing for all by the year 2000.

The Nigerian Bank for Commerce and Industry was set up in 1973 through decree No.22 of 5th May of that year. It's establishment in the wake of Nigerian Enterprises promotion Decree (1972), has made it possible to provide medium and long term finance for the acquisition of indigenised enterprises. Existing enterprises have also benefitted from its loans.7. The government has thus instituted of two-prolonged approach to industrial development through the Nigerian Industrial Development Bank and the Nigerian

Bank for Commerce and Industry (NBCI).

The Nigerian Agricultural and Commerce Bank (NACB) was established in 1972 but did not start effective operation until 1973. It received its initial funds of =N=12m from the Federal Government. The need to develop agriculture arises as a result of the need to increase food production, for food was in short supply immediately after the civil war. Consequently increased food production was thought to be a mechanism for curbing the increasing inflationary pressure.

Agriculture is also important because of the fact that it is also a source of supply of raw materials for the industrial projects allied to agriculture.

The present position of the banking industry see through the angle of the monetary authorities is that all is not well, based on the fact that most of new comers to the industry whether commercial/merchant or finance firm/mortgage banks are now distressed.

3.2 THE STRUCTURE AND OPERATION OF COMMERCIAL BANKS IN NIGERIA

Bank Management strategy involves appropriate matching of asset and liability portfolios.

The level of a bank's profit is positively correlated to its balance sheet items profitability.

The last few years had seen major restructuring in the asset and

liability portfolios of commercial banks. This had resulted both in increased opportunities for profit and in a change in the composition of risk assets. Restructuring of asset and liability portfolios arose from changes in liquidity management strategies in response to interest rate volatility. This had called for aggressive management by commercial banks.

ASSET STRUCTURE

The total assets of commercial banks stood at #231.0 Billion in 1993, representing an increase of 54 percent over the 1992 asset base of #167.5 Billion. This significant increase could be due to inflation as the real value of the asset in 1993 might be far below its 1992 level.

The proportions of the largest single item in commercial banks total assets, loans and advances to other customers had its share further reduced to 21.8 percent in 1993 down from 25.0 percent in 1992 and 29.0 percent in 1991. The high cost of funds, complaint of shortage of loanable funds by banks, the diversification or source of income from interest income to fee based income, and the reluctance of banks to grant credits in view of the relative high risks associated with it, among others, could be responsible for this downwards trend.

LIABILITIES STRUCTURE

The proportion of total deposits thus fells to 40.2 percent in 1993 from 44.6 percent in 1992 and 48 percent in 1991. The downward trend in the share of deposits in the total liabilities of commercial banks could be due to inflation and competition from non-bank financial institutions that pay more attractive

rates.

The escalating price level might have led informed depositors to seek other investment outlets to protect the purchasing power of their funds. In addition, there was the tendency for some banks to living their deposits with funds from bank products under the title of other liabilities.

There was a 0.9 percentage increase in the proportion of capital (share, reverse and debentures) to 4.5 percent in 1992 from its previous year's level. This was mainly due to the increase in paid up share capital and the need for bank to back up their reserves to enable them meet the minimum capital adequacy ratio of 3 percent stipulated for the year.

3.2.1 THE OPERATIONS OF COMMERCIAL BANKS IN NIGERIA

Services performed by commercial banks nowadays are many and varied and they include the followings:

1. DEPOSIT:

   Banks eliminate the risk of keeping large sums of money by accepting deposit. The deposits can be in form of demand deposit (current account) time/term deposit or savings accounts.

2. SAFE CUSTODY OF VALUABLES:

   Valuable items such as Will, Certificates, Trinkets and others are accepted by banks for custody thus avoiding losses through theft, misplacement or destruction through

fire outbreaks.

3. ADVANCES:

Banks lend money to its customers in form of Loan, Overdraft, advance, discounting of bills etc thus providing short, medium and long term capital for economic activities and national development.

4. INTEREST TO CUSTOMER:

Banks give interest to customers on various accounts subject to specified condition. The deposit therefore constitutes some form of investment.

5. SECURITY MARKET SERVICES:

Banks help their customers to buy stocks and shares and collect dividends thereon on their behalf. They also provide services and facilitating safe of shares.

6. BUSINESS ADVISORY:

Banks have trained personnel capable of providing first class advice on investments. they also obtain on their customers behalf and advice from specialists.

7. TRUSTEE AND EXECUTOR OF WILL:

If nominated bank can act as executor of Will and as Trustee.

8. USE OF CHEQUES, CHEQUE CARDS, CASH CARDS:

The use of cheque facilitates easy payment to serves as a

form receipt on receiver's endorsement and is required before payment if cash is to be paid over the counter. The use of cheque guarantee cards has actually enhanced the acceptability of cheque as exchange medium and is reducing the cash thus minimising the cost of providing exchange medium.

9. CLEARING:

Banks receive cheques, postal orders, money orders, bills, banks drafts and other instruments from their customers and convert them into money through the clearing system.

10. EXECUTION OF MONETARY POLICIES:

Banks help in the execution of monetary policies of government through compliance with the directives and regulations of the Central Bank Foreign Services:

a. Banks act as intermediary between the foreign exporters and local exporters by providing documentary credit services. It issues letter of credit thus facilitating importation and guaranteeing payment on receipt of relevant document of title which is the focal point of this research paper.

b. The issue of foreign currencies and travellers cheques to people travelling abroad. They also provide foreign exchange facilities in form of bankdraft; ordinary mail and telegraphic transfers.

c. They convert foreign currencies into local currencies through outright purchase.

d. They give vital information concerning that customers as may be required to facilitate trade and also help to raise international status enquiry.

3.3 SHORT-COMINGS OF NIGERIAN COMMERCIAL BANKS

The short-comings of Nigerian Commercial Banks can be seen in the light of the followings:

BANKING SERVICES:

It goes without saying - It has anyway been said many times already - that services at commercial banks counters generally leaves much to be desired. This stems from the under-banked state of the country - too many customers to be served by too few bank offices. In a sellers' market like this the defensive attitude of the banks is sometimes said to be nonchalant in the face if the overwhelming demand for bank services.

In truth, customer has accused commercial bank of providing inadequate services at the counter of the banking hall and causing undue delay in the transfer of funds from one point to another, both within and outside the country.

TRAINING OF STAFF:

I consider that, given competent staff, the Banker's Tariff as approved by the Central Bank of Nigeria reasonable scope, in terms of the spread of permitted interest rates, and of the

charging of commission on turnover, to make useful profit. Profitability is even more attractive in the case of foreign business. Banks should therefore find it in their interests to go the additional effort and expense of training staff - although that is no small problem and can be costly - with the object of producing efficient personnel.

As a result the existing banks should be able to retain their present business and increase it, even in the face of growing competition. Banks must not imagine that they can continue to carry what may be termed "flatby, overstaffed branches or Head-Office department" indefinitely, and must strive by training and discipline to make themselves leaner and more muscular professionally, to meet the demand of the future development.

GEOGRAPHICAL DISTRIBUTIONS:

The commercial bank in Nigeria is not geographical distributed, the newly established banks are situated in Lagos and has no branches in rural areas such as Zaria, Samaru etc, This will not allow the monetarisation of the entire nation.

MISMANAGEMENT:

In 1951/52 some 16 banks were started and failed in Nigeria, becoming unviable through under-capitalisation, poor starting and mismanagement. Thanks to the necessary and enacting requirements of the Central Bank of Nigeria, banking standards have greatly improved since those days.

But 'no condition is permanent' and as every country finds from time to time, things change which amount to development. The

people at the helm of affair of commercial bank, some mismanagement the funds of the bank through unsecured lending to friends and relations, which in turn leads the bank into problems, some liquidate.

Finally, commercial banks are accused of being unsympathetic to the financial needs of the indigenous business by being to stringent in their conditions for assisting would-be-borrowers.

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CHAPTER FOUR

THE POSITION OF LION BANK OF NIGERIA PLC

4.1 ESTABLISHMENT

The sudden upsurge in banking industry should not come as a surprise. With the structure of the Nigeria economy changing so rapidly, and with the pace of industrialisation gathering momentum, coupled with the deregulation on the economy, There is inevitable need for more commercial banks for medium and long term financing activities.

Lion Bank of Nigeria PLC, was incorporated in 1982 and started operation for customers in January 1987. It is the first commercial bank in Nigeria to have a technical working agreement with an indigenous bank - the International Merchant Bank Nigeria Limited (IMB).

