

Defending the Soft Clause of the Letter of Credit

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Abstract: The soft clause of the letter of credit(L/C) is a very difficult problem in international trade practice. Starting with the causes of the soft clause of L/C, this paper analyzes the methods of recognition and preventive measures, Providing knowledge and skills reserve for international trade students which entering the workplace.

Keywords: Letter of credit, Soft clause, Risk prevention

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1 Introduction

With the development of World Trade and the strengthening of international cooperation, L/C which is an important payment tool for international settlement is widely used by foreign trade enterprises. But in recent years, fraud using of the L/C especially using the soft clause of the L/C has occurred frequently. The Soft clause is always an important issue plagued international trade practitioners, it makes the rights and obligations of the parties in the trade imbalance in position, the L/C as a serious threat to the security of payment in international trade and superiority. However, at home and abroad did not agree on this issue the authority to follow the views or practices, which will undoubtedly inconvenience to international trade. The negative impact of the credit generated mainly in the following two aspects.

1.1 Dispelling the exporter's enthusiasm

Soft terms so that exporters can not execute L/C, or can not obtain the documents required under the L/C, as specified by the issuing L/C or other representative of

the applicant signed certificate of inspection, if neither the applicant nor the inspection certificate issued by the relevant, the exporters can not submit this document, resulting in discrepancies, even exporters in accordance with international practice documents the authenticity of the bank exemption, provided such a test certificate (fake certificate) itself, and is always being an importer of deception from the application to the court issued a stop payment order on the loan. This tends to make exporters around in terms of business operations is not a dilemma, a serious blow to its international trade initiative.

1.2 Weakened the L/C as the means of payment

Because of the high cost of credit when issuing so many companies engaged in international trade and stop looking, but this does not affect the widely used credit. The presence of soft clause of the L/C has become a major obstacle to the application, and to some extent undermined the international status of the credit, according to statistics the 1960s and 1970s, more than 85% of the global trade volume is adopted L/C to be settled. But in recent years, the international status of the credit in some developed countries plummeted, credit usage in European countries accounted for only about 10%, and there is further narrowing trend. Rather than the L/C payment, as against payment (D/P), Acceptance (D/A) and credit (O/A) and other commercial credit for the payment guarantee of payment has become very popular, and soon became the country International trade in the mainstream method of payment. The only reason though soft clause is not causing this negative impact, but plays a very distinct role can not be ignored.

2 How to identify the soft clause

Soft Clause issue is a complex issue, and it involves

wide, wide span, its reasonable scientific identification and classification of great significance. There is a variety of identification methods, each of which is to analyze and judge from a major point of view, the main method of identification are the following:

2.1 Identify by definition

ICC has no effect to make a clear definition of the soft, domestic legislation, and also did not. Therefore, the definition of the soft nature of L/C has been great controversy.

Definition of soft clause, different scholars give different views from different angles. More representative of the following three:

The first is a saying that the so-called “soft clause” means an irrevocable L/C or bank may require the applicant to pay the unilateral lifting of constraints, so that the beneficiaries at a disadvantage or a passive position, resulting in terms of its foreign exchange risk and compliance risks. In other words, the credit terms are soft applicant or the issuing bank to operate unilaterally, makes an irrevocable L/C disguised forms a revocable L/C.

The second theory is that the so-called credit “soft clause” means an irrevocable L/C in terms of the L/C provides for conditional force, or beneficiary of the credit requirements to submit certain documents to the bank is difficult to obtain, so beneficiaries disadvantaged and passive position, resulting in the terms of the settlement in favor of compliance and risk hazards.

The third argument that the L/C in the “soft clause” means specified in the L/C issuing bank can always guarantee the payment obligations unilaterally terminated its terms, the consequences lead to the seller couldn't make out the required documents under a credit, which can remove the issuing bank or the applicant is responsibility of payment.

