

FORFAITING

A useful tool in Trade Finance

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SAMPLE DOCUMENTATION FOR Letter of Guarantee /1

To be issued on the Letterhead of the Bank

*Name
and full address
of the exporter*

place *date*
.....

Payment Guarantee No.

We have been informed that you have concluded
a contract no. dated
with*(name and full address of the importer)*.....,

hereinafter called "the importer"
for the supply of ...*(name of goods)*...
at a total price of

Payment terms: XY % Down payment
 XY in 10 equal half yearly instalments as follows:

Amount EURO	Maturities
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SAMPLE DOCUMENTATION FOR Letter of Guarantee / 2

For the proper and due fulfilment of the above payment obligations a bank guarantee has to be furnished according to the contractual stipulations. .

In consideration of the aforesaid, we*(name and full address of the guaranteeing bank)*....., irrespective of the validity and the legal effects of the above mentioned contract and waiving all rights of objection and defence arising therefrom, hereby irrevocably and unconditionally undertake to pay any amount up to

EURO*(amount in figures)*.....

(in words: *EURO xxxxxhundredandxxxxxxxxxthousandxxxxhundredandxxxx-only*)

upon receipt of your written request for payment stating that the importer has not fulfilled his payment obligations at maturity. Such request shall be conclusive evidence of non-payment by the importer of the amount requested.

Our payments under this guarantee will be made in effective EURO without deduction for and free of any taxes, imposts, levies, duties, charges, set-offs or withholdings present or future of any nature.

For the purpose of identification, your demand has either to be presented through the intermediary of your bankers confirming that the signatures thereon are binding upon yourselves.

This guarantee shall be automatically reduced by the amounts duly paid or by our payments made under this letter of guarantee.

This guarantee is effective as of today and shall expire, even if this document is not returned, on*(30 days after the last maturity)*..... at the latest, unless your written demand for payment accompanied by the requested statement in accordance with the above mentioned conditions has reached us in*(seat of the bank)*..... by the end of that day.

We confirm that this guarantee is our legally binding obligation and that all necessary governmental and central bank consents and approvals have been obtained and complied with in order to enable us to remit effective Euro/US\$ under this guarantee when requested. The issuance of this guarantee is permitted according to the laws of *the country of issuance (Bosnia, Macedonia etc.)*.....

This guarantee including all rights, privileges and benefits deriving therefrom is freely transferable and may be assigned in full or in part without any limitation, fees or charges upon prior written notice to us.

This guarantee is governed by the laws of Germany/Austria/Switzerland/UK. We hereby submit to the jurisdiction of the courts of, however this shall not prejudice your rights in any other jurisdiction where proceedings may be commenced against us.

Yours faithfully,

.....*(name of issuing bank)*.....

(authorised signature)
(name)

(authorised signature)
(name)