This working arrangement opens Lion Bank to IMB's strong base at home and to its International and other correspondent banking facilities worldwide. With the headquarters of the bank located in Jos, Plateau /state, and backed by a competent indigenous management from IMB, the bank is placed in unique position to contribute efficiently to the economic growth of areas contiguous to it, and the country at large, whilst offering a fresh shadow to a new era of banking in Nigeria.

In order to position the bank in the Nigerian market and gain the respect or major players in finance-industry and manufacturing, the bank decided to go public in 1990. During the public issue,

it offered eight million and eighty five thousand ordinary shares of 50k each at 70k per share to the Nigerian Public through Public Offer. This issue was managed by IMB Nigeria Limited and was over-subscribed by 132%.

The Lion Bank entered the banking world at a time of erratic trends in the world economy. There is rising inflation in most industrialised nations with developing countries taking their own needy toil of the world-wide economic recession and fluctuating employment graphs, as well as Nigeria's present economic situation.

Despite all these, the bank accepts the challenges of the moment as a catalyst to inspire them to play a leading role in bringing about enormous changes for better in the future. The bank believes in the economic survival of Nigeria and that is why it has gone into the venture.

4.2 STRUCTURE AND OPERATIONS

The equity participation of Lion Bank is planned such that the private sector has controlling interest:

The equity structure comprises

The Plateau State Government	30%
The International Merchant Bank (IMB)	20%
Local Government of Plateau State	10%
General Public	40%
	100%

Similarly, the board of the bank is constituted to reflect the

equity structure and by individuals drawn from various sections of the private sector, to give the bank proper competitive orientation.

In line with Lion Bank philosophy of strength, speed and efficiency in modern banking, the bank strive to provide efficient and courteous services to all categories of customers, the services are as follows:-

- Savings and Current Accounts
- Loans, Advances and Overdrafts for working capital
- Fixed Deposit Account
- Standing Order
- Safe Custody
- Domiciliary Accounts
- Project Financing
- Import and Export Financing
- Participating in Loan Syndication
- Business and Financial Advisory Services
- Treasury and Foreign Business Transaction.

Lion Bank is manned by a crop of well trained, dedicated and service oriented staff, groomed in the Lion Bank tradition of providing excellent service, the Bank work is complemented with the electronic processing of information to ensure prompt and efficient services.

To reach their numerous customers, as well as optimise their

service delivery position, the bank have been opening up new branches as well as being innovative with various banking techniques. With this development, the bank is fully equipped to exploit the abundant opportunities in the economy, guarantee stronger earning in the future and maximize profit to shareholders.

DOCUMENTARY CREDIT OPERATIONS AT LION BANK OF NIGERIA PLC

4.3 THE PROCEDURE OF ESTABLISHING A CREDIT

The applicant (importer) requesting his bank, the Issuing bank, in this case LION BANK OF NIGERIA PLC to issue a credit in favour of the beneficiary (Exporter).

To do this, the applicant (customer) completes an application form that contains his instructions, including the terms and conditions under which the beneficiary is to receive settlement. An application form issued to customers in respect of documentary credit currently used by Lion Bank of Nigeria PLC is attached as Appendix - 3.

In their discussions with customers prior to the issuance of letter of credit, the bank officials ensure that the following points are covered. It is essential to ensure that the goods being imported are in accordance with the Exports and Imports Provisions of the finance Act, 1981.

Since the credit is to be issued in foreign currency, the customers is made aware of exchange control requirements as well

as the exchange risk. In most cases, the letters of credit are issued as irrevocable, that is, they cannot be cancelled or amended without the consent of all parties concerned.

The character, reputation and integrity of the beneficiary must be unquestionable and the banks also enquiries that the details of the sale have been settled between the buyer and the seller. The details are usually in the form of an invoice or proforma invoice.

The customer is made aware that the sole responsibility of the bank is to examine the documents with reasonable care to ascertain that they comply with the terms and conditions of the credit. The bank is not responsible for the underlying goods.

The customer should be familiar with shipping terms and conditions. and the shipment should be covered by insurance at all times. He is also informed that interest and other incident charges may be incurred as a result of the credit. Interest charges are levied by the correspondent bank on foreign currency negotiations.

This charges covers the period from the time payment is made to the beneficiary by the foreign negotiating bank until Lion Bank of Nigeria reimburses the foreign negotiating bank in its local currency. This charge depends on the interest rates quoted in the country of negotiation. Incidental charges such as cable expenses, foreign bank advising charges etc are also usually incurred.

The customer is held responsible for reimbursing Lion Bank of Nigeria PLC should any such charges arises in connection with the credit.

The customer must also be prepared to undertake an indemnity which is given in respect of discrepancies on documents presented under the credit. Before the documentary letter of credit is opened, the bank considers its position vis-a-vis its customer.

Most customers who request documentary credit facilities require a number of credits to be established in favour of their overseas suppliers over a period rather than a single transaction. Lion Bank of Nigeria PLC establishes a "Line of Credit" for each customer with a maximum limit for this purpose. Having agreed the amount of the "Line of Credit" that can be provided for the customer and ensuring there is sufficient line to cover new applications, the bank carefully vets each application to open a credit for relevant documents such as:
An approved form "M" by the Central Bank of Nigeria (CBN) covering shipment of the goods.
An originally signed proforma invoice from the suppliers of the goods stating the terms of trade under which the goods are to shipped.

An approved user scheme if the goods are subject to import restrictions. An insurance certificate covering 110% of the value of the goods. The bank must be satisfied that the customer has provided for proper insurance. Current tax clearance certificate

of the customer. Compulsory Advance Deposit for Imports (CADI) is also collected from the customer in respect of the letter of credit to be opened. This is done in compliance with Central Bank of Nigeria's Monetary Policy Circular No. 14 of 4th February 1994. And the amount collected is arrived at by applying a percentage to the document amount. the percentage is accordingly to the category under which the good falls as can be seen below:-

HIGH PRIORITY SECTOR		
Manufacturing	50%	
Agriculture	10%	
		60%
Others		
Finished goods	30%	
Invisibles	10%	40%
TOTAL		100%

A breakdown of the items included in each group and the percentages they attract in respect of Advance Deposits for Imports is attached in Appendix. 2

In preparing the letter of credit, all the information needed is obtained from the application filled by the customer (applicant). It is thus the duty of the bank official to ensure that applications are carefully filled.

The method of transmission of the credit at Lion Bank of Nigeria

PLC is usually by telex. The correspondent bank to which the telex is sent is usually in the beneficiary country or as requested by the applicant. The message will include all the relevant information documents required as well as terms and conditions under which the credit is established. The telex is used as the operative credit instrument and it clearly states that the credit is subject to the (Uniform Customs and Practice for Documentary Credit 1983 Revision) ICC Publication No.400.

The bank charges on each letter of credit opened are as follows:-

1/2% - Establishment Commission

1/2% - Drawing Commission

1/4% - Exchange Commission

Making a total of 1 1/4% or each letter of credit opened.

4.4 SETTLEMENT OF LETTERS OF CREDIT

All payments in and out of Nigeria that may require conversion of the Nigerian Currency are regulated by the Exchange Control Department of the Central Bank of Nigeria. The regulations are classified into two categories:

Category A - the regulations that deal with payment for invisible items. Application under this category is made on form "A".

Category B - i.e the regulation that deal with payment for imports, and goods generally. Application under this category is made on form "M".

In both cases all persons intending to effect transactions with respect to payment for imports and /or invisible items are required to go through a Authorised Dealer such as Lion Bank of Nigeria PLC.

Settlement of letters of credit fall under category B and as such, on receipt of a negotiation telex from any of its correspondent banks stating that the beneficiary has been paid on presentation of documents, Lion Bank of Nigeria PLC then proceeds to apply for foreign exchange cover through the Central Bank of Nigeria. The telex would include, the document amount paid to the beneficiary as well as the charges of the correspondent bank such as interest, postages, commissions etc,

When submitting applications for payment for imports under documentary letters of credit, the following documents are attached - Original copy of processed form "M" as approval by Central Bank of Nigeria.

- A Certified copy of the negotiation telex from the correspondent bank.
- Proforma Invoice.
- Copy of the relevant credit opened.
- Copy of the Insurance Certificate.
- Copy of the current tax clearance certificate of the applicant.
- Approved Users Scheme (where necessary) and Evidence that compulsory Advance Deposit for Imports was paid on the particular credit.

The relevant shipping documents, i.e attested invoice, a copy of the non-negotiable bill of lading and a 'clean report of findings' issued by Societe Generale de Surveillance (where necessary) would have been sent to Central Bank of Nigeria soon after receipt of the cable advice from the correspondent bank.

