**UN/CEFACT – ISC-PDA/Trade Finance Facilitation – P1116(1)**

United Nations

Centre for Trade Facilitation and Electronic Business

(UN/CEFACT)

International Supply Chain Programme Development Area

Supply Chain Management and Procurement Domain

BUY SHIP PAY Data Exchange Structures

For Trade Finance Facilitation

Documentary Credit Process

**SOURCE:** Trade Finance Facilitation – Finance Team

**ACTION:** Draft development

**DATE:** 02 October 2023

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**Document Summary**

| **Document Item** | **Current Value** |
| --- | --- |
| Document Title | BUY SHIP PAY Data Exchange Structures For Trade Finance Facilitation:  Documentary Credit Process |
| Date Last Modified | 29-Sep-2023 |
| Current Document Version | 1.00.01 |
| Status | Draft |
| Document Description | Specification that describes the business processes and requirements for the documentary credit process in the trade finance facilitation. |

**Log of Changes**

| **Date of Change** | **Version** | **Paragraph Changed** | **Summary of Changes** |
| --- | --- | --- | --- |
| 02 Oct 2023 | 1.00.01 |  | The 1st draft of the BRS. |
|  |  |  |  |

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# **Preamble**

This document describes the documentary credit process being a part of the trade finance facilitation. The business entities used in the documentary credit process is defined in the trade finance reference data model under the Buy-Ship-Pay reference data model.

The documentary credit process uses the letters of credit and other trade settlements (trade finance) which are points of contact between commercial flow, physical distribution, and money flow in trade, and information items defined in each reference data model are used in relation to each other.

This business requirement specification (BRS) does not include the documentary credit issuance process by financial institutions. The documentary credit issuance process shall be in accordance with the standards established by the banking industry (SWIFT and ISO20022). If it is necessary to link this documentary credit process with banking industry standards, it is recommended to map the information items specified in this BRS to standard documents specified by the banking industry.

# **References**

* UML Profile for UN/CEFACT’s Modeling Methodology (UMM) Base Module Technical Specification - Version 2.0, 01 April 2011
* UML Profile for UN/CEFACT’s Modeling Methodology (UMM) Foundation Module Technical Specification - Version 2.0, 01 April 2011
* Core Components Technical Specification -Version 2.01,15 November 2003
* Core Components Business Document Assembly Technical Specification - Version 1.0, 27 June 2012
* BUY – SHIP – PAY Reference Data Model (BSP-RDM) - Version 1.0, 13 August 2019
* Supply Chain Reference Data Model (SCRDM) - Version: 1.0.2, 9 January 2017
* Multi Modal Transport Reference Data Model (MMTRDM) – Version 1.0, 01 March 2018
* SWIFT: Documentary Credits and Guarantees/Standby Letters of Credit Message Reference Guide - November 2021

# **Objectives**

The objective of this document is to standardize the business processes, the business transactions and the information entities of the documentary credit used by the industries in the trade finance, supply chain and transport and logistics.

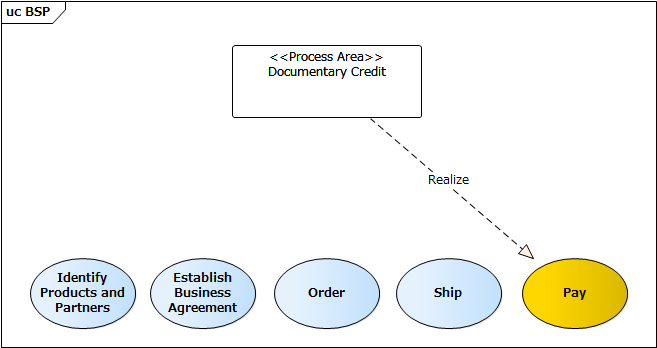
The business process is the detailed description of the way trading partners, transport and logistics players and financial institutes intend to play their respective roles, establish business relations and share responsibilities to interact efficiently with the support of their respective information systems.

