

# SPECIAL ARRANGEMENTS FOR COMMERCIAL LETTERS OF CREDIT

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## TRANSFERABLE

The first beneficiary may transfer a Transferable Letter of Credit to one or more second beneficiaries. It cannot, however, be transferred again by the second beneficiaries. The first beneficiary may be an agent or broker wishing to transfer a portion or all of its rights to another beneficiary, perhaps a manufacturer. The first beneficiary may substitute its own invoices for those of the second beneficiary as long as the amount does not exceed the original amount of the letter of credit. A transferable letter of credit should be irrevocable and clearly state it is transferable.

## ASSIGNMENT OF PROCEEDS

A beneficiary of a letter of credit may wish to pledge a portion of the proceeds of a letter of credit established in its favor to another supplier. The beneficiary must instruct the negotiating bank to “assign proceeds” to a designated assignee. It is of value to the assignee only if the beneficiary presents documents in compliance with the letter of credit and payment is made. If a drawing is not made by the beneficiary, the negotiating bank has no obligation to disburse funds.