DP06

International Trade Finance

8 OCTOBER 2001

1.	Time allowed	: Three (3) hours
2.	Total number of questions	: Seven (7) questions
3.	Number of questions to be answered	: Five (5) questions of which at least two (2) must be from Part A [20 marks each]

4. Candidates must obtain a minimum of 16 marks in Part A as well as pass the paper as a whole.
5. Begin each answer to a new question on a fresh page.
6. Answer **all** questions in **English**.
7. A blank page is provided at the end of the question paper for rough work.

PART A

ANSWER AT LEAST TWO (2) QUESTIONS

1. Hanifa Supply Sdn Bhd, one of your bank's valued customers, imports a range of machinery from Germany. Accompanying the collection order is the bill of exchange drawn and payable at **60** days from the date stated in the bill of lading. The original documents of title are also attached to the collection order. The instruction of the German bank is to release documents against acceptance, but no protest instructions are given.

Your bank has presented the bill of exchange to Hanifa Supply Sdn Bhd for acceptance. Hanifa Supply Sdn Bhd has always been slow in presenting accepted bills of exchange to your bank and also delays in payment of accepted bills of exchange. Nevertheless, your bank does not wish to apply any pressure concerning these collections as it considers Hanifa Supply Sdn Bhd a valued customer.

Your bank has now received a claim from the remitting bank for Hanifa Supply Sdn Bhd's account for **one** month's interest, which the German supplier is claiming due to Hanifa Supply Sdn Bhd's failure to pay the **recent** bill of exchange by the specified maturity date.

Required:

(a) Briefly explain the duties and responsibilities of your bank with regard to the handling of usance bill of exchange and the delay in its acceptance by Hanifa Supply Sdn Bhd. [6]

(b) Briefly explain the position of your bank under the Bills of Exchange Act 1949 in relation to the presentation of a bill of exchange for acceptance in circumstances similar to those described above. [6]

(c) Briefly explain the position of your bank and Hanifa Supply Sdn Bhd in relation to the claim for interest. [4]

(d) What specific instructions, acceptable under international rules and local law, should your bank include in future collection orders, which would encourage your bank's customers to pay the accepted bills of exchanges at maturity date? [4]

(Total:20 marks)

2. Most of the trading undertaken by Arzan Motor Sdn Bhd has been on an open account basis. Recently, Arzan Motor Sdn Bhd found that a number of their suppliers were very reluctant to grant **60** days credit term, which Arzan Motor Sdn Bhd requires. Their suppliers are now requesting for a more secured payment method.

Whilst En Mahzan, the Managing Director of Arzan Motor Sdn Bhd, does not mind the additional cost in issuing letters of credit, he is concerned that he would have to handle shipping documents and may encounter delay in movement of the paperwork.

Required:

(a) Name and describe other payment methods that can be arranged by En Mahzan as alternatives to the current payment method, apart from documentary credits. [12]

(b) Which of the methods you have described in (a) above, would provide secured payments from the supplier's point of view? [5]

(c) Which of the payment methods you have suggested in (a) above, would overcome the problem of handling shipping documents and possible delays in the movement of paperwork? [3]

(Total:20 marks)

3. Sonic Trading Sdn Bhd, supplier of electrical products, has recently signed a contract to supply a range of lighting materials to an overseas buyer.

During your discussion with Mr Beh, the Financial Director of Sonic Trading Sdn Bhd, you discovered that the goods will be bought from local and overseas suppliers and these suppliers will require secured methods of payment. Mr Beh has asked you to suggest a payment method that will fully protect Sonic Trading Sdn Bhd, especially when its cash flow position is causing some concern. The overseas contract is expressed in USD but one supplier in Germany is insisting to be paid in Euro.

Required:

(a) Briefly describe the basic instrument that would be appropriate in resolving Sonic Trading Sdn Bhd's needs. Your answer should also indicate how this instrument would assist Sonic Trading Sdn Bhd in minimising its cash flow problem. [10]

(b) In your opinion, will the instrument suggested in (a) above, be acceptable to the German supplier? Give reasons for your answer. [4]

(c) What arrangements would you make for Sonic Trading Sdn Bhd that will assist them in complying with the request of the German supplier? Bear in mind that the German supplier requires a secured payment method. [6]

(Total:20 marks)

PART B

4. ISB Bank issued an irrevocable letter of credit and advised it through ADV Bank via full text telex. Among the conditions stated were the following:

- Value: USD60,000
- Covering: **2,200** pieces of computer spare parts
- Partial shipments are NOT permitted

The telex also indicated that a "mail confirmation" of the letter of credit would follow.