Each business transaction is realized by an exchange of business documents (also called messages). The sequence in which these documents are used, composes a particular instance of a scenario and are presented as use cases in the document.

The business documents are composed of business information entities (BIE), which are preferably taken from libraries of reusable business information entities. The contents of the business documents and the business information entities are presented using class diagrams and/or requirement lists.

# **4. Scope**

A documentary credit is a document of guarantee in which the importer's bank promises to pay the price on behalf of the importer, provided that the exporter presents the shipping documents in accordance with the documentary credit. The documentary credit process begins with the importer's application for a documentary credit and covers the exporter's settlement procedures.



**Figure 4-1 Positioning the documentary credit process in BUY-SHIP-PAY model**

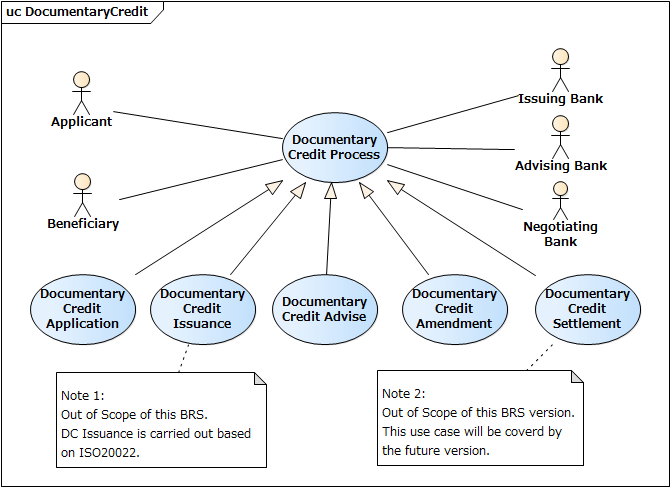
|  |  |
| --- | --- |
| **Categories** | **Description and Values** |
| Business Process | Documentary Credit process in the supply chain |
| Product Classification | All |
| Industry Classification | All |
| Geopolitical | Global |
| Official Constraint | None |
| Business Process Role | Applicant, Beneficiary, Issuing Bank, Advising Bank, Negotiating Bank |
| Supporting Role | Confirmation Party, Reimbursing Bank |
| System Capabilities | No limitation |

This BRS covers everything from the importer's application for a documentary credit, the bank's issuance of the documentary credit, notification of the documentary credit to the exporter, modification of the documentary credit, and settlement process by the exporter. It does not go into details of the process and information model of a documentary credit issuance procedures which comply with banking industry standards, such as SWIFT standard.

In addition, the final process, the details of the exporter's settlement procedure, is not covered in this BRS, and we look forward to the next version.

# **5. Business Requirement View**

## **5.1 Business Domain Use Case**



**Figure 5-1-1 Business Domain Use Case**

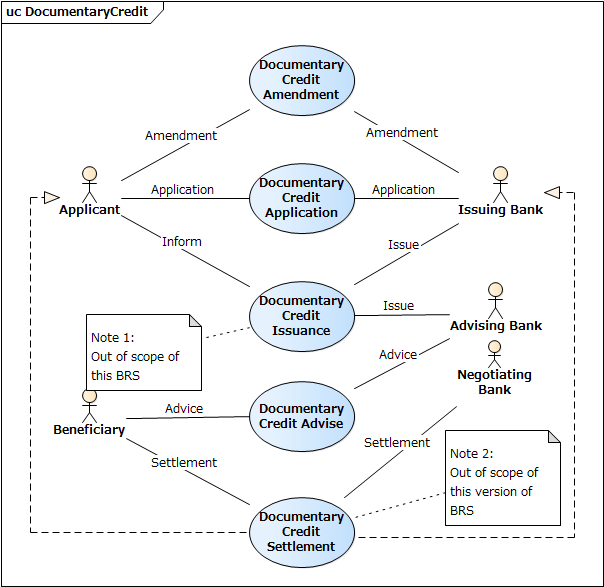
Note 1:

This document does not go into details of the process and information model of a documentary credit issuance procedures which comply with banking industry standards, such as SWIFT standard.

