


<p>कार्पोरेशन बैंक (सार्वजनिक क्षेत्र का अग्रणी बैंक) प्रधान कार्यालय, डा पे सं. 88 मंगलूर - 575 001</p>	 e-CIRCULAR	<p>Corporation Bank (A Premier Public Sector Bank) Head Office, PB No.88, Mangalore – 575 001</p>
<p style="text-align: center;">Credit Division [Credit Policy & Planning Section] Email : CPMS@corpbank.co.in</p>		
<p>HO Circular No. 424/2013</p>	<p>Index No. 11.00/50/2013</p>	<p>27-July-2013</p>

TO ALL THE BRANCHES / OFFICES

Subject : REVISION IN COMMISSION ON INLAND STANDBY LETTER OF CREDIT

HIGHLIGHTS

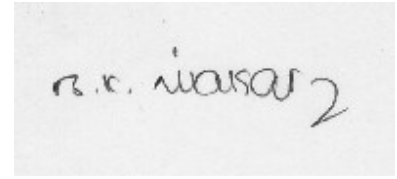
Commission on Inland Standby Letter of Credit has been revised at 3% p.a.

1. A Letter of Credit is used as a method to facilitate payment of trade transactions. Normally trade Letter of Credit is intended to be used for pre-specified shipments of goods or services. Unlike a trade Letter of Credit, a Standby Letter of Credit is not intended to be used for payment. Trade letter of Credit serves as a vehicle for payment of trade transaction. Whereas standby Letter of Credit are used for trade purposes, they are not intended for means of payment but act as a "Back up Guarantee".
2. Standby LCs are frequently used in trade between buyer and seller who have frequent, on going trade shipment for an extended period of time. In other words, the standby letter of credit serve as a blanket Bank Guarantee for the obligation of the buyer to pay and does not contain specific related trade transactions.
3. It has been observed that some of the borrowers avail the facility of Standby Letter of Credit instead of Guarantees in trade transaction to get the benefit of lower rate of commission.
4. In Standby Letter of Credit, Bank undertakes to pay the amount, if the buyer fails to make payment on the date specified in the contract, whereas Bank Guarantee tends to decrease the loss if the transaction does not go according to the schedule. Considering the risk involved in Standby

Letter of Credit, the commission on Inland Standby Letter of Credit has been revised at 3% p.a. with immediate effect. Further, henceforth no relaxation / concession in commission shall be granted and all the concessions sanctioned hitherto to be withdrawn in respect of limits yet to be operationalised.

5. Further, the proposal for Standby Letter of Credit is to be considered selectively to well managed reputed corporates / PSUs.

6. All our branches and other offices are advised to note the above for guidance and strict adherence.



[B K DIVAKARA]
GENERAL MANAGER

Note: Hindi version of the Circular follows.