ADV Bank received the authenticated telex message stating the following:

- Value: USD60,000
- Covering: **220** pieces of computer spare parts.
- Partial shipments are NOT permitted

ADV Bank advised the letter of credit, as received, to the beneficiary through NEG Bank. Upon shipment, the beneficiary presented the documents to NEG Bank for negotiation. Upon examining the documents and confirming that all terms have been complied with, NEG Bank forwarded the documents to ADV Bank and claimed reimbursement from REM Bank. REM Bank honoured NEG bank's claim.

Upon receipt of the documents, ADV bank examined it and found that there was a discrepancy in the letter of credit. ADV Bank immediately informed NEG Bank that ADV Bank is rejecting the documents for the following discrepancy:

"*Credit undershipped. Credit required shipment of 2,200 pieces of computer spare parts with value of USD60,000. Documents for USD60,000 only cover 220 Pieces of computer spare parts."*

NEG Bank forwarded a copy of the original letter of credit to ISB Bank to support its claim that the original advice they received from ADV Bank indicated that the letter of credit covered 220 pieces instead of 2,200 pieces of computer spare parts.

Despite ISB Bank realising that there was an communication error during the teletransmission, ISB Bank demanded reimbursement from NEG Bank claiming that NEG Bank should have examined the mail confirmation of the letter of credit and corrected the error. NEG Bank advised ISB Bank that they never received the mail confirmation.

ISB Bank then informed ADV Bank that ADV Bank has failed in its duty by not checking the consistency between the teletransmission and the original mail confirmation and thus, is responsible to reimburse ISB Bank for the USD60,000 loss.

Required:

(a) Is ISB Bank correct in placing a duty on ADV Bank to be responsible for checking the mail confirmation of the letter of credit sent, especially since it was clearly stated in the letter of credit that a mail confirmation was being forwarded? [5]

(b) Is NEG Bank, in any way, responsible for the error in the teletransmission? [5]

(c) What defence does ADV Bank have under the ICC Uniform Customs and Practice for Documentary Credits (UCP 500)? [5]

(d) Does ISB Bank have any recourse to the applicant by debiting the applicant's account for the drawing made under the letter of credit? [5]

(Total:20 marks)

5. Your bank's customer, Megatronic Sdn Bhd, is negotiating with their overseas supplier for supply of raw materials. The term of payment is "90 days sight draft, D/A" through your bank, subject to ICC Uniform Rules for Collection (URC). The shipment term is CFR Port Klang.

Required:

(a) State the purpose of using Incoterms. [4]

(b) Describe briefly the following terms used in the above case:

(i) 90 days sight draft, D/A [2]

(ii) ICC Uniform Rules for Collection (URC) [2]

(iii) CFR Port Klang [2]

(c) State the instructions you would expect to see on the collection order accompanying the documentary collection. [4]

(d) What particular points would you expect to see on the bill of lading with regard to this transaction? [6]

(Total:20 marks)

6. (a) Briefly explain the **four** types of payment methods provided under the letters of credit transactions. [12]

(b) Briefly describe the following types of bank guarantees:

(i) Bid or tender guarantee [2]

(ii) Performance guarantee [2]

(iii) Advance payment guarantee [2]

(c) What is the significance of the words "negotiable" and "non-negotiable" on transport documents? [2]

(Total:20 marks)

7. Your bank transferred a letter of credit in favour of a second beneficiary, PT Redwood Ria, in Jakarta, after receiving an instruction from the first beneficiary, Timber Sleepers Sdn Bhd. The expiry date of the letter of credit was shortened by **one** month from the original letter of credit.

Unfortunately, PT Redwood Ria was not able to comply with the terms of the transferred letter of credit and it was left expired and unutilised. Timber Sleepers Sdn Bhd requested your bank to reinstate the expired, transferred letter of credit and its value to the original letter of credit. Since the original letter of credit will expire in **one** month, Timber Sleepers Sdn Bhd has requested your bank to transfer it to a new second beneficiary, PT Hardwood, in Surabaya.