But regardless of the angle from which to explore the definition of credit soft clause, one thing we can be sure that the terms of the L/C to make a soft - sided credit is controlled by the issuing bank or the applicant, making the beneficiaries at a disadvantage. Once the new candidates in the presence of soft clause, even if the beneficiary completely fulfill the basic delivery obligations under the contract, it is impossible to obtain the documents under L/C, which led to the beneficiary does not guarantee eligibility documents submitted to the bank and thus can not search to remittances. This exporter is concerned there is a huge risk: While the

importer or the issuing bank can according to their own needs to control the documents to their illegal purpose.

2.2 Identify by the features

First, the form of the ever-changing, there is no fixed pattern. Some of them are in the L/C effective barriers: Some intentionally set the contradiction between the terms in the l/c terms, the beneficiary can't do it alone, thus affecting the settlement, Such as transportation is not only required by the credit to Marine bill of lading, asked for a multimodal combined transport by rail and sea bill of lading, the two contradict each other, beneficial if not carefully review sheet, it can not match the conditions of the L/C requirements alone, thus unable to secure settlement.

Second, the performance is “to add provisions.” The soft clause are listed separately in an irrevocable L/C terms, mainly in the following two situations: First, In addition to providing trade stipulated in the contract documents, shall provide the l/c with the terms of the settlement of exchange documents: second, add some columns of settlement documents required, and is the beneficiary cannot obtain these documents.

Third, set the soft clause of the theme of the issuing bank or the introduction of an applicant. Under normal circumstances, the body is soft clause set levy applicant. According to the relevant provisions of UCP, as long as the beneficiary has submitted on the surface consistent with the terms of the credit documents, you can smooth settlement. However, according to UCP disclaimer on the banks, the banks genuineness of these documents is not responsible. In this case, issuing the applicant in order to protect their own interests, in the L/C to add some “soft clause”; in some cases, the introduction of the applicant and the issuing bank collusion, collusion, partner defrauded beneficiaries paid by issuing advance payment. Therefore, in the choice of partners and beneficiaries of the issuing bank is sure to be cautious.

Fourth, the legal consequences make the beneficiaries settlement difficult. How can people even make guarantees to exempt banks, and bank credit to commercial credit. So that the seller can only beneficiary to the issuing of the applicant claims, and whether the claim is successful, to some extent depends on the applicant's business reputation.

2.3 Identify by the type

2.3.1 Difficult to implement

It will be very difficult to implement, often can not be

completed within the specified time, it will bring while implementing the terms of the risk is difficult to grasp.

After a short time required to send one single shipment or delivery terms. For example “Documents must be presented to us at the date of shipment” (documents must be submitted at the date of shipment to my line. “Us” refers to the issuing bank). Trade practice, the bill of lading date generally is the date of shipment and shall be issued at the date of shipment. Therefore, the issue of transport documents is generally difficult and submitted to the bank on the day of shipment.

Requires applicants bill of lading and L/C delivery man looked blank, blank multiple terms, such as “bill of lading made out to order and blankly endorsed, showing the applicant as the shipper”. Blank endorsement made by the actual shipper, the shipper bill of lading made if the applicant credit, then such a provision would conflict with each other, will be very difficult to implement, and the bill of lading shipper made if the applicant, the beneficiary will lose the right under the bill of lading shipper should have.

Inspection certificate required documents, invoices and other terms and conditions of the importing country have an institution or person signed or issued, such as “Inspection certificate issued and signed by experts nominated by the applicant” (inspection certificate issued by the experts designated by the applicant and signed). Normally, the inspection certificate shall be issued by the agency in favor of the host country inspection documents as clothes, but if the experts are not issued, signed by the beneficiary will not pay a single, which is equal to the initiative whether to accept the goods handed over to applicant, contrary to the normal international trade procedures. In addition, since the income of the two countries and the importing country personnel Language is often difficult to implement.

2.3.2 Unable to operate

It refers that exporter can not implement the terms in actual operation, found no such provision, exporters cannot under the L/C at sight.

(1) The invoice of all documents required must not show the invoice number, “Except the commercial invoice documents presented cannot show the invoice number”. Actual business, some official or semi-documentation requirements must be demonstrated that the invoice number and date of issuance of such certificate of origin or export permits. Therefore, if involved in such documents, you simply can not

operate.

