

Procedures and Letters of Credit

N.B. This lecture is set out in the order of a proper procedure;

FCO,
LOI,
NCND,
Draft Contract,
ICPO,
Contract,
PB,
DL/C,
Delivery.

Procedures

STANDARD PROCEDURES

OFFERS AND PROCEDURES FOR RUSSIAN (AND OTHERS) CRUDE OIL AND REFINED OIL PRODUCTS

PRODUCTS: Russian GAS OIL L 0.2/62, Mazut 100, REBCO

PRICE: i.e. FOB BALTIC or BLACK SEA less Discount (NWE or ROTTERDAM PLATT for Baltic or MEDITERRANEAN PLATT for Black Sea).

DELIVERY: i.e. FOB Baltic (Ventspils) / Black Sea (Novorossiysk or Tuapse)
CIF ex Baltic (Ventspils) / Black Sea (Novorossiysk or Tuapse) to ASEP

LAYCAN: Maximum 28 days from FINANCIAL INSTRUMENT

DOCUMENTS: All up stream contracts including Uplift contract, Refining contract, Transhipment Advice or contract, Storage contract, Port advice, Deal Passport detail, Export Permit, LAYCAN Confirmation &/or Terminal Confirmation.

PROCEDURE:

1. The Buyer issues his Intent direct to the Seller
2. The Seller and Buyer agree the draft of the contract inclusive of non-performance criteria, L/C Draft and the required documents (Uplift contract, Refining contract, Transhipment Advice or contract, Storage contract, Port advice, Deal Passport detail, Export Permit, LAYCAN Confirmation &/or Terminal Confirmation)

3. The Buyer/Seller sign contract

4. a.) Either Seller send Copies of the Proof of Product (as per Clause 2) to the Buyer for verification

Or

b.) Sellers Bank send Confirmation of POP to Buyers Bank and request POF.

(See MT799 Sample as attached)

5. Buyer Confirm within 5 days the acceptance of POP.

6. Seller bank advises buyer bank of intent to issue Performance bond and asks for Buyer bank confirmation that they will respond with FINANCIAL INSTRUMENT (non-transferable).

7. Buyer bank confirms that they will issue FINANCIAL INSTRUMENT upon receipt of Performance Bond.

8. Seller bank issues Performance Bond

9. Buyer bank issues FINANCIAL INSTRUMENT. If the seller has not confirmed the lay-can inside 10 days the FINANCIAL INSTRUMENT is voided.

10. After the first shipment is concluded to the buyer satisfaction, the FINANCIAL INSTRUMENT will be Renewed for each further shipment.

Alternative, we are accepting following, new procedure: (4.b)

Sellers Bank issue 10 % Performance Bond (operative or non-operative), together with a confirmation, that the Seller is well known the Bank, that he is in the Oil-Business and that all past transactions are professional done. They have to confirm as well that they got copies of the POP and confirm non-criminal activities of the Seller in the past this will activated by the Buyers Financial Instrument.

5. Buyers Bank issue the Financial Instrument which activate Performance Bond

6. Seller issue Proof of Product and confirm lay-can.

7. Buyer will accept Proof of Product

8. If the seller has not confirmed the lay-can inside 10 days the FINANCIAL INSTRUMENT is voided. After the first shipment is concluded to the buyer satisfaction, the FINANCIAL INSTRUMENT will be Renewed for each further shipment.

The seller will have to evidence the following at the contract meeting and copies will be attached to the contract:

1. A notarised authority to sign for the Russian export company, for whoever signs the contract (the President or a Director)
2. The Refining contracts
3. The Export Deal Passports
4. Exporter permit issued by Russian Chamber of Commerce
5. The transport, pipeline and storage contracts and their confirmations
6. The Terminal Confirmation from Port.
7. The first Lay-can as soon as the Exporter gets it

This is all part of the new anti-money laundering regime and all oil banks have introduced these requirements. Furthermore they have changed the basis upon which they will do business, to wit:

1. FINANCIAL INSTRUMENT will be issued only on a shipment by shipment basis, but self renewing.
2. The 2% Performance Bond will have to be lodged with the buyer bank by the seller bank before the issue the FINANCIAL INSTRUMENT. Before issuing the P/B the seller bank may request confirmation from the buyer bank that they will respond with the FINANCIAL INSTRUMENT.
3. FINANCIAL INSTRUMENT can be sometimes divisible (stating to whom it is divisible).
4. There will be no early draw downs permitted to pay for refining, transport, storage or port costs.
5. There will be no non-operative instruments, they do not exist any more!