After due consideration, your bank advised Timber Sleepers Sdn Bhd that your bank would not consent to such a transfer in favour of the new second beneficiary, since it would constitute a re-transfer of a letter of credit. Your bank has also informed Timber Sleepers Sdn Bhd that Article 48(g) of the ICC Uniform Customs and Practice for Documentary Credits (UCP 500) does not allow a re-transfer of a letter of credit. Furthermore, your bank has not received any notification from PT Redwood Ria that they have not shipped or utilised the transferred letter of credit and that it had consented to its cancellation.

Required:

(a) Is a reinstatement to the original letter of credit, considered as an unauthorised re-transfer as stipulated under Article 48 of the UCP 500? Explain your answer. [5]

(b) Does your bank have an obligation to accept such new instructions for another transfer to the new second beneficiary, PT Hardwood, from the first beneficiary, Timber Sleepers Sdn Bhd? [5]

(c) Is it necessary for your bank to request that the original advice of the transferred credit be returned? Explain your answer. [5]

(d) If your bank decides to accept Timber Sleepers Sdn Bhd's instruction to reinstate the unused balance, can Timber Sleepers Sdn Bhd then instruct your bank to transfer the available balance to another second beneficiary? Explain your answer. [5]

(Total:20 marks)

- END OF QUESTION PAPER -

OUTLINE ANSWER

Part A

Question 1

In this question on the Uniform Rules for Collection (URC), some candidates were confused between URC 522 and URC 500, or between the operational duties and responsibilities required by the Collection Rules.

1. (a) In accordance with Article 9 of Uniform Rules for Collection that bank should act in good faith and exercise reasonable care at all times. This means that the bank in the circumstances described in the question should have acted in accordance with the instructions contained in the collection order. We should check that the documents received under the collection order are disposed of in accordance with those instructions.

The bank should have ensured that where an acceptance was called for, the bill of exchange was accepted. Presentation should have been made and payment claimed not later than the appropriate maturity date, i.e. 60 days after the date of the appropriate invoice.

In accordance with Article 24, the collection order should have given specific instruction concerning protest. As protest instructions were not given, the bank was under no obligations to have the bill of exchange protested for non-payment or non-acceptance (or noted under the local law). This is the general rule accepted in many parts of the world and is embodied in the above Article.

(b) The bank's position under the local banking practice may be somewhat different to that described above. However, the bank in the circumstances described in the question would not have exercised reasonable care and it could be claimed as not acting in good faith and has been and is negligent. It has ignored in some part of the terms laid down by Uniform Rules and has not acted in accordance with the normal local practice. (Having said that, the collection order was incomplete and the bank was under no legal obligation to have the bill protested/noted).

In accordance with standard local practice, the Malaysian bank (my bank) has not exercised care and should have noted/protested the bill of exchange to obtain the protection offered under the Bills for Exchange Act Section 51(2) and (4) for the benefit of the remitting bank and its customer. It may be difficult to give appropriate satisfactory answer to the remitting bank concerning the delays in remitting payment other that to claim full protest or noting instructions were not given. This might be regarded as lame excuse. However, as documents of title were not presented to the bill of exchange, this method of settling and obtaining payment is principally the equivalent of an open account sale.

(c) As far as the claim for interest is concerned, a collection order must be clear if interest is to be collected, and indicate if it was a mandatory instruction (Article 21).

This claim for interest is principally for overdue interest from the date of maturity of the bill of exchange until the date of claim, and this is outside any terms of reference covered by the Uniform Rules for Collections, Publication No. 522. Morally, the customer may be liable to pay the interest but legally, any such claim would have to be made under the commercial contract if this covered interest claim. The customer can ignore the claim unless a mandatory instruction was included in the invoice, which in the circumstances described in this question would be difficult to include in a bank collection order. In commercial practice, many invoices do state that overdue interest may be claimed in the event of delay in settling the amount covered by the invoice. In the event of such an instruction being included in the collection order, my bank should have told the customer of the potential interest claim at the time the bills of exchange were presented for acceptance, but in any event this should have been clearly covered by the collection order.