(2) Non- GSP products was required to submit under the GSP certificate (GSP Form-A) terms. At present, 36 countries have granted China GSP treatment for these countries export goods must apply to provide GSP certificate of origin, as the basis of the importing country customs tariff reductions; But if you do not implement or did not give China GSP treatment of country, but it requires when submitting GSP Form A, then this clause could not operate, but only contrary but it will not match the document.

(3) Inconsistent with the terms of international trade practices. Terminology such as FOB prices, but requires the bill of lading marked “freight prepaid” and require the beneficiary to provide insurance and other provisions. By convention, FOB and freight to collect (freight) corresponds rather CFR and CIF corresponds with freight prepaid. In addition, the insurance under FOB handled by the buyer, obviously, require the beneficiary to provide an insurance policy is impossible. Such provisions would lead to the emergence of trade disputes.

2.3.3 High risk provisions

Terms of high-risk refers to operate is not difficult, but it could have brought about the terms of a high -risk beneficiaries.

(1) After a shipment requested to order and blank endorsed the terms of the bill of lading sent directly to the applicant. Such as “1/3 original bill of lading made out to order and blank endorsed should be sent to the applicant soon after shipment (1/3 to order and blank endorsed original bill of lading should be sent to the applicant immediately after shipment).” Obviously, the applicant holds an endorsement of the original bill of lading empty bag to pick up, if the credibility of the applicant’s bad, it may happen to mention the goods after payment, resulting in two air cargo in favor of people’s money situation.

(2) In the applicant’s L/C had expired. Such as “This L/C will expire in USA on Sept 30, 2008”. L/C expires in foreign countries, the relevant documents must be sent abroad means that negotiates. Since we did not have the time to reach the required documents to foreign banks and easily delayed or lost, so it has a lot of risks.

(3) With the relevant provisions of the goods shipped. For example, “the port of shipment, date of shipment or the port of destination shall be subject to the levy notice or the consent of the applicant shipping company,

name designated by the introduction of the applicant designated by the applicant only made the issuing inspection after the issuance of the notice of shipment to the consignee on board.” Such soft clause are issuing mastered the applicant whether the goods are shipped, when shipped, how the initiative shipment, leaving the beneficiary of a dilemma; hand can not prepare shipment; the other side that they can not grasp the date of shipment. Therefore, it is likely to cause overdue credit.

2.3.4 Terms trap

Trap Terms means the line openers malicious malicious established or traditional establishment is issuing an irrevocable L/C temporarily effective or not be effective.

(1) Credit temporarily into force provisions. For example, “pending import license notice before their entry into force of the crime, the notice issued by the issuing bank to take effect, by issuing a qualified applicant testing samples of goods into force after notification letter.” These day is the essence of wide: credit must meet certain conditions in force in the applicant only after issuing this, issuing the applicant to fully grasp the initiative in issuing the L/C if the applicant refuses to send due to market changes take effect notification beneficiary. The hands of the credit will become a waste paper.

(2) The applicant requested the goods by issuing acceptance and corresponding certificate issued to the applicant as one negotiable. If “half of the total L / C amount is payable at sight and the half will be payable when the applicant issues an no objection certificate (half the credit amount for current payments, the remaining half to be the same as the applicant issued a at prove then pay), if the applicant proves its on the incident without objection, the beneficiary will not be able to receive the remaining half the purchase price. Such provisions have actually deprived of the reliability of a L/C, becomes a beneficiary need to get the money after the introduction of the applicants get accepted.

