



UCP

The Complete UCP

Uniform Customs and Practice for Documentary Credits

Texts, Rules and History 1920-2007

Written and Compiled by **Dan Taylor**

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Throughout this publication the original text of the rules has been preserved as they were at the time of their original publication and as a result there are variations in spelling, punctuation and style.

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Preface

by Dan Taylor

With the implementation of UCP 600 on 1 July 2007, the *Uniform Customs and Practice for Documentary Credits* (UCP) have existed for more than 70 years. While I have done a significant amount of research into the history of letter of credit rules and the UCP, I am sure there are historical developments that may not be reflected here. I know that individual country rules existed prior to the UCP, but over the years I have been unable to obtain copies of documents other than those in the United States and Denmark. I started this research in 1990 using the files of the International Financial Services Association (IFSA), which are quite extensive. These files include originals of the early rules created in the United States beginning in 1920 and originals of the all of the UCP publications, as well as notes and papers of many of the working groups that drafted these rules.

There were many who assisted in the accumulation of the history and documents contained in this book. In particular I would like to thank Professor Boris Kozolczhyk for assisting in finding some of the earlier UCP drafts and Professor James Byrne for first publishing some of the rules and a brief history of the UCP. In addition, I owe significant gratitude to the late Henry Harfield, a lawyer with Sherman and Sterling in New York. Henry was involved in many of the early revisions of the UCP and had a personal friendship and co-authored many articles and publications with Wilbert Ward, National City Bank (now Citibank), the United States representative to ICC in the 1920s, who proposed to ICC that they create international rules. Some of the history contained here comes from the personal recollections of Henry based on his participation in drafting some of the early rules, his discussions with Wilbert Ward and their publication, *Bank Credits and Acceptances*. I also thank the IFSA for the opportunity to personally participate in two of the revisions of the UCP (400 and 500), for permission to use material from the IFSA files and to write this book.

My aim in compiling all of the rules, adding some history and providing some highlights of the changes of each revision, has not been to provide the “definitive history” or to provide a comprehensive analysis of every change in each revision. My basic goal is to share with the letter of credit community all of the material I have collected and to provide ICC with as complete as possible collection of their work.

This book is dedicated to all those who have contributed to the original texts of letter of credit rules and all who have contributed to the revisions of the UCP. The names of most have been lost to history. Without the knowledge and efforts of these dedicated individuals (and the support of their organizations), the industry would not have had such excellent guidance in the development of these letter of credit rules.

Introduction

Perhaps the best known example of industry self-regulation is today's *Uniform Customs and Practice for Documentary Credits*. The worldwide letter of credit community has functioned under these rules since their first introduction in 1933. Most letter of credit practitioners today know very little about their creation and early development. This book contains a brief history of the UCP from national rules existing prior to the UCP's initial creation to its current version. Information contained here comes from the files of ICC, the IFSA and a number of individuals who have provided information.

Perhaps now, the statement contained in the report of the Committee on Bills of Exchange, Cheques and Export Commercial Credits at the Fourth ICC Congress in Stockholm which took place from 27 June 1927 to 2 July 1927 seems a bit of an understatement.

“Standardization of Export Commercial Credits – In eight different countries – the Argentine, Czechoslovak, France, Germany, Italy, Norway, Sweden and the United States – banking associations have adopted uniform regulations on Export Commercial Credits (commercial letters of credit). The American National Committee thought that the International Chamber of Commerce could render a practical service to international trade by seeking to obtain international uniformity in this matter.”

This simple statement and the proposal by Wilbert Ward, the US Representative at the meeting, established the process that has led the world to what is known today as the *Uniform Customs and Practice for Documentary Credits*, or simply the UCP.

Professor Boris Kozolchyk, Professor of Law, University of Arizona College of Law, Tucson, Arizona in the US perhaps summarized the influence of the UCP best in a lecture given at the United Nations Commission for International Trade Law at the Forum Für Internationales Wirtschaftsrecht in Vienna, Austria, on 14 November 1991.¹

“No other set of international customary rules is as universally observed as the *Uniform Customs and Practice for Documentary Credits* (UCP): Banks, applicants and beneficiaries in more than 150 nations adhere to it; carriers, freight forwarders and insurers draft their documents to comply with its specifications; legislatures model their statutes after it, and courts treat it as a source of law whose misinterpretations cause quick reversal.

¹ Published in the Commercial Law Annual, 1993.

“The reason why the UCP has inspired such widespread observance is not hard to surmise: It is the living law of documentary credits. By ‘living law’ I mean the law that not only adjudicates disputes but also governs every aspect of the everyday ‘healthy’ (unlitigated or undisputed) letter of credit transactions. The UCP, then, is a law invoked in the courtroom as well as applied in practice. As is characteristic of living law, the UCP contains didactic principles that instruct bankers on the basics of the documentary credit business.”