In circumstances described in the question, this is a matter to be settled between the banks as correspondent banks and it is for them to settle the claim amicably or otherwise. Most banks would refuse to pay interest in the circumstances described but such a refusal may jeopardise the relationship between the two banks. Because the bank has been rather negligent and has not exercise reasonable care, it might be felt prudent to pay the claim to its German correspondent. It may be impossible to lay down a hard and fast rule, which is unusual in this type of question.

(d) The change in instruction, which might assist the supplier in Germany and clearly be in accordance with the “instructions” covered by Uniform Rules and be in accordance with local banking practice, would be for the German bank to give specific protest and/or noting instruction in the event of dishonour, either upon presentation for acceptance or payment.

In the event of the change of instruction, my bank would have to act in accordance with the local banking practice, and protest or note the bills of exchange within 24 hours of dishonour in order to obtain the full protection of the Bills Exchange Act. Furthermore, the bank would also be acting in accordance with the URC, Article 17.

If there is an intention to claim interest in respect of a delay in payment or otherwise, this must be stated on the invoice and probably the bill of exchange, as well as in the collection order (Article 20).

Question 2

Some candidates provided irrelevant answers, i.e. they explained about documentary credit when the question stated “apart from documentary credit” in this question based on the methods of payment in international trade.

2. (a) Alternative Payment Terms

(i) Open account or documentary collection terms, supported by standby letter of credit.

(ii) Documentary collection with certain variations:

- bills of exchange to be avalised by Arzan Motor’s bank wither before shipment, or on presentation. These bills provide the supplier with an unconditional bank guarantee of payment, once they have been avalised. Arzan Motor’s bank would need to be satisfied as to the credit worthiness of Arzan Motor.
- The supplier could obtain credit insurance and could then, possibly, obtain without recourse post shipment finance from his bank.
- The collection could be D/P or D/A. D/P is more secured for the supplier.

(iii) Payment in advance. Arzan Motor should compare the interest cost with the cost of avalisation.

(b) Secure payment terms from the supplier’s point of view are provided by:

(i) Open account supported by standby letter of credit, or by factored invoices, so long as without recourse factoring applies.

(ii) Documentary collection with avalised bills, from the time of avalisation of the bills of exchange.

(iii) Credit insurance to the extent of the cover provide, provided the supplier fulfils the underlying commercial conditions.

(iv) Without recourse post shipment finance against documentary collections.

(v) Payment in advance.

(c) The terms that would avoid the need for handling shipping documents are:

(i) Open account. Once the standby letter of credit has been set up, normal open account terms apply so long as payment is made. As far as factoring is concerned, the supplier is responsible for organising that aspect.

(ii) Documentary collection with avalised bills of exchange (prior to shipment). The supplier would be happy to use documents such as waybills once he had an avalised bill of exchange.

(iii) Payment in advance.

Question 3

The majority of candidates did not see the point on the cash flow position on the account of the company in this question on the types of documentary credit.

3. (a) (i) The basic instrument is a transferable letter of credit.

(ii) Under UCP Article 48, only credits that expressly state that they are transferable can be transferred.

(iii) The overseas buyer will be the applicant, and it is he who must agree that the credit can be transferred.

(iv) Our customer will be the first beneficiary, and he has the right to request our bank to transfer the credit to a second beneficiary. A transferable credit can be transferred only once, but it can be split up amongst a number of second beneficiaries.

(v) The credit will be transferred on the same conditions as were originally set up, except for:

- Expiry date – earlier.
- Amount – lower.
- Unit price (If specified) – lower.
- Insurance cover, The amount called for can be whatever the second beneficiary requires.

(vi) The supplier knows that they have a secured method of payment, provided the credit is irrevocable.

(vii) There will be no cash-flow problem for our customer, since the only item on his bank account will be a credit for the profit (apart from bank charges)

(b) Under Article 49, the amount transferred by the first beneficiary's bank must be in the same currency as the original amount. Hence, transferable credits cannot be used here as the "second beneficiary" wants it to be in EURO.

(c) (i) The only compromise available is a back-to-back letter of credit arrangement.

(ii) The original buyer is the applicant and our customer is the beneficiary of the first credit. Our customer is the applicant for the second credit and the German supplier is the beneficiary.

(iii) These are two separate credits, as we rely on the documents presented under the second credit to fulfill he requirements under the first credit.