2.4 Criteria for identification

According to the different starting point of identification, we can divide the criteria into the following categories:

2.4.1 Identifying the purpose

Analyze each of the terms on the real purpose and function, pick out those that do not meet the L/

C practice, limit the rights of the beneficiary or beneficiaries of increased burden and contain the beneficiary, making it difficult to pay single, or simply can not pay a single clause. For example, the L/C requirements to provide consular invoice, “INVOICE AND CERTIFICATE OF ORIGIN MUST BE LEGALIZED BY AN XXX EMBASSY OR CONSULAR IN THE CITY OF EXPORT IF AVAILABLE” (invoice and certificate of origin must be resident visa by the consul of the country in the exporting country)^[3], If there is no consulate export port in the country, it is very difficult, even to the field to apply on time must become a critical issue.

2.4.2 Identifying contradictions

Identify inconsistencies from the terms of the L/C just the same, between conflicting documents in violation of the L/C rules, despite how hard the beneficiary can not do the same document, bound making it difficult to exchange earnings. Such conflicting provisions are soft clause. For example, terms such as L/C required transport bill of lading, but also requires land and sea transport bill of lading, the twomutually contradictory, anyway income people can not do the same document.

2.4.3 Identify links into force

Judging from the terms of the L/C provisions in force to decide the terms of the L/C. Under normal circumstances, the L/C received by the beneficiary should be in force, after opening a L/C should be independent of the underlying contract is binding on the parties and on the L/C, the importer or the issuing bank L/C requirements in force terms or conditions of entry into force of certain provisions and conditions of this initiative firmly in the hands of the importer or the issuing Bank, these terms are soft clause. For example, “THIS DOCUMENTARY CREDIT WILL BECOME EFFECTIVE PROVIDED YOU RECEIVED THE AUTHORIZATION” means: the letter after you have received credit authorization before taking effect^[2]. Again, to get an import license, credit to take effect; credit temporarily effective commencement date of notice by the bank; credit inspection requirements must be designated by the applicant or its signatories and sign quality inspection certificate to the payment or entry into force; credit only take effect after the relevant transport issues such as the applicant is subject to the shipping company, name, date of shipment, loading and unloading port and other consent; quality certificate issued by the applicant, or by issuing OK verify or

seal of the issuing bank must match the archival records, L/C to take effect, and so on,^[4] inspection link recognition is to determine the terms of the applicant or the issuer in order to control credit and self-test, or by a person authorized by the applicant issuing an inspection certificate issued in terms of the inspection. This is not only a violation of import and export commodities inspection on demand by an independent third party outside of trade relations person, a qualified and professional practice authoritative testing agency to perform, but also contrary to the Uniform Customs and Practice for Documentary Credits Article No. 500 states: "In the credit business, all parties concerned deal with documents, not goods and services, or other documents relating to the behavior."^[5] document refers to some of the aspects of identification to determine the terms of the L/C provides that: The provisions, certain documents must be issued by a particular person, and those such as invoices, inspection certificates, goods receipts and other documents to be signed with the issuing stamp OK to stay kind match. These provisions enable the beneficiary in grave danger because of these particular people may go to fulfill the obligation to sign, it may not, but in time to sign the beneficiary is difficult to know what to leave India signed the issuing line is very which is likely to cause the signature does not match the bank refused to pay. In short, the relevant provisions of the identification method of soft credit there are many, the paper discusses in more detail due to the length of the relationship no longer.

3 Causes of the soft clause

3.1 The L/C's own defects

The important objective cause of soft clause lies in the defects of the L/C mechanism itself. In international trade, the L/C payment for the rights and obligations of the buyer and the seller does not balance: the buyer's rights and interests protection degree is higher than the seller. Because, according to the operation mechanism of L/C, the buyer to the line is much larger than the seller. The risks by the seller as long as because discrepant documents to the settlement of exchange, while the buyer should assume the risk associated with the goods. However, under the current international trade system, the actual receiving from the seller's settlement of exchange to the buyer will have a long time, in this case, the buyer once the seller fraud, with optimal filling of inferior quality, or have no

loading, then forge the relevant documents to the bank settlement of exchange, the buyer will be difficult to obtain the judicial relief. So, the buyer is trying to make some restrictions to the seller in L/C, in order to reduce the possibility of deception by the seller, to maintain their own interests. Was due to the L/C settlement mode of high degree of protection of the rights and interests of the buyer, so it's easy and very boldly to the buyer in the L/C contract manufacturing some terms of concealment. So far, we can in the retrieved literature, didn't see the international chamber of commerce to ban on L/C soft clause written documents and materials. A variety of legal issues on the L/C soft clause does not have enough attention, also is the main cause of soft clause more prevalent.