Note 2:

The details of the exporter's settlement procedure, is not covered in this BRS, and we look forward to the next version.

## **5.2 Business Collaboration Use Case**



**Figure 5-1-2 Business Collaboration Use Case**

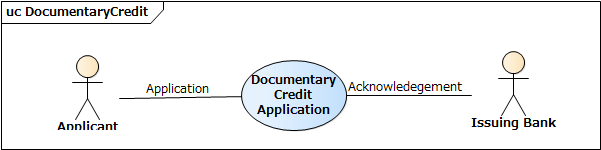
## **5.3 Use Case Description**

**Table 5-3-1 Business Domain Use Case Description**

|  |  |  |
| --- | --- | --- |
| **Category** | | **Description** |
| Actor | Applicant | The applicant trade party for this documentary credit process. |
| Beneficiary | The beneficially trade party for this documentary credit process. |
| Issuing Bank | The financial institution that services the applicant of this documentary credit. The service includes issuing documentary credit. |
| Advising Bank | The financial institution that advises the intended beneficiary of this documentary credit. |
| Negotiating Bank | The financial institution that purchases bill of exchange after confirming that the documents match the conditions of the documentary credit. |
| Use Case | Documentary Credit Application | Upon receiving an importer's request for the documentary credit issuance, the bank will examine it and notify the applicant whether or not to issue it. |
| Documentary Credit Issuance | At the applicant's request, the issuing bank issues the documentary credit and forwards it to the advising bank. |
| Documentary Credit Advise | The advising bank that receives the documentary credit will notify the Beneficiary. |
| Documentary Credit Amendment | At the applicant's amendment request for the issued documentary Credit, the issuing bank issues the amended documentary credit and forwards it to the advising bank. |
| Documentary Credit Settlement | 1. Based on the purchase request attached with the　shipping documents stipulated in the documentary credit , the Negotiating Bank will make payment in the form of bill of exchange, etc. 2. Based on the documentary credit with shipping documents sent via the Negotiating Bank, the Issuing Bank invoices the Applicant for payment. 3. The Applicant will make payment and receive the necessary shipping documents to pick up the cargo as requested by the Issuing Bank. |

## **Business Process Elaboration**

### 5.4.1 Documentary Credit Application Business Process



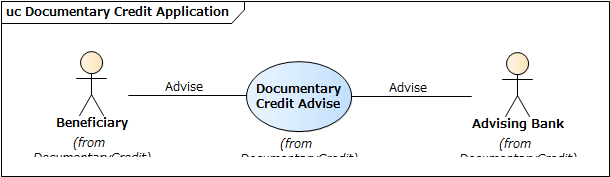
**Figure 5-4-1-1** Documentary Credit Application Business Process Use Case

Table 5-4-1-1 Documentary Credit Application Business Process Use Case Description

|  |  |
| --- | --- |
| **Category** | **Description** |
| Business process name | Documentary credit application |
| Identifier | TF-DC-Application |
| Actors | Applicant who requests to issue a documentary credit,  Issuing bank who receives a documentary credit application |
| Pre-condition | A sales contract between the exporter (Seller) and the importer (Buyer) is in place. |
| Description | Based on the sales contract, ask the bank to issue a documentary credit to guarantee payment to the exporter. The bank will examine the contents of the documentary credit issuance application and send the results back to the applicant. |
| Post-condition | After agreeing on the contents of the documentary credit requested, preparations are made to issue and to send the documentary credit to the advising bank on the exporting side. |