And expect this trade to become even more regulated in the future, as the banks have at last decided to close all loopholes as they find them!

DEFINITIONS - Russian Offers & Contracts

Commodity: Referred to as "Gas Oil"

GOST 305 - 82: Russian Diesel specification (attached below).

FOB: Is the cost of the commodity Free on Board, i.e. loaded into the ship.

CIF: Is the cost of the commodity including Carriage, Insurance and Freight, i.e. delivered to the Buyer discharge port.

Metric Ton: A measure of weight equivalent to one thousand kilogram mass (1,000 Kg).

PLATT: Platt McGraw Hill, London is the organisation, internationally recognised and accepted, who publish official quotations of Crude Oils and Petroleum products on a daily basis.

NWE: North West Europe. A Platt.

Ventspils: Port in the Baltic Sea, in Latvia; Terminal of the Northern Russian oil pipeline, mainly used for Gas Oil (owned by Transnefteproduct) the pipeline for REBCO (owned by Transneft) is closed more than one year and all the crude comes to Ventspils port by rail in cisterns.

Novorossiysk: Port in the Black Sea, in Russia; One of the terminals of the Southern Russian oil pipeline, currently used almost exclusively for REBCO (Russian Export Blend Crude Oil).

Tuapse: Port in the Black Sea, in Russia; One of the terminals of the Southern Russian oil pipeline, mainly used for Gas Oil.

Uplift contract: Contract with the oil field owner/operator to buy crude oil from them

Refining contract: Contract with the refiner either to purchase Gas Oil from them, or to refine the crude oil supplied from the up-lifter, whichever is appropriate.

Pipeline contract: Contract with the pipeline(s) operator(s) for them to pump the Gas Oil from the refinery to the Port Storage facility

Transshipment Advice: Certificate confirming that the commodity has passed through the pipeline and is in the storage tanks at the terminal / port, or the authority for the commodity to be pumped through the pipeline to the storage tanks at the terminal / port.

Port Storage contract: Contract with the tank farm operator(s) for the storage of product, prior to loading a vessel, at the delivery port

Terminal Confirmation: A document from the Tank farm confirming product availability at a given date and the agreement to load x tonnes of product every y days

Lay-can Confirmation: Agreed date and time that the ship can dock and load the commodity, issued by the port authority

Export Permit: Export permit number for the commodity to be exported from Russia

Export Deal Passport: A legal document issued through the exporter Russian Bank which sets out the financial criteria for the export of the product including the amount of dollars that have to be repatriated to Russia.

L/C: Letter of Credit; this can be of many kinds and you are referred to INCOTERMS Edition 2000, issued by the International Chamber of Commerce, Paris, France.

Day: Means a calendar day, unless differently specified.

Month: Means a Gregorian calendar month.

Calendar quarter: Period of three (3) consecutive months commencing on 1st January, 1st April, 1st July or 1st October.

ASTM: American Society for Testing and Materials, is the Institute, internationally recognised, that approved all Standards, Tests and Procedures used in the Oil Industry and to be referred in this agreement to the latest revised edition with amendments in force to date.

Out turn: Is the quantity and quality of the product ascertained, according to the ASTM procedures, on completion of the discharge operations. (used in CIF contracts).

Bill of Lading: Is the official document, issued at the load port after completion of the loading operations, stating the ship loaded quantity, expressed in Cubic Meters (Cub. Meters) and in Metric Tons (MT) expressed as per the above definitions. This document has to be signed in original by the ship Master.

Discharge Terminal: Is a safe port berth, designated by the Buyer as the final receiving destination.

Delivery date: The date mutually accepted by both Seller and Buyer as the date on which the nominated international surveyor company has ascertained the quantity and quality of the product pumped into the Buyer ship and the B/L was signed (for FOB contracts). or when the last of the product was pumped out of the vessel into the Buyer tanks (for CIF contracts).