Central Bank of Nigeria grants approval of the application provided all conditions are satisfied. and it is only after this has been done that Lion Bank of Nigeria PLC is able to reimburse the correspondent banks.

the seller is to submit, together with the draft, certain documents such as a negotiable bill of lading, insurance papers, invoices, etc. only if the documentation submitted is exactly as specified will the bank pay or accept the exporter's draft.

Though the letter of credit a bank substitutes its own commitment to pay for that of its customer, i.e the importer. While a letter of credit is not really a guarantee, it serves almost the same purpose in that the bank assures payment to the exporter as long as he complies with slated conditions.

On receipt of the negotiation telex from the correspondent bank saying that the beneficiary has been aid, Lion Bank of Nigeria PLC will turn reimburse the correspondent bank through CBN. According to the Uniform Customs and Practice for Documentary Credits (UCP 290), this should not take longer than twenty-one days. But in Nigeria, it is noticed that there are usually delays in paying back the correspondent bank who must have effected payment to the beneficiary.

5.2 CONCLUSION

Nigeria's trade with the international community has suffered considerably in the past because of the serious delays involved in settling her import bills. And as a result of these delays, documentary credit operations are not facilitated with the ease with which they are supposed to. The factors responsible for this situation are many, but can be looked in terms of

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Problems encountered by Central Bank of Nigeria.

Problems encountered by Lion Bank of Nigeria PLC.

Problems encountered by the Customers.

Problems encountered by the Foreign correspondent Bank.

PROBLEMS ENCOUNTERED BY CENTRAL BANK OF NIGERIA

The problems encountered by the Central Bank of Nigeria stem from its being the government agency responsible for the management of our foreign reserves and control of monetary policies and issues.

The single most important problem is that of the fast depleting foreign reserve situation of Nigeria. Nigeria's inability to settle her import bills has been due to a large extent on non-availability of funds in our foreign reserves. Various economic factors have brought about this, the plus in the oil market being one of the most important. We also import more than we export thereby resulting in unfavourable balance of payment position.

Management of our foreign reserves also leaves much to be desired. The practice of some unpatriotic and unscrupulous Nigeria businessmen in obtaining foreign exchange by fraudulent means, thereby depleting our foreign reserves. The most common methods adopted including: Inflating invoices submitted for approval importing goods either banned or under license under false pretenses or by not bringing into the country goods supposed to have been imported. It is also common practices for foreign suppliers to ship to Nigeria goods that are of inferior quality. Old but reconditioned machinery and plants are exposed

to Nigeria as new. Certain items of imports are short supplied while in other cases containers arrive in Nigeria empty.

In order to check the drain imposed by the malpractices on foreign exchange reserves or the country, the federal government had to tightened exchange control regulations and institute some series of measures. The result of which are the various documents usually called for by the Central Bank of Nigeria before payment is effected on any letter of credit. The document include:

A Clean Report of findings which is issued by the Societe Generale de Surveillance S.A. Geneva, Switzerland, its affiliate or agents which undertake pre-shipment inspection of goods to be consigned to Nigeria to ensure that they meet the required quality and quantity as contained in the contract for their importation and that prices are not inflated.

The form "M" which must be completed by all importer and submitted for pre-import processing by the exchange control department of Central Bank of Nigeria. The centralisation of pre-import processing with Central Bank of Nigeria creates the opportunity for the compilation of foreign exchange commitments of the country.

Compulsory Advance Deposit (as explained in Chapter four)

Customs Bill of Entry to prove that the goods actually came into the country.

Fulfilling all these conditions set by Central Bank of Nigeria

usually takes considerable time, much longer than the twenty-one days stipulated by the UCP 290 that payment must be made in reimbursement for a letter of credit negotiated.

PROBLEMS ENCOUNTERED BY LION BANK OF NIGERIA PLC

Nigerian Banks have been hit by the delays involved in settling our import bills. Since the Central Bank of Nigeria deals with the Public only through authorised dealers, the problems encountered by the parties concerned in one way or the other involve the bank.

These problems represent some of the causes of the delays the most common of the problems encountered by Lion Bank of Nigeria PLC is in respect of documents submitted by customers for onward transmission to Central Bank of Nigeria before payment is made for a negotiated letter of credit.

The CBN rejects application for foreign exchange cover on letters of credits without any good reason. Lion Bank of Nigeria will therefore have to provide whatever information is needed and then re-apply. This takes considerable time.

Documents sent to CBN sometimes get lost and the CBN reverts to the bank to submit fresh applications. There are occasions when officials of the bank (Lion Bank PLC) do not document properly, in the event of which the application is rejected by CBN and they would then have to re-apply.

The customers themselves very often do not submit the necessary

documents on time. A very good example is when they have to submit their original company tax clearance and certificate of incorporation just for sighting at CBN. Due to the delays involved in settling letters of credit and the unwillingness of correspondent banks to make available now confirmed lines in respect of Nigeria's letter of credit, the volume of business for the bank is invariably reduces and without business the bank would not be able to grow as well as make substantial profits.

PROBLEMS OF THE CUSTOMERS

The unusually long delays in settling our import bills have resulted in the confirmed lines established in favour of the bank being use up. The correspondent banks are thus reluctant in making new lines available.

The workability of the lines depend on turnover and since there has been little or not turnover, the lines are at their limit and therefore not usable. The effect this has on customer is that they are unable to open new confirmed letter of credit for goods and other raw materials.

Trade has virtually come to a stop and factories have been forced to close down or operate at less than 50% capacity because of the non-availability of raw materials. The funds deposited by the customers in support of letters of credit established becomes tied down and this slows down the rate at which they transact business.

The customers also ended up paying more due to interests that accrue to the correspondent bank since the correspondent bank starts calculating interest from the time when payment is made to the beneficiary to when it receives reimbursement from Lion Bank of Nigeria PLC.

PROBLEMS OF FOREIGN CORRESPONDENT BANKS

One of the problems correspondent banks have is that of exposing their country to Nigeria through Nigerian banks. The banks abroad are worried that the confirming lines made available to Nigeria banks generally which are really overdraft facilitates to these banks have become bad loans. This view has been taken because there has been little turnover in these confirming lines, an indication that the line are fast becoming bad.

The correspondent banks are therefore unwilling to increase the confirming lines available thereby increasing their exposure. There is also the problem of interest on these facilities and since interest rates are very high abroad, these amounts have become substantial. The Central Bank of Nigeria also does not pay interest for more than ten days at the first instance, it thus means that Lion Bank Nigeria PLC has to keep on re-applying to CBN till interest of the correspondent bank is fully paid.

The concern over the present situation from the point of view of both the Nigerian government and foreign bank have brought both parties together to find a way out of Nigeria's inability to settle her debts. If no further problems regarding Nigeria's

ability to earn foreign exchange occurs, the situation is expect to improve.

5.3 RECOMMENDATIONS

Suggestions as to what should be done to improve or eliminate the factors responsible for the delays encountered in the present system of paying for the country's import bills would be contingent on, Nigeria being able to earn foreign exchange steadily and at a minimum amount and the present administration being able to avoid embarking on foreign reserves depleting projects until Nigeria rolls out of her present economic situation

If the factors referred to above are achieved, then the following recommendations would go a long way in eliminating delays associated with reimbursing Lion Bank of Nigeria PLC correspondents for letter of credit negotiated at request.

There is the urgent need to educate customers about the ultimate effect of their not caring to submit document relating to letter of credit established on time. They should be made aware of the fact that if documents are not submitted on time, there will be delays in reimbursing correspondent banks abroad which may result in their not being able to establish new letters of credits if Lion Bank's lines are blocked. This might bring about a slow down in their business transaction.

The staff of Lion Bank who handle documentary credits should be

sent on course or training to appreciate further their position in Nigeria's economic system. They should be made aware of their role as intermediaries between customers and monetary authorities as well as the importance of passing information to customers on time.

Proper filing System should be provided at Central Bank of Nigeria to prevent documents from being lost or mislaid.



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APPENDIX II

Uniform Customs and Practice for Documentary Credits (UCP)

Revision 1983
ICC Publication No. 400 Copyright ©

A. General provisions and definitions

Article 1

These articles apply to all documentary credits, including, to the extent to which they may be applicable, standby letters of credit, and are binding on all parties thereto unless otherwise expressly agreed. They shall be incorporated into each documentary credit by wording in the credit indicating that such credit is issued subject to Uniform Customs and Practice for Documentary Credits, 1983 revision, ICC Publication No. 400.

