

**§ 614.4710**

(5) The reputation and financial strength of the exporter.

(e) The banks may establish foreign trade receivable financing programs by which eligible parties pledge collections to the bank, and then may borrow from the bank up to a stated maximum percentage of the total amount of receivables pledged at any one time.

(f) When financing foreign trade receivables, the banks shall take such precautions and obtain such credit information as necessary to ascertain that all parties to the transaction(s) being financed are reputable and capable of performing their responsibilities under the contract of sale.

(g) When financing foreign trade receivables, the banks shall determine that all shipments are covered by maritime insurance while on the high seas.

(h) Countries where credit is to be extended will be analyzed periodically and systematically on a centralized basis. The resulting country studies will be disseminated to all banks for cooperatives and agricultural credit banks to be used as inputs in credit grading decisions.

[46 FR 51879, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990; 62 FR 4445, Jan. 30, 1997]

**§ 614.4710 [Reserved]**

**§ 614.4720 Letters of credit.**

Banks for cooperatives and agricultural credit banks, under policies adopted by their boards of directors, may issue, advise, or confirm import or export letters of credit in accordance with the Uniform Commercial Code, or the Uniform Customs and Practice for Documentary Credits, to or on behalf of its customers. In addition, as a matter of sound banking practice, letters of credit shall be issued in conformity with the list which follows.

(a) Each letter of credit shall be in writing and shall conspicuously state that it is a letter of credit, or be conspicuously entitled as such.

(b) The letter of credit shall contain a specified expiration date or be for a definite term.

(c) The letter of credit shall contain a sum certain.

(d) The bank's obligation to pay should arise only upon fulfilling the

**12 CFR Ch. VI (1-1-10 Edition)**

terms and conditions as specified in the letter of credit. The bank must not be called upon to determine questions of fact or law at issue between the account party and the beneficiary.

(e) The bank's customer should have an unqualified obligation to reimburse the bank for payments made under the letter of credit.

(f) All letters of credit shall be irrevocable.

[46 FR 51879, Oct. 22, 1981, as amended at 55 FR 24887, June 19, 1990; 62 FR 4445, Jan. 30, 1997; 64 FR 43049, Aug. 9, 1999]

**§ 614.4800 Guarantees and contracts of suretyship.**

A bank for cooperatives or an agricultural credit bank, under a policy approved by the bank's board of directors, may lend its credit, be itself a surety to indemnify another, or otherwise become a guarantor if an eligible cooperative substantially benefits from the performance of the transaction involved. A bank may guarantee the debt of eligible cooperatives and foreign parties or otherwise agree to make payments on the occurrence of readily ascertainable events if the guarantee or agreement specifies a maximum monetary liability. Guarantees may be secured or unsecured, and can include, but are not limited to, such events as nonpayment of taxes, rentals, customs duties, costs of transport, and loss of or nonconformance of shipping documents. The bank's customer shall have an unqualified obligation to reimburse the bank for payments made under a guarantee or surety.

[55 FR 24887, June 19, 1990, as amended at 62 FR 4445, Jan. 30, 1997]

**§ 614.4810 Standby letters of credit.**

(a) The banks for cooperatives and agricultural credit banks are authorized to issue on behalf of parties eligible for financing under regulations § 614.4010(d) or § 614.4020 standby letters of credit that represent an obligation to the beneficiary on the part of the issuer:

(1) To repay money borrowed by, advanced to, or for the account of the account party, or

(2) To make payment on account of any indebtedness undertaken by the account party, or