**Figure 5-4-1-2** Documentary Credit Application Business Process Activity Diagram

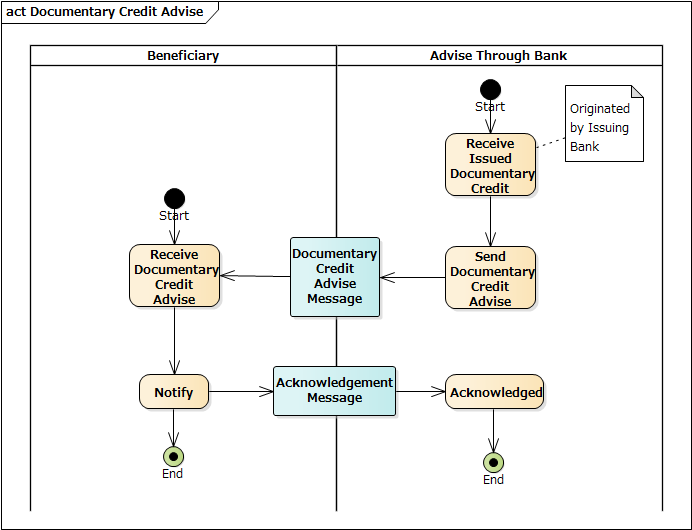
### 5.4.2 Documentary Credit Advice Business Process



**Figure 5-4-2-1** Documentary Credit Advise Business Process Use Case

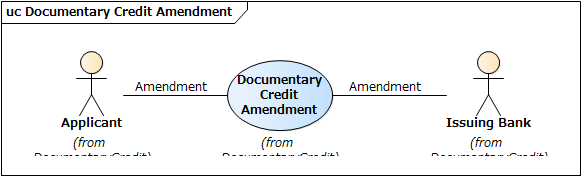
Table 5-4-2-1 Documentary Credit advise Business Process Use Case Description

|  |  |
| --- | --- |
| **Category** | **Description** |
| Business process name | Documentary credit advise |
| Identifier | TF-DC-Advise |
| Actors | Advise bank who send an advice of a documentary credit,  Beneficiary who receives a documentary credit advise |
| Pre-condition | Advising bank receives the documentary credit from issuing bank. |
| Description | The advising bank notifies the beneficiary of the documentary credit information received from the issuing bank. |
| Post-condition | The beneficiary will be able to arrange shipping based on the notified documentary credit information. |



**Figure 5-4-2-2** Documentary Credit Advise Business Process Activity Diagram

### 5.4.3 Documentary Credit Amendment Business Process



**Figure 5-4-3-1** Documentary Credit Amendment Business Process Use Case

Table 5-4-2-1 Documentary Credit amendment Business Process Use Case Description

|  |  |
| --- | --- |
| **Category** | **Description** |
| Business process name | Documentary credit amendment |
| Identifier | TF-DC-Amendment |
| Actors | Applicant who requests to amend a documentary credit,  Issuing bank who receives a documentary credit amendment request |
| Pre-condition | A documentary credit has been issued. |
| Description | An applicant asks the issuing bank to amend the issued documentary credit, the issuing bank reviews the amendment request and notifies the applicant of the result. |
| Post-condition | After agreeing on the contents of the documentary credit amended, preparations are made to reissue and to send the amended documentary credit to the advising bank. |