Article 2

For the purposes of these articles, the expressions "documentary credit(s)" and "standby letter(s) of credit" used herein (hereinafter referred to as "credit(s)"), mean any arrangement, however named or described, whereby a bank (the issuing bank), acting at the request and on the instructions of a customer (the applicant for the credit),

i is to make a payment to or to the order of a third party (the beneficiary), or is to pay or accept bills of exchange (drafts) drawn by the beneficiary, or

ii authorizes another bank to effect such payment, or to pay, accept or negotiate such bills of exchange (drafts),

against stipulated documents, provided that the terms and conditions of the credit are complied with.

Article 3

Credits, by their nature, are separate transactions from the sales or other contract(s) on which they may be based and banks are in no way concerned with or bound by such contract(s), even if any reference whatsoever to such contract(s) is included in the credit.

Article 4

In credit operations all parties concerned deal in documents, and not in goods, services and/or other performances to which the documents may relate.

Article 5

Instructions for the issuance of credits, the credits themselves, instructions for any amendments thereto and the amendments themselves must be complete and precise.

In order to guard against confusion and misunderstanding, banks should discourage any attempt to include excessive detail in the credit or in any amendment thereto.

Article 6

A beneficiary can in no case avail himself of the contractual relationship existing between the banks or between the applicant for the credit and the issuing bank.

B. Form and notification of credits

Article 7

a) Credits may be either

i revocable, or

ii irrevocable.

b) All credits, therefore, should clearly indicate whether they are revocable or irrevocable.

c) In the absence of such indication the credit shall be deemed to be revocable.

Article 8

A credit may be advised to a beneficiary through another bank (the advising bank) without engagement on the part of the advising bank, but that bank shall take reasonable care to check the apparent authenticity of the credit which it advises.

Article 9

a) A revocable credit may be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary.

b) However, the issuing bank is bound to:

I reimburse a branch or bank with which a revocable credit has been made available for sight payment, acceptance or negotiation, for any payment, acceptance or negotiation made by such branch or bank prior to receipt by it of notice of amendment or cancellation, against documents which appear on their face to be in accordance with the terms and conditions of the credit.

II reimburse a branch or bank with which a revocable credit has been made available for deferred payment, if such branch or bank has, prior to receipt by it of notice of amendment or cancellation, taken up documents which appear on their face to be in accordance with the terms and conditions of the credit.

Article 10

a) An irrevocable credit constitutes a definite undertaking of the issuing bank, provided that the stipulated documents are presented and that the terms and conditions of the credit are complied with:

I if the credit provides for sight payment – to pay, or that payment will be made;

II if the credit provides for deferred payment – to pay, or that payment will be made, on the date(s) determinable in accordance with the stipulations of the credit;

III if the credit provides for acceptance – to accept drafts drawn by the beneficiary if the credit stipulates that they are to be drawn on the confirming bank, or to be responsible for their acceptance and payment at maturity if the credit stipulates that they are to be drawn on the applicant for the credit or any other drawee stipulated in the credit;

IV if the credit provides for negotiation – to pay without recourse to drawers and/or bona fide holders, draft(s) drawn by the beneficiary at sight or at a tenor on the applicant for the credit or on any other drawee stipulated in the credit other than the issuing bank itself, or to provide for negotiation by another bank and to pay, as above, if such negotiation is not effected.

b) When an issuing bank authorizes or requests another bank to confirm its irrevocable credit and the latter has added its confirmation, such confirmation constitutes a definite undertaking of such bank (the confirming bank), in addition to that of the issuing bank, provided that the stipulated documents are presented and that the terms and conditions of the credit are complied with:

I if the credit provides for sight payment – to pay, or that payment will be made;

II if the credit provides for deferred payment – to pay, or that payment will be made, on the date(s) determinable in accordance with the stipulations of the credit;

III if the credit provides for acceptance – to accept drafts drawn by the beneficiary if the credit stipulates that they are to be drawn on the confirming bank, or to be responsible for their acceptance and payment at maturity if the credit stipulates that they are to be drawn on the applicant for the credit or any other drawee stipulated in the credit;

IV if the credit provides for negotiation – to negotiate without recourse to drawers and/or bona fide holders, draft(s) drawn by the beneficiary at sight or at a tenor on the issuing bank or on the applicant for the credit or on any other drawee stipulated in the credit other than the confirming bank itself.

c) If a bank is authorized or requested by the issuing bank to add its confirmation to a credit but is not prepared to do so, it must so inform the issuing bank without delay. Unless the issuing bank specifies otherwise in its confirmation authorization or request, the advising bank will

ii if the credit provides for deferred payment - to pay, or that payment will be made, on the date(s) determinable in accordance with the stipulations of the credit;

iii if the credit provides for acceptance - to accept drafts drawn by the beneficiary if the credit stipulates that they are to be drawn on the issuing bank or to be responsible for their acceptance and payment at maturity if the credit stipulates that advise the credit to the beneficiary without adding its confirmation.

d) Such undertakings can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank (if any), and the beneficiary. Partial acceptance of amendments contained in one and the same advice of amendments is not effective without the agreement of all the above named parties.

e) Banks shall be responsible for any consequences arising from their failure to follow the procedures set out in the preceding paragraphs.

Article 11

a) All credits must clearly indicate whether they are available by sight payment, by deferred payment, by acceptance or by negotiation.

b) All credits must nominate the bank (nominated bank) which is authorized to pay (paying bank), or to accept drafts (accepting bank), or to negotiate (negotiating bank), unless the credit allows negotiation by any bank (negotiating bank).

c) Unless the nominated bank is the issuing bank or the confirming bank, its nomination by the issuing bank does not constitute any undertaking by the nominated bank to pay, to accept, or to negotiate.

d) By nominating a bank other than itself, or by allowing for negotiation by any bank, or by authorizing or requesting a bank to add its confirmation, the issuing bank authorizes such bank to pay, accept or negotiate, as the case may be, against documents which appear on their face to be in accordance with the terms and conditions of the credit, and undertakes to reimburse such bank in accordance with the provisions of these articles.

Article 12

a) When an issuing bank instructs a bank (advising bank) by any teletransmission to advise a credit or an amendment to a credit, and intends the mail confirmation to be the operative credit instrument, or the operative amendment, the teletransmission must state "full details to follow" (or words of similar effect), or that the mail confirmation will be the operative credit instrument or the operative amendment. The issuing bank must forward the operative credit instrument or the operative amendment to such advising bank without delay.

b) The teletransmission will be deemed to be the operative credit instrument or the operative amendment, and no mail confirmation should be sent, unless the teletransmission states "full details to follow" (or words of similar effect), or states that the mail confirmation is to be the operative credit instrument or the operative amendment.

c) A teletransmission intended by the issuing bank to be the operative credit instrument should clearly indicate that the credit is issued subject to Uniform Customs and Practice for Documentary Credits, 1983 revision, ICC Publication No. 400.

d) If a bank uses the services of another bank or banks (the advising bank) to have the credit advised to the beneficiary, it must also use the services of the same bank(s) for advising any amendments.

Article 13

When a bank is instructed to issue, confirm or advise a credit similar in terms to one previously issued, confirmed or advised (similar credit) and the previous credit has been the subject of amendment(s), it shall be understood that the similar credit will not include any such amendment(s) unless the instructions specially clarify the amendment(s) which is/are to apply to the similar credit. Banks should discourage instructions to issue, confirm or advise a credit in this manner.

C. Liabilities and responsibilities

Article 14

If incomplete or unclear instructions are received to issue, confirm, advise or amend a credit, the bank requested to act on such instructions may give preliminary notification to the beneficiary for information only and without responsibility. The credit will be issued, confirmed, advised or amended only when the necessary information has been received and if the bank is then prepared to act on the instructions. Banks should provide the necessary information without delay.

Article 15

Banks must examine all documents with reasonable care to ascertain that they appear on their face to be in accordance with the terms and conditions of the credit. Documents which appear on their face to be inconsistent with one another will be considered as not appearing on their face to be in accordance with the terms and conditions of the credit.