3.2 The reason of the operator

(1) The applicant for the purpose of levying fraud. This often requires the applicant and the beneficiary issuing advance payment or performance bond issuing deposit together. Once an applicant receives issuing prepayment, you can use the credit in soft clause to evade payment obligations, the purpose of fraud. This situation in our country in recent years, the terms of the L/C it soft cases accounted for a large proportion.

(2) In order to grasp the initiative in issuing the applicant for the credit. This situation generally occurs as middlemen in issuing the applicant time. Issuing the applicant on the one hand to control the supply, on the other hand they might not even be afraid to contact the customer a good customer or a temporary breach of contract, and therefore the provisions of the soft side of himself flexibility in terms of the L/C. Once the market against themselves, it can use a L/C in soft clause payment obligations under the credit.

(3) Issuing the applicant in order to prevent a breach of contract or fraud exporters to take protective measures. Importers want to ensure and control the quality of imported goods, but because importers can not be achieved in the production process of product quality tracking, often only on hand to inspect the goods. Such quality problems tend to be importers fulfill all payment obligations, after a period of time before slowly exposed, until this time again Exporters claims through international arbitration, costly, lengthy litigation and arbitration judgment execution importer is to make a very troublesome thing. So importers turning to trade payment process, the use of the terms of the L/C documents to control the quality of goods. At this

point, the purpose of issuing the applicant is not entrap the seller, but in order to prevent themselves deceived.

3.3 Exporters' own reasons

The main exporters to accept the terms of the L/C is soft, there are two reasons: first, conscious acceptance. From the point of view of power between importers, exporters tend to be such a disadvantage in terms of the export transaction, either eager to export, or is one of many competitors. Thus, reducing conditions, to abandon the principle of passive acceptance of soft clause.

Second, the unconscious acceptance. From the perspective of trade credit practice, some exporters due to the novice, to the credit of such payment instruments are not yet understood, the identification of the soft clause of the L/C is not clear to see that the L/C as a means of payment convenience and reliability, but did not see where the real trap terms, review of contracts and L/C as a payment instrument convenience and reliability, but did not see where the real trap terms, contracts and L/C bear rigorous examination of the importer luck, the results make themselves everywhere passive.

4 Defending measures

Credit appears driven the rapid development of international trade but also to international trade has brought new problems - credit "soft clause", a soft clause is undoubtedly a serious impediment to the development of international trade, and any international conventions currently no L/C or other document on soft clause to be defined. This will need to import and export the seller to buy a bank L/C soft and have a thorough understanding of the terms, thereby enhancing the identification of soft clause, on the basis of the recognition and make the appropriate preventive measures against soft clause, so as not to make himself into a passive situation and losses.

4.1 Bank's preventive measures

4.1.1 Precautions as the first payer

L/C as a payment in settlement of foreign trade bank as the first payer, may also be because the soft clause, so that their rights are infringed, and therefore the terms of bank credit risk prevention software is also very necessary, banks should carry Export credit status to make in-depth investigation, the soft clause to achieve a preventive credit risk.

4.1.2 As a precaution or negotiating bank's notice

Banks as the advising bank, should comply with the principle of reasonable care, after receipt of the issuing bank sent a L/C, should carefully examine the reliability of credit, L/C containing hidden for special provisions should be a timely reminder of the beneficiary Contact the introduction of the applicant to amend the credit, protecting beneficiaries secure exchange earnings. Banks as negotiating bank, credit card off the line should be reviewed to remind beneficiaries pay attention to soft clause, and after receipt of the documents the beneficiary shall promptly conduct a rigorous review of documents, examination of documents and credit match card.