(iv) The problem is that our bank will be liable to honor the second credit if the correct documents are submitted. This applies even if the documents do not fulfill the requirements of the first credit. Hence, if we are not willing to issue the second credit on its own merits, we would be unlikely to agree purely because of the comfort given by the first credit.

(v) Cash-flow problems could also arise. Our customer will be debited with the full amount of the second credit and credited with the full amount of the first one.

(vi) There is an exchange risk, which our customer should cover. Suggest forward contracts or currency options as appropriate.

PART B

Question 4

Most candidates could not differentiate the role of each bank in this question on the Uniform Customs and Practice (UCP) for documentary credits, and thus were not able to provide the correct answer.

4. (a) No. UCP 500 Article 11 states as follows:

"When an Issuing Bank instructs an Advising Bank by an authenticated teletransmission to advise a Credit or an amendment to a credit, the teletransmission will be deemed to be the operative credit instrument or the operative amendment, and no mail confirmation should be sent. Should a mail confirmation be sent, it will have no effect, and the Advising Bank will have no obligation to check such mail confirmation against the operative credit instrument or the amendment received by teletransmission".

(b) No. NEG Bank advised the credit to the beneficiary in the same manner as it received from ADV Bank. When the beneficiary presented the documents, NEG Bank relied upon that advice of the Credit. The communication (teletransmission) was carried out between ISB Bank and ADV Bank. NEG Bank was not a party to the teletransmission.

(c) ADV Bank can refer to UCP 500 Article 16, which states:

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

(d) ISB Bank may have recourse to the applicant. The question depends on the contract between the applicant and ISB Bank for the issuance of the credit. To answer the query, we must refer to the terms and conditions incorporated in the "Application to Issue a Letter of Credit" to the "Reimbursement Agreement" entered into by the parties. This contractual agreement is outside the ambit of UCP 500.

Question 5

This question on Incoterms was popular question among the candidates, though some were confused between the URC and UCP.

5. (a) Incoterm, which were drawn up by the ICC, provides as internationally accepted set of standardised terms which set out where the exporter's responsibility ends as regards to insurance and transport of goods. It detailed the main obligations of the seller and the buyer in international contract of sales. The main elements are delivery, costs and transfer of risk. The main categories of costs are:

- Dispatch, carriage and delivery;
- Customs clearance for export and import;
- Service assistance rendered by one party to the other in addition to what the assisting party is required to do under the trade term; and
- Insurance.

(b) (i) <u>90 days sight draft, D/A</u>

The seller will submit a documentary collection. Your bank will be authorized to release documents against acceptance of the bill on Megatronic Sdn Bhd. Megatronic Sdn Bhd will have possession of goods once it accepts the Bill of Exchange. It will not need to pay for 90 days. Therefore, Megatronic Sdn Bhd is receiving a 90 days credit from its supplier.

(ii) Uniform Rules for Collections
An internationally accepted set of rules governing documentary collections. All aspect of the collection will be governed by these rules unless the collection order stipulates anything to the contrary, or unless the rules contradict the laws of the land.

(iii) CFR Port Klang
"Cost and Freight". This is an Incoterm. The seller will be responsible for all freight cost as far as Port Klang. Megatronic Sdn Bhd will be responsible for the marine insurance of the sea voyage and for all costs after arrival of goods at Port Klang.

(c) Instructions on the Collection Order
(i) To release documents against acceptance.
(ii) Whether to protest if unaccepted/unpaid.
(iii) Remits proceed by airmail/cable.
(iv) Case of needs and powers.
(v) Whether to store or insure if the bill of exchange is unaccepted.
(vi) Can acceptance be delayed pending arrival of goods?
(vii) Charges – can they be waived?
(viii) Advise non-payment by mail of cable.

(d) (i) There should be a complete set of bills of lading, or an explanation if any are missing.
(ii) The Bills of Lading should be clean, shipped on board and blank endorsed by the shipper (i.e. exporter).
(iii) The Bills of Lading should show Port Klang port as destination.
(iv) The Bills of Lading should be marked "Freight Prepaid".

Question 6

Some candidates made the mistake of answering the types of payment in "international trade" instead of payment under "letters of credit" in the part of the question on methods of payment.

6. a) The four types of payments provisions under letter of credit transactions are:

Sight Payment
With this type of letter of credit, the beneficiary will draw the draft (i.e. the bill of exchange) payable at sight on a bank. The only question that arises is "which bank?".