Article 16

a) If a bank so authorized effects payment, or incurs a deferred payment undertaking, or accepts, or negotiates against documents which appear on their face to be in accordance with the terms and conditions of a credit, the party giving such authority shall be bound to reimburse the bank which has effected payment, or incurred a deferred payment undertaking, or has acccepted, or negotiated, and to take up the documents.

b) If, upon receipt of the documents, the issuing bank considers that they appear on their face not to be in accordance with the terms and conditions of the credit, it must determine, on the basis of the documents alone, whether to take up such documents, or to refuse them and claim that they appear on their face not to be in accordance with the terms and conditions of the credit.

c) The issuing bank shall have a reasonable time in which to examine the documents and to determine as above whether to take up or to refuse the documents.

d) If the issuing bank decides to refuse the documents, it must give notice to that effect without delay by telecommunication or, if that is not possible, by other expeditious means, to the bank from which it received the documents (the remitting bank) or to the beneficiary, if it received the documents directly from him. Such notice must state the discrepancies in respect of which the issuing bank refuses the document and must also state whether it is holding the documents at the disposal of, or is returning them to, the presentor (remitting bank or the beneficiary, as the case may be). The issuing bank shall then be entitled to claim from the remitting bank refund of any reimbursement which may have been made to that bank.

e) If the issuing bank fails to act in accordance with the provisions of paragraphs (c) and (d) of this article and/or fails to hold the documents at the disposal of, or to return them to, the presentor, the issuing bank shall be precluded from claiming that the documents are not in accordance with the terms and conditions of the credit.

f) If the remitting bank draws the attention of the issuing bank to any discrepancies in the documents or advises the issuing bank that it has paid, incurred a deferred payment undertaking, accepted or negotiated under reserve or against an indemnity in respect of such discrepancies, the issuing bank shall not be thereby relieved from any of its obligations under any provision of this article. Such reserve or indemnity concerns only the relations between the remitting bank and the party towards whom the reserve was made, or from whom, or on whose behalf, the indemnity was obtained.

Article 17

Banks assume no liability or responsibility for the form, sufficiency, accuracy, genuineness, falsi-

fication or legal effect of any documents, or for the general and/or particular conditions stipulated in the documents or superimposed thereon; nor do they assume any liability or responsibility for the description, quantity, weight, quality, condition, packing, delivery, value or existence of the goods represented by any documents, or for the good faith or acts and/or omissions, solvency, performance or standing of the consignor, the carriers, or the insurers of the goods, or any other person whomsoever.

Article 18

Banks assume no liability or responsibility for the consequences arising out of delay and/or loss in transit of any messages, letters or documents, or for delay, mutilation or other errors arising in the transmission of any telecommunication. Banks assume no liability or responsibility for errors in translation or interpretation of technical terms, and reserve the right to transmit credit terms without translating them.

Article 19

Banks assume no liability or responsibility for consequences arising out of the interruption of their business by Acts of God, riots, civil commotions, insurrections, wars or any other causes beyond their control, or by any strikes or lockouts. Unless specifically authorized, banks will not, upon resumption of their business, incur a deferred payment undertaking, or effect payment, acceptance or negotiation under credits which expired during such interruption of their business.

Article 20

a) Banks utilising the services of another bank or other banks for the purpose of giving effect to the instructions of the applicant for the credit do so for the account and at the risk of such applicant.

b) Banks assume no liability or responsibility should the instructions they transmit not be carried out, even if they have themselves taken the initiative in the choice of such other bank(s).

c) The applicant for the credit shall be bound by and liable to indemnify the banks against all obligations and responsibilities imposed by foreign laws and usages.

Article 21

a) If an issuing bank intends that the reimbursement to which a paying, accepting or negotiating bank is entitled shall be obtained by such bank claiming on another branch or office of the issuing bank or on a third bank (all hereinafter referred to as the reimbursing bank) it shall provide such reimbursing bank in good time with the proper instructions or authorization to honour such reimbursement claims and without making it a condition that the bank entitled to claim reimbursement must certify compliance with the terms and conditions of the credit to the reimbursing bank.

b) An issuing bank will not be relieved from any of its obligations to provide reimbursement itself if and when reimbursement is not effected by the reimbursing bank.

c) The issuing bank will be responsible to the paying, accepting or negotiating bank for any loss of interest if reimbursement is not provided on first demand made to the reimbursing bank, or as otherwise specified in the credit, or mutually agreed, as the case may be.

D. Documents

Article 22

a) All instructions for the issuance of credits and the credits themselves and, where applicable, all instructions for amendments thereto and the amendments themselves, must state precisely the document(s) against which payment, acceptance or negotiation is to be made.

b) Terms such as "first class", "well known", "qualified", "independent, official", and the like shall not be used to describe the issuers of any documents to be presented under a credit. If such terms are incorporated in the credit terms, banks will accept the relative documents as

presented, provided that they appear on their face to be in accordance with the other terms and conditions of the credit.

c) Unless otherwise stipulated in the credit, banks will accept as originals documents produced or appearing to have been produced
   I by reprographic systems;
   II by, or as the result of, automated or computerized systems;
   III as carbon copies,
   if marked as originals, always provided that, where necessary, such documents appear to have been authenticated.

Article 23

When documents other than transport documents, insurance documents and commercial invoices are called for, the credit should stipulate by whom such documents are to be issued and their wording or data content. If the credit does not so stipulate, banks will accept such documents as presented, provided that their data content makes it possible to relate the goods and/or services referred to therein to those referred to in the commercial invoice(s) presented, or to those referred to in the credit if the credit does not stipulate presentation of a commercial invoice.

Article 24

Unless otherwise stipulated in the credit, banks will accept a document bearing a date of issuance prior to that of the credit, subject to such document being presented within the time limits set out in the credit and in these articles.

D. 1. Transport documents (documents indicating loading on board or dispatch or taking in charge)

Article 25

Unless a credit calling for a transport document stipulates as such document a marine bill of lading (ocean bill of lading or a bill of lading covering carriage by sea), or a port receipt or certificate of posting:

a) banks will, unless otherwise stipulated in the credit, accept a transport document which
   I appears on its face to have been issued by a named carrier, or his agent, and
   II indicates dispatch or taking in charge of the goods, or loading on board, as the case may be, and
   III consists of the full set of originals issued to the consignor if issued in more than one original, and
   IV meets all other stipulations of the credit.

b) Subject to the above, and unless otherwise stipulated in the credit, banks will not reject a transport document which:
   I bears a title such as "Combined transport bill of lading", "Combined transport document", "Combined transport bill of lading or port-to-port bill of lading", or a title or a combination of titles of similar intent and effect, and/or
   II indicates some or all of the conditions of carriage by reference to a source or document other than the transport document itself (short form/blank back transport document), and/or
   III indicates a place of taking in charge different from the port of loading and/or a place of final destination different from the port of discharge, and/or
   IV relates to cargoes such as those in containers or on pallets, and the like.

c) Unless otherwise stipulated in the credit, banks will reject a document which:
   I indicates that it is subject to a charter party, and/or
   II indicates that the carrying vessel is propelled by sail only, and/or
   III contains the indication "intended", or similar qualification in relation to
   - the vessel and/or the port of loading – unless such document bears an on board notation in accordance with Article 27 (b) and also indicates the actual port of loading, and/or
   - the port of discharge – unless the place of final destination indicated on the document is other than the port of discharge, and/or

IV is issued by a freight forwarder, unless it indicates that it is issued by such freight forwarder acting as a carrier, or as the agent of a named carrier.

Article 26

If a credit calling for a transport document stipulates as such document a marine bill of lading:

a) banks will, unless otherwise stipulated in the credit, accept a document which:
   I. appears on its face to have been issued by a named carrier, or his agent, and
   II indicates that the goods have been loaded on board or shipped on a named vessel, and
   III consists of the full set of originals issued to the consignor if issued in more than one original, and
   IV meets all other stipulations of the credit.

b) Subject to the above, and unless otherwise stipulated in the credit, banks will not reject a document which:
   I bears a title such as "Combined transport bill of lading", "Combined transport document", "Combined transport bill of lading or port to port bill of lading", or a title or a combination of titles of similar intent and effect, and/or
   II indicates some or all of the conditions of carriage by reference to a source or document other than the transport document itself (short form/blank back transport document), and/or
   III indicates a place of taking in charge different from the port of loading, and/or a place of final destination different from the port of discharge, and/or
   IV relates to cargoes such as those in containers or on pallets, and the like.

c) Unless otherwise stipulated in the credit, banks will reject a document which:
   I indicates that it is subject to a charter party, and/or
   II indicates that the carrying vessel is propelled by sail only, and/or
   III contains the indication "intended", or similar qualification in relation to
      - the vessel and/or the port of loading – unless such document bears an on board notation in accordance with Article 27 (b) and also indicates the actual port of loading, and/or
      - the port of discharge – unless the place of final destination indicated on the document is other than the port of discharge, and/or

   IV is issued by a freight forwarder, unless it indicates that it is issued by such freight forwarder acting as a carrier, or as the agent of a named carrier.

