

# DRAFT

STANDBY-L/C (GUARANTEE FORM) REVOLVING

FROM: BANK XY

TO: .....

WE HEREWITH ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. ....  
BY ORDER OF..... (HEREAFTER BUYER), IN YOUR FAVOUR, FOR  
THE AMOUNT OF .....(IN WORDS.....)  
VALID UNTIL ....., AT THE COUNTERS OF ...../  
AND AVAILABLE AGAINST THE FOLLOWING DOCUMENTS:

- 1) YOUR DATED STATEMENT SIGNED BY TWO AUTHORISED OFFICERS CERTIFYING THAT THE BUYER HAS FAILED TO FULFILL THEIR CONTRACTUAL OBLIGATIONS
- 2) DOCUMENTARY EVIDENCE ACCEPTABLE TO THE ISSUING BANK THAT THE SELLER IS NO LONGER ABLE TO FULFILL ITS DELIVERY OBLIGATIONS FOR THE UNSHIPED BALANCE OF TONNAGE DUE
- 3) DOCUMENTARY EVIDENCE ACCEPTABLE TO THE ISSUING BANK THAT THE MARKET PRICE PREVAILING AT THE TIME OF THE BUYER'S CLAIM FOR THE UNDERLYING COMMODITY EXCEEDS THE CONTRACTUALLY AGREED UNIT PRICE WITH THE CLAIM VALUE BEING BASED UPON THE UNSHIPED BALANCE TONNAGE

PARTIAL DRAWINGS ARE ALLOWED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT HOWEVER EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE HEREUNDER CORRESPONDINGLY.

## **REVOLVER**

**THE AMOUNT AVAILABLE HEREUNDER PRIOR TO THE CURRENT EXPIRY DATE SHALL AUTOMATICALLY BE REINSTATED IN FULL FOR ANOTHER PERIOD OF ONE CALENDAR YEAR, AT THE BENEFICIARY'S EXPRESS REQUEST, PROVIDED THE ULTIMATE EXPIRY DATE DOES NOT EXCEED 31ST DECEMBER 2006 (TWO THOUSAND AND SIX)**

## *Reduction Clause*

*The amount available hereunder shall be reduced in accordance with presentation to the Issuing Bank by the Seller of a copy of invoice(s) and bill(s) of lading as proof of shipment of goods in reduction of the contractually agreed tonnage of xxx million metric tons. The residual unshipped balance of tonnage due shall be multiplied by the difference between the current spot price of the underlying goods and the contractual price of USD xx.xx/mt which amount shall determine the amount available hereunder from time to time as confirmed by the Seller to the Issuing Bank.*

DRAWINGS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MUST BE MADE BY TESTED TELEX/AUTHENTICATED SWIFT TO US AND THE DOCUMENTS MUST BE SENT TO BANK XY, IN ONE LOT BY ANY COURIER SERVICE.

WE HEREBY IRREVOCABLY UNDERTAKE TO HONOUR ALL DRAWINGS MADE UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT IF RECEIVED FOR PAYMENT AT THE COUNTERS OF THE CONFIRMING BANK, BEING ....., ON OR BEFORE THE EXPIRY DATE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, 1993 REVISION, ICC PUBLICATION NO. 500.

VERY TRULY YOURS,

BANK XY