

Standby Letters of Credit—Issuance of Local Bank Guarantees

A Standby Letter of Credit (LC) is a globally accepted financial instrument where an issuing bank takes on its clients' obligation to:

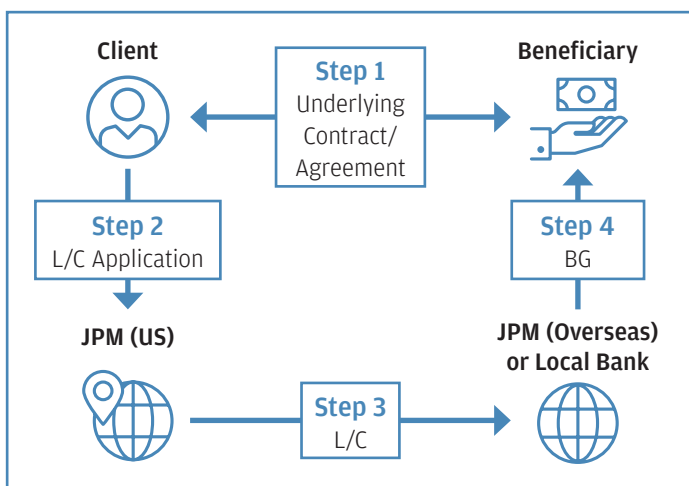
- 1) Repay money borrowed by or advanced to or for the account of the account party,
- 2) Make payment on account of any indebtedness undertaken by the account party, or
- 3) Make payment on account of any default by the account party in the performance of an obligation.

The Standby LC is used to mitigate the risk of non-performance by a third party. The issuing bank undertakes the responsibility to pay the beneficiary once the terms and conditions of the Standby LC have been met.¹

A Bank Guarantee (BG) is a guarantee from a lending institution that a client's liabilities of a named beneficiary will be met. The issuing bank's responsibility under a guarantee is to compel the issuer to investigate the validity of the default.²

Best Practices

- Gather all supporting documentation regarding the underlying transaction, including the copy of the bank guarantee sample provided by your counterparty.
- Have a detailed discussion with your trade product specialist about the underlying transaction and goal/purpose of the bank guarantee.
- Verify that credit approval is in place to support the bank guarantee transaction.
- Designate a single point of contact and back-up contact for all correspondence regarding the transaction. Be sure to provide phone and email contact information.
- Communicate any expectations regarding timeliness. Clearly describe any deadlines, time constraints and other factors that need to be factored into JPMorgan's processing flow.



J.P.Morgan

For more information, please contact your J.P. Morgan representative or visit: jpmorgan.com/cb

¹Subject to varying sets of rules, such as ISP 98, UCP 600, UCC Article 5, URDG, various local or foreign law or regulations. Each instrument may receive different legal treatment depending on applicable rules and regulations.

²Subject to varying sets of rules, such as UCC Article 5, URDG, various local or foreign law or regulations. Each instrument may receive different legal treatment depending on applicable rules and regulations.

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