Article 27

a) Unless a credit specifically calls for an on board transport document, or unless inconsistent with other stipulation(s) in the credit, or with Article 26, banks will accept a transport document which indicates that the goods have been taken in charge or received for shipment.

b) Loading on board or shipment on a vessel may be evidenced either by a transport document bearing wording indicating loading on board a named vessel or shipment on a named vessel, or, in the case of a transport document stating "received for shipment", by means of a notation of loading on board on the transport document signed or initialled and dated by the carrier or his agent, and the date of this notation shall be regarded as the date of loading on board the named vessel or shipment on the named vessel.

Article 28

a) In the case of carriage by sea or by more than one mode of transport but including carriage by sea, banks will refuse a transport document stating that the goods are or will be loaded on deck, unless specifically authorized in the credit.

b) Banks will not refuse a transport document which contains a provision that the goods may be carried on deck, provided it does not specifically state that they are or will be loaded on deck.

Article 29

a) For the purpose of this article transhipment means a transfer and reloading during the course of carriage from the port of loading or place of dispatch or taking in charge to the port of discharge or place of destination either from one conveyance or vessel to another, conveyance or vessel within the same mode of transport or from one mode of transport to another mode of transport.

b) Unless transhipment is prohibited by the terms of the credit, banks will accept transport documents which indicate that the goods will be transhipped, provided the entire carriage is covered by one and the same transport document.

c) Even if transhipment is prohibited by the terms of the credit, banks will accept transport documents which

I incorporate printed clauses stating that the carrier has the right to tranship, or

II state or indicate that transhipment will or may take place, when the credit stipulates a combined transport document, or indicates carriage from a place of taking in charge to a place of final destination by different modes of transport including a carriage by sea, provided that the entire carriage is covered by one and the same transport document, or

III state or indicate that the goods are in a container(s), trailer(s), "LASH" barge(s), and the like and will be carried from the place of taking in charge to the place of final destination in the same container(s), trailer(s), "LASH" barge(s), and the like under one and the same transport document

IV state or indicate the place of receipt and/or of final destination as "C.F.S." (container freight station) or "C.Y." (container yard) at or associated with the port of loading and/or the port of destination.

Article 30

If the credit stipulates dispatch of goods by post and calls for a post receipt or certificate of posting, banks will accept such post receipt or certificate of posting if it appears to have been

[illegible] place from which the credit stipulates the goods are to be dispatched.

Article 31

a) Unless otherwise stipulated in the credit, or inconsistent with any of the documents presented under the credit, banks will accept transport documents stating that freight or transportation charges (hereinafter referred to as "freight") have still to be paid.

b) If a credit stipulates that the transport document has to indicate that freight has been paid or prepaid, banks will accept a transport document on which words clearly indicating payment or prepayment of freight appear by stamp or otherwise, or on which payment of freight is indicated by other means.

c) The words "freight prepayable" or "freight to be prepaid" or words of similar effect if appearing on transport documents, will not be accepted as constituting evidence of the payment of freight.

d) Banks will accept transport documents bearing reference by stamp or otherwise to costs additional to the freight charges, such as costs of, or disbursements incurred in connection with, loading, unloading or similar operations, unless the conditions of the credit specifically prohibit such reference.

Article 32

Unless otherwise stipulated in the credit, banks will accept transport documents which bear a clause on the face thereof such as "shippers load and count" or "said by shipper to contain" or words of similar effect.

Article 33

Unless otherwise stipulated in the credit, banks will accept transport documents indicating as the consignor of the goods a party other than the beneficiary of the credit.

Article 34

a) A clean transport document is one which bears no superimposed clause or notation which expressly declares a defective condition of the goods and/or the packaging.

b) Banks will refuse transport documents bearing such clauses or notations unless the credit expressly stipulates the clauses or notations which may be accepted.

c) Banks will regard a requirement in a credit for a transport document to bear the clause "clean on board" as complied with if such transport document meets the requirements of this article and of Article 27 (b).

D.2. Insurance documents

Article 35

a) Insurance documents must be as stipulated in the credit, and must be issued and/or signed by insurance companies or underwriters, or their agents.

b) Cover notes issued by brokers will not be accepted, unless specifically authorized by the credit.

Article 36

Unless otherwise stipulated in the credit, or unless it appears from the insurance document(s) that the cover is effective at the latest from the date of loading on board or dispatch or taking in charge of the goods, banks will refuse insurance documents presented which bear a date later than the date of loading on board or dispatch or taking in charge of the goods as indicated by the transport document(s).

Article 37

a) Unless otherwise stipulated in the credit, the insurance document must be expressed in the same currency as the credit.

b) Unless otherwise stipulated in the credit, the minimum amount for which the insurance document must indicate the insurance cover to have been effected is the CIF (cost, insurance and freight... "named port of destination") or CIP (freight/carriage and insurance paid to "named point of destination") value of the goods, as the case may be, plus 10%. However, if banks cannot determine the CIF or CIP value, as the case may be, from the documents on their face, they will accept as such minimum amount the amount for which payment, acceptance or negotiation is requested under the credit, or the amount of the commercial invoice, whichever is the greater.

Article 38

a) Credits should stipulate the type of insurance required and, if any, the additional risks which are to be covered. Imprecise terms such as "usual risks" or "customary risks" should not be used; if they are used, banks will accept insurance documents as presented, without responsibility for any risks not being covered.

b) Failing specific stipulations in the credit, banks will accept insurance documents as presented, without responsibility for any risks not being covered.

Article 39

Where a credit stipulates "insurance against all risks", banks will accept an insurance document which contains any "all risks" notation or clause, whether or not bearing the heading "all risks", even if indicating that certain risks are excluded, without responsibility for any risk(s) not being covered.

Article 40

Banks will accept an insurance document which indicates that the cover is subject to a franchise or an excess (deductible), unless it is specifically stipulated in the credit that the insurance must be issued irrespective of percentage.

D.3. Commercial invoice

Article 41

a) Unless otherwise stipulated in the credit, commercial invoices must be made out in the name of the applicant for the credit.

b) Unless otherwise stipulated in the credit, banks may refuse commercial invoices issued for amounts in excess of the amount permitted by the credit. Nevertheless, if a bank authorized to pay, incur a deferred payment undertaking, accept, or negotiate under a credit accepts such invoices, its decision will be binding upon all parties, provided such bank has not paid, incurred a deferred payment undertaking, accepted or effected negotiation for an amount in excess of that permitted by the credit.
The description of the goods in the commercial invoice must correspond with the description in the credit. In all other documents, the goods may be described in general terms not inconsistent with the description of the goods in the credit.

D.3. Other documents

Article 42

If a credit calls for an attestation or certification of weight in the case of transport other than by sea, banks will accept a weight stamp or declaration of weight which appears to have been superimposed on the transport document by the carrier or his agent unless the credit specifically stipulates that the attestation or certification of weight must be by means of a separate document.

E. Miscellaneous provisions

Quantity and amount

Article 43

a) The words "about" "circa" or similar expressions used in connection with the amount of the credit or the quantity or the unit price stated in the credit are to be construed as allowing a difference not to exceed 10% more or 10% less than the amount or the quantity or the unit price to which they refer.

b) Unless a credit stipulates that the quantity of the goods specified must not be exceeded or reduced, a tolerance of 5% more or 5% less will be permissible, even if partial shipments are not permitted, always provided that the amount of the drawings does not exceed the amount of the credit. This tolerance does not apply when the credit stipulates the quantity in terms of a stated number of packing units or individual items.

Partial drawings and/or shipments

Article 44

a) Partial drawing and/or shipments are allowed unless the credit stipulates otherwise.

b) Shipments by sea, or by more than one modern transport but including carriage by sea, made on the same vessel and for the same voyage, will not be regarded as partial shipments, even if the transport documents indicating loading on board bear different dates of issuance and/or indicate different ports of loading on board.

c) Shipments made by post will not be regarded as partial shipments if the post receipts or certificates of posting appear to have been stamped or otherwise authenticated in the place from which the credit stipulates the goods are to be dispatched, and on the same date.

d) Shipments made by modes of transport other than those referred to in paragraphs (b) and (c) of this article will not be regarded as partial shipments, provided the transport documents are issued by one and the same carrier or his agent and indicate the same date of issuance, the same place of dispatch or taking in charge of the goods, and the same destination.

Drawings and/or shipments by instalments

Article 45

If drawings and/or shipments by instalments within given periods are stipulated in the credit and any instalment is not drawn and/or shipped within

the period allowed for that instalment, the credit ceases to be available for that and any subsequent instalments, unless otherwise stipulated in the credit.