4.2 Exporters precautions

From generation to harm the development of credit, L/C problems arising from the soft clause and academics have to recognize that, but with the development of international trade, many companies still difficult to get rid of soft clause this "trap". Therefore, for exporters, in addition to the terms of the L/C must be strictly prevent soft, once found to be a rational response to the problem, using the provisions of the contract with the relevant laws to protect their legitimate rights and interests, the practice also requires the specific business tax personnel with sensitive insight, a wealth of knowledge of international trade and legal knowledge, while foreign trade companies, banks and other relevant departments should closely cooperate, to work together in order to maintain a good legitimate rights and interests of foreign trade enterprises.

4.2.1 You must select a good and reliable trading partner before the transaction

For exporters, choose a reliable trading partner, is the best way to avoid being caught in fraud or passive situation. When selecting business partners, should avoid fraud - prone countries and regions, countries have strict foreign exchange controls, poor bank credit trader's countries and regions. So before signing a L/C for the payment of the contract of sale, the transaction unfamiliar objects to a detailed understanding of each other's credit, especially in the time to know each other as middlemen, its economic strength and compliance should focus on understanding. So in practice, you want to know the credit status of the other traders, trading partners can be the location of the bank to investigate the information, ask before he had business dealings with the company to understand, but also through a number of trade associations and other business

organizations to its credit investigation, or in the online survey. Information has been obtained on the basis of the exporters need to analyze and make judgments.

4.2.2 Choose a good reputation of the issuing bank

The issuing bank's credit status is the foundation can safely exchange earnings of exporters, exporters should therefore attach great importance to the issuing bank's choice. Although not directly from the issuing bank to the beneficiary to choose, however, the beneficiary may well agree in advance with importers from those world-class reputation of the bank as well the issuing bank. Because these banks are attention to their reputation, the operation is very standardized, high quality of service, will generally be treated very seriously, "soft clause". The problem, therefore, for the beneficiary, it will greatly reduce the risk probability.

4.2.3 Business operations must be standardized, care must be taken to develop the contract terms

Credit terms are often based on soft clause of the contract out of. If the terms of the contract were very tight, the possibility of soft clause of the L/C will be reduced accordingly. Even if there is a credit terms inconsistent with the requirements of the contract, the seller may be required to modify a contract basis.

Currently, the export of fierce competition, some foreign businessmen eager to export companies often use our mental, favorable price conditions as bait, resulting in our failure to prevent the other terms of the contract, even asking us to advance this performance bonds or issuing deposit. Our company have asked us for any prepayment contract vigilance must not hastily signed a contract before the commencement of the contract, should ensure that the terms of a specific, clear, tight, for a variety of controversial issues that may occur to be thoughtful, so chances appear soft clause will be reduced.

4.2.4 Rigorous audit, precautionary, rational treatment

Strict compliance documents is a prerequisite for the issuing bank for payment, the documents do not match the issuing bank is the only legitimate basis for refusal of virtue. Upon receipt of the L/C must be strictly part of the trial card, timely, meticulous, and careful, one by one sentence for each of the terms of the audit letter, every detail, even every word and letter, so take precautions. Once found discrepancies with the terms of the contract should be clarified, and when, based on the requirements under the contract modifications;

such changes not damage the interests of the seller, the seller and not hard to do, you can accept credit without requiring modifications: Such as changing interest great harm to the seller or the seller is very difficult to immediately seek to amend the L/C; such shipment is too short, requiring extension; we cannot do in terms of insisting deleted; asked for clarification of ambiguous terms, clogging all loopholes for the safe, timely receipt and lay a solid foundation.

4.2.5 Investigate its weaknesses, take the initiative to find a solution by the credit itself

After receiving the documents, the bank handling every detail comrades carried out a thorough credit terms nuanced research to find the credit loopholes and in consistencies, such as "free release single" clause with the issuing bank promises first a contradiction of payment obligations, L/C Reimbursement indicate the presence of internal conflicts. Always hold the credit of these weaknesses and decisively to settle the line power cord, first recover themoney, the initiative in their own hands.