Article 10 (b) provides that this will be the issuing bank where the credit make payment available only from the issuing bank. In the absence of such stipulation, the credit should name the bank that is authorised to pay, thus being known as the nominated bank. If these circumstances prevails, the bill of exchange should be drawn on the nominated bank.

Usance Payment
With this type of credit, the beneficiary will draw the draft (i.e. the bills of exchange) payable at some future point in time (usually a specified number of days after it has been sighted). The same question arises here is as with a sight payment (i.e. which bank is to accept, then pay at maturity).

Deferred Payment
In some countries, there are relatively penal stamp duties that have to be paid on bills of exchange. In an international trade transaction, one party would have to be made liable.

In order to avoid paying the duty, the parties to the letter of credit can agree that a draft need not be drawn. Thus, in this case, after the goods have been exported, the required documents would be sent to the nominated bank for inspection. If the presentation is good, the documents will be presented at sight or for acceptances.

The end product is that, as the documents have been taken, the beneficiary would be paid at the time specified in the letter of credit (i.e. he is paid on the deferred date).

Payment under Negotiation
Negotiation means the bank will buy the documents that relate to a letter credit. Thus, the bank gives full immediate value to the beneficiary under the credit.

While it may be considered that there is a risk involved in buying such documents, it should be appreciated that the risk is minimal. The reason is that a bank has made the promise of payment; and banks, in general, are very unlikely to default on their promises to pay.

Having purchased the documents the negotiating bank will attend to their presentation on the drawee bank. It would be expected that the bank would pay on sight or on the agreed date, as appropriate.

(b) (i) **Bid and Tender Guarantee**
A bid guarantee is issued to support a customer's tender and sometimes is used as a substitute for the remittance of a cash deposit that has been called for by an exporter in support of a bid.

It is used to confirm the genuineness of a tender and to ensure, as best as possible, that if a person was successful with the tender bid, he will proceed and enter into a formal contract.

The amount of the guarantee generally ranges from 2% to 5% of the amount quoted in the tender. Should the successful bidder not proceed and enter into a formal commercial contract, the person in whose favour the guarantee is issued for will be entitled to make a claim on the bond.

The amount paid out will enable him to re-advertise the tender without having to use his own resources. If surplus money remain, the excess may be considered as compensation for the inherent delay that will result as consequences of having to re-tender.

(ii) **Performance Guarantee**
A performance guarantee is given to support a customer's obligation in relation to a commercial contract that he has entered into. As a separate agreement, it will be entered into after a previously executed tender guarantee has been cancelled.

Alternatively, the tender guarantee may make provision for that guarantee to become a performance guarantee in the event that the tender is successful and a formal commercial contract is entered into.

Such guarantee may retain the full exposure of the issuing bank until the project has been completed and is handed over to the buyer in an acceptably operable state. Guarantee termed along this line highly expose the issuing bank.

(iii) **Advance Payment Guarantee**
An importer who has made an advance payment to his exporter can put himself in this position by asking the exporter to get a bank guarantee to be issued in his (importer) favour. Thus, should the exporter fail to honor his commercial promise, the importer will get his cash back from the bank that issued the guarantee.

(c) Generally, the word **negotiable** indicates that a document is a document of title whereas **not negotiable** indicates that the transport documents is not a document of title.

Question 7

Candidates displayed poor understanding of the UCP 500 Article 48.

7. (a) No. It is not considered as a re-transfer. UCP 500 Article 48(g) states:

"Unless otherwise stated in the Credit, a Transferable Credit can be transferred once only. Consequently, the credit cannot be transferred at the request of the second beneficiary to any subsequent third beneficiary. For the purpose of this Article, a re-transfer to the first beneficiary does not constitute a prohibited transfer."

(b) Our bank does not have any obligation to accept such instruction. UCP 500 sub-Article 48(c) states that "the Transferring Bank shall be under no obligation to effect such transfer except for the extent and in the manner expressly consented to by such bank".

(c) It would be prudent for you bank to request the return of the original advice of the un-expired credit and unutilised transferred credit, to determine that no other outstanding arrangements have been concluded under the portion of the transferred credit.

(d) Yes. Provided the new transfer is executed within the terms and conditions of the original credit and in accordance with UCP 500, Article 48.