Expiry date and presentation

Article 46

a) All credits must stipulate an expiry date for presentation of documents for payment, acceptance or negotiation.
b) Except as provided in Article 48 (a), documents must be presented on or before such expiry date.
c) If an issuing bank states that the credit is to be available "for one month", "for six months" or the like, but does not specify the date from which the time is to run, the date of issuance of the credit by the issuing bank will be deemed to be the first day from which such time is to run. Banks should discourage indication of the expiry date of the credit in this manner.

Article 47

a) In addition to stipulating an expiry date for presentation of documents, every credit which calls for a transport document(s) should also stipulate a specified period of time after the date of issuance of the transport document(s) during which presentation of documents for payment, acceptance or negotiation must be made. If no such period of time is stipulated, banks will refuse documents presented to them later than 21 days after the date of issuance of the transport document(s). In every case, however, documents must be presented not later than the expiry date of the credit.
b) For the purpose of these articles, the date of issuance of a transport document(s) will be deemed to be:
   I in the case of a transport document evidencing dispatch, or taking in charge, or receipt of goods for shipment by a mode of transport other than by air – the date of issuance indicated on the transport document or the date of the reception stamp thereon whichever is the later;
   II in the case of a transport document evidencing carriage by air – the date of issuance indicated on the transport document or, if the credit stipulates that the transport document shall indicate an actual flight date, the actual flight date as indicated on the transport document;
   III in the case of a transport document evidencing loading on board a named vessel – the date of issuance of the transport document or, in the case of an on board notation in accordance with Article 27 (b), the date of such notation;
   IV in cases to which Article 44 (b) applies, the date determined as above of the latest transport document issued.

Article 48

a) If the expiry date of the credit and/or the last day of the period of time after the date of issuance of the transport document(s) for presentation of documents stipulated by the credit or applicable by virtue of Article 47 falls on a day on which the bank to which presentation has to be made is closed for reasons other than those referred to in Article 19, the stipulated expiry date and/or the last day of the period of time after the date of issuance of the transport document(s) for presentation of documents, as the case may be, shall be extended to the first following business day on which such bank is open.
b) The latest date for loading on board, or dispatch, or taking in charge shall not be extended by reason of the extension of the expiry date and/or the period of time after the date of issuance of the transport document(s) for presentation of document(s) in accordance with this article. If no such latest date for shipment is stipulated in the credit or amendments thereto, banks will reject transport documents indicating a date of issuance later than the expiry date stipulated in the credit or amendments thereto.
c) The bank to which presentation is made on such first following business day must add to the documents its certificate that the documents were presented within the time limits

any unit prices stated therein, of the period of validity, of the last date for presentation of documents in accordance with Article 47 and the period for shipment, any or all of which may be reduced or curtailed, or the percentage for which insurance cover must be effected, which may be increased in such a way as to provide the amount of cover stipulated in the original credit, or these articles. Additionally, the name of the first beneficiary can be substituted for that of the applicant for the credit, but if the name of the applicant for the credit is specifically required by the original credit to appear in any document other than the invoice, such requirement must be fulfilled.

f) The first beneficiary has the right to substitute his own invoices (and drafts if the credit stipulates that drafts are to be drawn on the applicant for the credit) in exchange for those of the second beneficiary for amounts not in excess of the original amount stipulated in the credit and for the original unit prices if stipulated in the credit, and upon such substitution of invoices (and drafts) the first beneficiary can draw under the credit for the difference, if any, between his invoices and the second beneficiary's invoices. When a credit has been transferred and the first beneficiary is to supply his own invoices (and drafts) in exchange for the second beneficiary's invoices (and drafts) but fails to do so on first demand, the paying, accepting or negotiating bank has the right to deliver to the issuing bank the documents received under the credit, including the second beneficiary's invoices (and drafts) without further responsibility to the first beneficiary.

g) Unless otherwise stipulated in the credit, the first beneficiary of a transferable credit may request that the credit be transferred to a second beneficiary in the same country, or in another country. Further, unless otherwise stipulated in the credit, the first beneficiary shall have the right to request that payment or negotiation be effected to the second beneficiary at the place to which the credit has been transferred, up to and including the expiry date of the original credit, and without prejudice to the first beneficiary's right subsequently to substitute his own invoices and drafts (if any) for those of the second beneficiary and to claim any difference due to him.

Assignment of proceeds

Article 55

The fact that a credit is not stated to be transferable shall not affect the beneficiary's right to assign any proceeds to which he may be, or may become, entitled under such credit, in accordance with the provisions of the applicable law.

APPENDIX II



CENTRAL BANK OF NIGERIA

Tinubu Square

Lagos

PRIVATE MAIL BAG 12194: CABLES: CENBANK

TELEPHONE .....

REF: FOD/D/S.14/VOL.XIII/46 4th February, 1994.

TO ALL AUTHORISED DEALERS

FOREIGN EXCHANGE MARKET: GUIDELINES FOR THE ALLOCATION OF FOREIGN EXCHANGE TO IMPORTER/END USERS THROUGH AUTHORISED DEALERS (DESIGNATED BANKS)

1. Introduction

In pursuance of the objectives of the Federal Military Government to strenghten and stabilise the Naira excahnge rate, the Central Bank of Nigeria hereby introduces the following guidelines for the operations of the Foreign Exchange Market (FEM):-

(i) The exchange rate of the Naira is now fixed at N21.9960 per US Dollar.

(ii) All imports must be on the basis of letters of credit except those that cost $1,000 or less.

(iii) All authorised dealers are to have a designated bank status as long as they comply with the rules and regulations in this circular.

(iv) Foreign exchange sale will now be made directly to the importers and other end users through the designated banks, who will be their agents. The designated banks will not charge any spread on the Central Bank of Nigeria selling rate but are allowed the normal transaction charges and commissions as prescribed by the Bankers' tariff.

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(v) Foreign exchange shall be sold on prescribed percentage allocation to the importers and other users in the following ratio:-

High Priority Sector		
Manufacturing	50%	
Agriculture	10%	60%
Others		
Finished goods	30%	
Invisibles	10%	40%
Total		100%

(vi) The direct sales by the Central Bank of Nigeria will be in respect of Manufacturing (50%); Agriculture (10%); and Finished goods (30%) making a total of 90%.

(vii) The remaining 10% for the invisible sub-sector will be released by the Central Bank of Nigeria to the designated banks for onward allocation to the applicants. The designated banks which have been categorised into six groups for this purpose, must ensure that relevant documents are duly submitted by their customers in accordance with the existing regulations.

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2. Modalities for direct sale to Importers

(i) The Central Bank of Nigeria will sell foreign exchange to importers forthnightly. The first sale shall take place on 17th February, 1994. Notice will be given of the amount to be sold at each session.

(ii) Application for foreign exchange in respect of any importation must be accompanied with the following documents:-

(a) Certificate of incorporation
(b) Completed Form 'M'
(c) Pro-Forma Invoice
(d) Tax Clearance Certificate.



(iii) The importers shall submit their applications to their designated banks, who will schedule all requests received to the Central Bank of Nigeria categorised into Manufacturing, Agriculture, and Finished goods. The schedules must reach the CBN by 4.00 p.m,. on the Monday preceding the date of sale. Multiple applications will not be allowed and would be subject to disqualification.

(iv) Full Naira cover must be lodged with the CBN through the banks on submission of the applications by importers.

(v) Designated banks are to ensure that applications are for eligible transactions and comply with Central Bank of Nigeria guidelines.

(vi) Designated banks must ensure that customers in respect of the Manufacturing and Agricultural sub-sectors are bonafide applicants. In relevant cases, the member-

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ship lists of the Manufacturers' Association of Nigeria (MAN); Nigerian Association of Chambers of Commerce, Industry, Mining and Agriculture (NACCIMA); and Association of Small Scale Industrialists (ASSI) could be used for verification.

(vii) After the processing, designated banks must summarise the applications in three schedules i.e. Manufacturing, Agriculture and Finished Goods, indicating the underlisted information:-

(a) Names and Registered business addresses of importers/applicants.

(b) Nature of business of applicants/importers

(c) Names and addresses of exporters

(d) Description of imports

(e) Value of imports

(f) Forms 'M' number

(viii) The schedules of applications should be displayed for at least two days in a conspicuous place in the banks' premises for public information before they are forwarded to the Central Bank of Nigeria.

(ix) Thereafter, designated banks will submit ten sets of the schedules duly signed by two authorised signatories to the Central Bank of Nigeria. The schedules will be accompanied with a covering letter addressed to the Governor, Central Bank of Nigeria for the attention of Director of Foreign Operations Department stating the following information:-

(a) Name and address of the authorised dealers;

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(b) FEM sale number and date;

(c) Code number of authorised dealer;

(d) Name of correspondent bank abroad;

(e) Total amount demanded for each sub-sector; and the grand total thereof .