4.2.6 Greatly improve the quality of the operator, enhance training

With the development of international trade, L/C in terms of more and more types of soft, mottled complex, constantly changing its shape but also many documents tend to be easily fooled by its surface, so foreign companies should also organize documents staff constantly learning, study new situations and new problems, to improve the recognition of "soft terms" capability, it is possible to reduce the risk to a minimum.

With the advent of economic globalization and technological information of these two new features, the essence of competition is the talent competition, so greater efforts to develop high-quality talent in international trade, export business could remain unbeaten in the competition ground. As long as banks and export enterprises to strengthen businessknowledge to learn the clerk and master of international trade, international finance, international commercial law and other aspects of the regulations and practices, improve their professional quality, enhance risk awareness and prevention awareness, work carefully to ensure that the same card consistent, consistent documents, just consistent and coherent single shipment, will be able to calmly avoid actual business risk, reduce unnecessary losses and ensure timely receipt safe.

4.2.7 Strengthening Yin Mao trade cooperation and common precautions

Bank L/C is a necessary department is the core department of foreign trade exchange earnings, foreign trade enterprises should strengthen cooperation between banks and timely communication, for some vague terms found during the trial license, you can request the bank to help identify, together the documents work well to reduce the soft clause for China's foreign exchange earnings of the damage. In short, the silver trade cooperation is conducive to safeguarding the healthy development of China's foreign trade, export enterprises to ensure the legitimate rights and interests. Bank and the two sides should work closely together to enhance awareness, so that unscrupulous traders exploits.

4.3 ICC precautions

4.3.1 Clear soft clause and its related content

So far, the International Chamber of Commerce on soft clause and nature of the L/C, and other forms of content is still not clearly defined, explore countries on soft clause of the L/C is not yet mature, and promote the use of this smooth international trade and credit very unfavorable. ICC should strengthen the soft clause of the L/C concerns and research to identify the appropriate credit to run programs, to prevent produce soft clause. Although the International Chamber of Commerce is a private organization, but it is the authority designated credit institution, they can get the file specified countries apply. Therefore, as the development of "UCP600" the International Chamber of Commerce, this issue should be carried out study and research, then, to conduct a comprehensive soft clause to define and design the appropriate method is suitable for running the credit mechanism, the end of the current chaotic situation, achieve "according to the law."

4.3.2 Set consent form and review the terms of the L/C

UCP600 although some issues were made to absorb the changes, but the soft clause for credit problems, the attitude of the International Chamber of Commerce is still not clear that the current format of the L/C on the international community and diverse, ever-changing expression. This will give importers an opportunity to set up hidden in the credit terms, so difficult to find relevant business personnel in the audit. Set uniform letter format and audit user growth terms, such as documents terms, payment terms, etc., exporters and banks can easily identify hidden in the L/C in soft clause, the importer is difficult to achieve

the purpose of deception, effectively blocking the credit the presence of soft clause. One reason is that the credit generated soft clause of the credit terms and that arbitrary strong eh, the importer can take advantage of the weakness of the beneficiary or negligence, the terms of the provisions of the soft limit beneficiaries, as well as the use of soft clause fraud, if the ICC can come up with solutions to the credit of the soft clause of science, to develop a uniform format and must review the terms of the L/C was not only saves time and effort in the development of each credit spent, but also for overcoming this deficiency L/C, L/C to improve the operating mechanism has a very important significance.

5 Conclusion

Credit terms are soft credit product development process under specific historical conditions, the introduction of additional terms in order to safeguard their legitimate rights and interests of the applicant provided, however, been to a certain period of development has been a profusion of signs, and even fraud forms. In this paper, a comprehensive study on soft clause of the L/C, L/C from the surface also be analyzed and summarized, put forward some recognition soft clause and the terms of risk aversion soft approach, which is the last resort, as a standard and a sound credit solve the credit card system is the fundamental way to soft clause. In short, as long as during the event ourselves, careful review, a good grasp of the whole process of credit transactions, we can effectively avoid risks arising from credit soft clause.

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