This book contains a brief history of the development of rules of practice and the UCP, and does not try to track the history of letters of credit. This history is well documented. Historians have placed the origins of letters of credit as early as ancient Egypt and Babylon, and they were common by the 17th century in England and Europe. In the 19th century, with the British Pound Sterling being the predominate currency of world trade, letters of credit were quite common. At the same time, letters of credit became common in the United States as the method of financing the growing trade between the US and Europe.

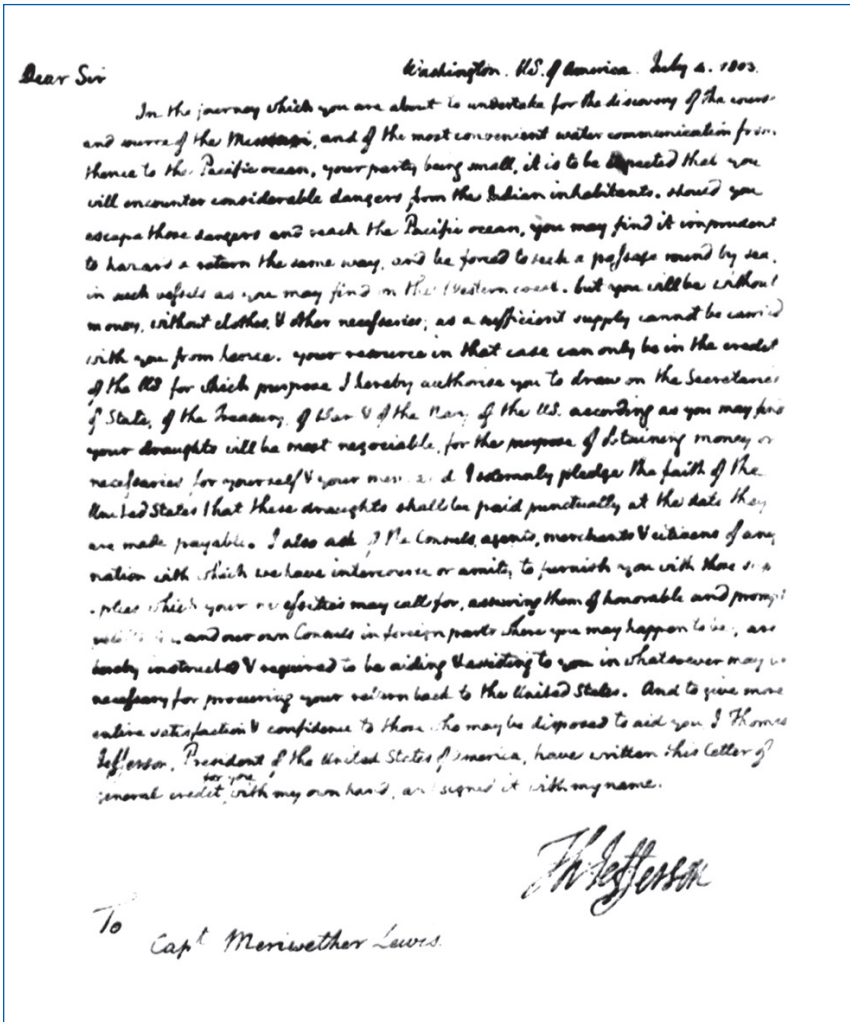
From a historical perspective, one of the most interesting uses of the letter of credit in the United States was the letter that Thomas Jefferson, the third US president, provided to explorers Captain Meriwether Lewis and Captain William Clark as they departed on their now famous Lewis and Clark expedition through the western part of the United States. On 4 July 1803, at the start of their expedition President Jefferson provided the explorers with the following letter:

“Washington. US of America. July 4. 1803.

Dear Sir

In the journey which you are about to undertake for the discovery of the course and source of the Missouri and of the most convenient water communication from thence to the Pacific ocean, your party being small, it is to be expected that you will encounter considerable dangers from the Indian inhabitants. Should you escape those dangers and reach the Pacific ocean, you may find it imprudent to hazard a return the same way, and be forced to seek a passage round by sea, in such vessels as you may find on the Western coast. But you will be without money, without clothes, & other necessaries; as a sufficient supply cannot be carried with you from hence. Your resource in that case can only be in the credit of the US for which purpose I hereby authorise you to draw on the Secretaries of State, of the Treasury, of War & of the Navy of the US according as you may find your draughts will be most negociable, for the purpose of obtaining money or necessaries for yourself & your men: and I solemnly pledge the faith of the United States that these draughts shall be paid punctually at the date they are made payable. I also ask of the Consuls, agents, merchants & citizens of any nation with which we have intercourse or amity to furnish you with those supplies which your

necessities may call for, assuring them of honorable and prompt retribution. And our own Consuls in foreign parts where you may happen to be, are hereby instructed & required to be aiding & assisting to you in whatsoever may be necessary for procuring your return back to the United States. And to give more entire satisfaction & confidence to those who may be disposed to aid you, I Thomas Jefferson, President of the United States of America, have written this letter of general credit for you with my own hand, and signed it with my name. ... Th: Jefferson”



Original letter from Thomas Jefferson to Captain Meriwether Lewis,
4 July 1803

From the archives of the United States Library of Congress.