(f) Two authorised signatures with official stamp.

(x) The applications will be processed and the allocation (Manufacturing 50%, Agriculture 10%, Finished Goods 30%) made directly to the applicants in each sector through their bankers on a pro-rata basis.

(xi) The result of the allocation for each sector would be communicated to the applicants through the designated banks within three working days. The designated banks shall display the result of the allocation in a conspicuous place within their premises.

(xii) The accounts of designated banks shall be debited with the Naira value of the allocations by the Central Bank of Nigeria and the foreign exchange released to their correspondent banks.

(xiii) Returns evidencing utilisation of foreign exchange must be submitted to the Trade and Exchange Department of the CBN within one month from the date of allocation. Designated banks will be allowed into subsequent foreign exchange allocation sessions after the returns have been certified.

(xiv) Unutilized part of any foreign exchange allocation to an importer must be repatriated to the Central Bank of Nigeria within one month under advice to the Director of Foreign Operations Department.

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LION BANK OF NIGERIA PLC.

REQUEST TO OPEN A DOCUMENTARY LETTER OF CREDIT

LION BANK OF NIGERIA PLC
121/125, Broad Street,
P.M.B. 12851, Lagos - Nigeria.
Tel: 2662175, 2666135, 2666287, 2665148,
Fax: 663316.

Letter of Credit No.....
Customer's Reference.....
..... 19.....

Please issue an irrevocable Letter of Credit as set forth below and upon issuance thereof you are hereby instructed to transmit it by ☐ mail; ☐ airmail; ☐ cable; ☐ Airmail, with short preliminary cable advice.

Advising Bank — Applicant

If beneficiary's bankers are not known we will use our correspondent.

Beneficiary — Amount

Expiry date in the country of the beneficiary unless otherwise indicated

This Credit to be available for payment/acceptance of your draft(s) for..... per cent of the invoice value, drawn at.....sight on Lion Bank of Nigeria Plc, accompanied by the following documents (at least in duplicate unless otherwise specified):

signed invoice, (5 copies) including the original

insurance policy/certificate for the invoice value plus..... per cent covering all risks including marine and war risks and also covering the following risks:

full set of clean shipped on board ocean vessel bills of lading made out,to order and blank endorsed, claused freight payable at destination/freight prepaid and notify:

(other documents, if any):

Evidencing shipment of (F.O.B., C.I.F., C. and F., or.....)

From	Partial shipments Permitted
	Transhipments Permitted
To	INSURED BY ☐ Buyer ☐ Seller

Special conditions:

Further space is provided on page 3.

Your charges being for our account/for account of the beneficiary.

Overseas bank charges for our account/for account of the beneficiary.

This Credit to be subject to Uniform Customs and Practice for Documentary Credits (1974 Revision), International Chamber of Commerce Publication No. 290.

ATTENTION IS PARTICULARLY DRAWN TO THE TERMS AND CONDITIONS OVERLEAF. THIS APPLICATION SHOULD BE SIGNED ON PAGE 2.

TERMS AND CONDITIONS OF COMMERCIAL LETTER OF CREDIT

In consideration of your issuing the Credit, substantially according to the Application appearing on the reverse side hereof or as detailed opposite we, the undersigned, hereby jointly and severally agree as follows:

1. As to drafts or acceptances under or purporting to be under the Credit, which are payable in Currency of the credit, we agree: (a) in the case of each sight draft, to reimburse you at your office, on demand, in legal tender of Nigeria, the amount paid on such drafts, or, if so demanded by you, to pay you at your office in advance in legal tender of Nigeria the amount required to pay such drafts; and (b) in the case of each acceptance, to pay to you at your office, in legal tender of Nigeria, the amount thereof on demand but in any event not later than the date of maturity.

2. As to drafts or acceptances under or purporting to be under the Credit which are payable in currency other than Naira we agree: (a) in the case of each sight draft, to reimburse you at your office, on demand, the equivalent of the amount paid, in legal tender of Nigeria at the rate of exchange then current in Lagos for cable transfers to the place of payment in the currency in which such draft is drawn, with interest from the date of payment of the instrument, or if so demanded by you, to pay you, at your office in advance, in Nigerian currency, the equivalent of the amount required to pay the same; and (b) in the case of each acceptance, to pay you at your office, on demand the equivalent of the acceptance in the legal tender of Nigeria at the current rate of exchange for demand drafts on the place of payment, if payment is made by us in time to reach the place of payment in the course of the mails not later than the date of maturity, or at the current rate in Lagos for cable transfers at time of transmission to the place of payment in the currency in which the acceptance is payable, if such payment is made at your office on the maturity date. If, for any cause whatsoever, there exists at the time in question no rate of exchange generally current in Lagos for effective cable transfers of the sort above provided for, we agree to pay you on demand an amount in Naira equivalent to the actual cost of settlement of your obligation to the drawer of the draft or acceptance or any holder thereof, as the case may be, and however and whenever such settlement may be made by you, including interest on the amount of Naira payable by us from the date of payment of such draft or acceptance to the date of our payment to you at the rate customarily charged by you in like circumstances.

3. In the event that any Naira or other currency drafts are drawn by us on you in order to refinance any obligation set forth in the preceding two sections, and such drafts, at your option, are accepted by you, we agree to pay you on demand, but in any event not later than the maturity date the amount of each such acceptance. Each amount which may become due and payable to you under this Agreement may, in your discretion and if not otherwise paid, be charged by you to any available funds then held by you for our account.

4. We agree to pay you on demand with respect to the Credit, a commission at such rate as you may determine to be proper, and any and all charges and expenses which may be paid or incurred by you in connection with the Credit, together with interest where chargeable. Interest payable hereunder shall be at the rate customarily charged by you at the time in like circumstances.

5. We agree that, in the event of our failing to put you in funds, whether in whole or in part, and/or in any case of need, you shall be at liberty without notice to sell the goods in such manner and at such times as you may think fit, and to apply the net proceeds of sale (after deducting freight and insurance, if paid or effected by you, and all charges and expenses) in or towards the discharge of the moneys so due by us, without prejudice to your recourse against us and/or other parties for any deficiency. The word 'proceeds' is to be understood to include the amount recoverable under any insurance policies covering the goods.

6. Neither you nor your agents shall be responsible for the validity, genuiness, terms or sufficiency of any documents tendered under the credit; nor for the correctness of the description, quantity, quality, weight or value of the goods as represented in invoices or other documents; nor for delays or errors in transmission or non-delivery of cables or telex messages, or for delays in transmission or loss of documents through the post or otherwise.

7. We undertake that all goods shall be fully insured against all usual risks, that the insurance policies shall be assigned to you or held in trust for you, and that until payment by us of all amounts due to you in respect of all our indebtedness or liability to you on any account whatsoever, the insurance moneys payable are to be held as available to you, and if received by us shall be paid to you forthwith, and until so paid shall be held by us on your behalf.

8. We undertake not to exercise any right of rejection over the goods without having first provided you with funds, as aforesaid, whether or not we have taken up the relative shipping documents.

9. It is further agreed that you are not to be responsible for any loss of or damage to the goods, either during their transit, or after their arrival, or by reason of the non insurance thereof, nor for the stoppage or detention thereof by the shipper, or by any other person whomsoever. You are, nevertheless, at your sole discretion and without any obligation whatsoever on your part, to have the right at our expense, to take whatever steps you may at any time think fit to preserve or safeguard the goods, or to protect your interest in them.

10. The rights and powers conferred by this agreement shall be in addition and without prejudice to any other security which you may now or hereafter hold for our account.

11. Except as otherwise expressly provided in this Application and Agreement or as you and we may otherwise expressly agree with regard to, and prior to your issuance of the Credit, the "Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No 400 shall be binding on the Credit and shall serve, in the absence of proof expressly to the contrary, as evidence of general banking usage.

12. This Agreement and all rights obligations, and liabilities arising hereunder shall be construed in accordance with Nigerian Law.

Yours faithfully,

Stamp

Authorised Signatory.

FOR BANK USE ONLY

LIMIT _____

OUTSTANDING LIABILITY

Overdrafts _____

Contingent Liability under L/C _____

Acceptances _____

Advances _____

TOTAL PRESENT LIABILITY

Application _____

TOTAL TUTURE LIABILITY _____

Approved _____
(Authorised Signature)

Special conditions (continued):