**Figure 5-4-3-2** Documentary Credit Amendment Business Process Activity Diagram

## **5.5 Information Model Definition**

### 5.5.1 Business Entity Relationship

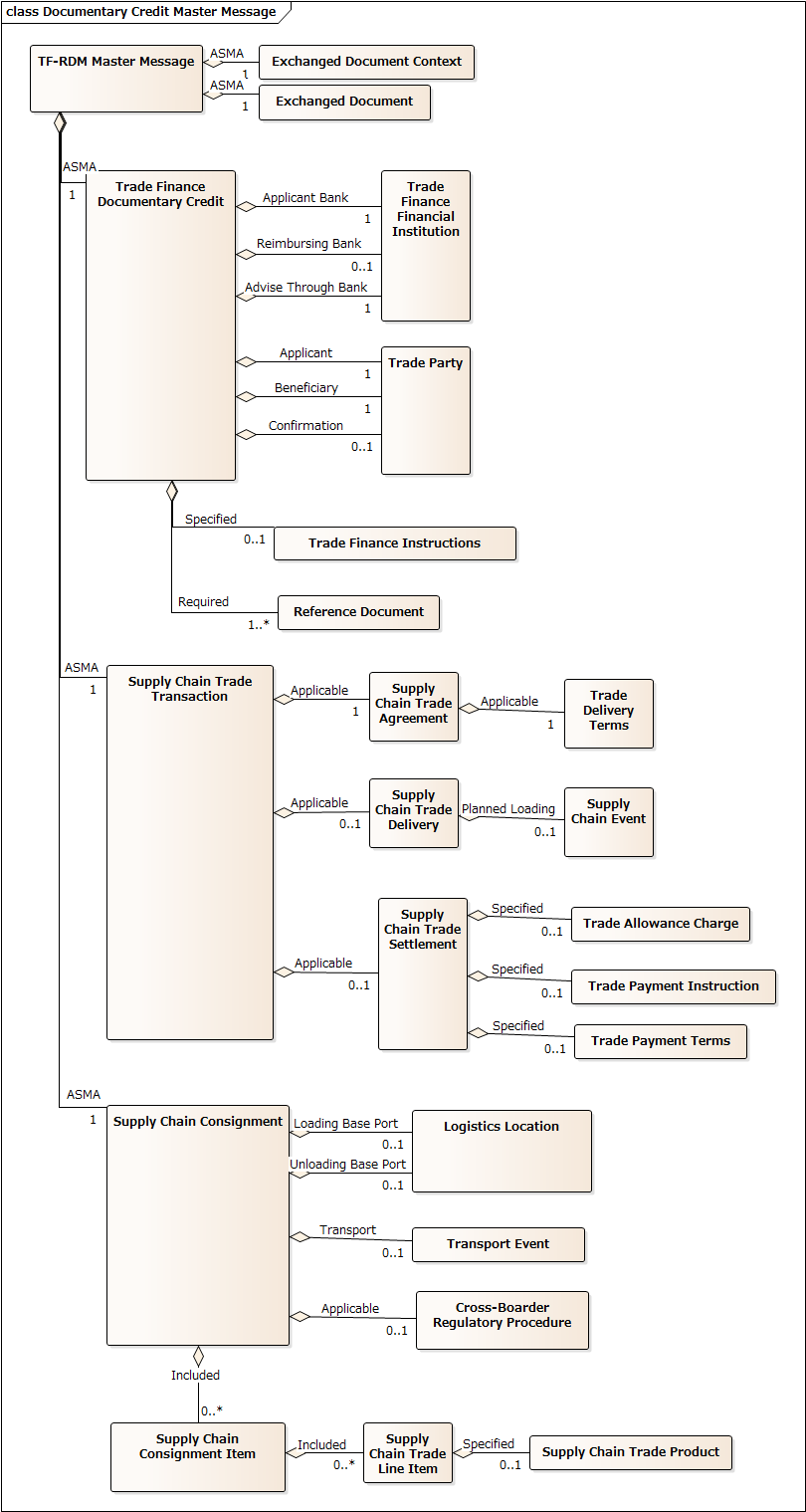


Figure 5.5.1 Business Entity Relationship

### 5.5.2 Documentary Credit Business Document

#### 5.5.2.1 Document Header





#### 5.5.2.2 Trade Finance Documentary Credit







#### 5.5.2.3 Supply Chain Trade Transaction







#### 5.5.2.4 Supply Chain Consignment





## **Business Rules**

N/A

## **5.7** **Definition of Terms**