- **Full Corporate Offer (FCO)**

This is the first document to be sent. It should show who the seller is, what he is selling and all the terms and conditions, including procedure.

- **Letter of Intent (LOI)**

Upon receipt of the FCO, and being interested in the offer, we, the buyer, will issue a covering letter, the Letter of Intent and the NCND (*see below*). The Letter of Intent will show what further information we require, and if we require a further FCO direct from the seller on their letterhead (where the initial FCO was sanitised, retyped or does not have the seller's co-ordinates)

- **Non-Circumvention & Non-Disclosure Agreement (NCND)**

- **Signing**

A blank copy of the **ICC Non Circumvention and Non Disclosure Agreement (NCND)** is attached to the **LOI** (*see above*) and everyone that is due commissions/fees is to sign it as well as the Seller, and his/its mandate if appropriate. The Seller (Allocation Holder or its Assign) should be the last to sign the NCND. If the signatory is signing on behalf of a company or corporation please be aware that it binds all persons who work for that company or corporation to the NCND Agreement, whether they are aware that it exist or not. Also it should be sealed with the corporate seal. The Seller's section of the NCND, and his/its mandate's if appropriate, is **not** to be left BLANK **nor** completed "To be confirmed" or the like. Without the Seller, or his/its mandate if appropriate, signing this NCND Agreement the deal will not go ahead.

- **Fees & Payment Notices**

Upon receipt of the completed NCND Agreement a full **Fee Protection Agreement** will be issued and a **Fee Notice** will have to be placed by the Buyer at a First Class International Bank before the signing of the contract by the Buyer/End User. After the signing of the contract and lodging of a copy of the contract with the Buyer's First Class International Bank a **bank endorsed payment order** will be issued to each beneficiary.

- **Draft contract**

The Seller returns directly to the buyer a copy of the draft contract and all the additional information requested in the LOI. The seller and buyer enter direct negotiations to reach an agreed final version of the contract, at a mutually acceptable price. The buyer and seller exchange banking details needed to put in place the financial instruments required for the contract to become live. Also the buyer and seller set the fees payable, normally in association with those due fees (*see NCND above*)

- **Irrevocable Corporate Purchase Order (ICPO)**

This can only be issued by the buyer after the deal is agreed between the buyer and seller, but before the contract is signed buy the buyer. It is issued on a direct buyer to seller communication and is as binding on the buyer as the contract itself.

- **Contract signing**

The signing is normally in accordance with the norms of the country of domicile, i.e. notarised in the USA and Russia, witnessed in Anglophone countries and double signatures in Francophone and Germanic countries. If the buyer or the seller is corporate it will always be sealed.

- **Who signs first**

The contract will first be signed by the seller and sent electronically (fax or email) to the buyer who adds his/its signature and returns it. The hard copies are sent by courier signed by the seller and the buyers signs and returns originals to the seller.

- **Attachments**

Copies of up stream contract(s) and assignment(s) (*all unpriced*), copies of proof of product documents, copies of NCND agreement(s), copies of fee agreement(s), copies of payment notice(s), specifications, draft wording for financial instruments, addenda, appendices, and anything else the buyer and seller agree to attach to the contract such as charter party agreement(s), insurance policies, shipping documents etc.

- **Performance Bond (PB)**

Direct primary contracts from the likes of ARAMCO and NNPC do not need performance bonds. All secondary contracts do unless the seller assigns the primary contract to us.

- **Issuance**

Performance bonds need to be fully funded instruments to guarantee the seller's performance and therefore cannot be issued against an L/C which would mean the buyer is funding his own potential claim. It needs to be issued before the establishment of the payment instrument (FINANCIAL INSTRUMENT – *see below*). It is now normal for the seller's bank to enquire of the buyer's bank if the FINANCIAL INSTRUMENT will be issued immediately upon receipt of the performance bond which allows the seller to borrow against the value of the oil or product he is selling.

- **Value**

The value of a performance bond is 2% of the letter of credit value and has been for as long as I can remember. However it is known for it to be for a lesser amount subject to the buyer's acceptance (normally dictated by the buyer's bank). For a term contract it is normally established for the duration of the contract, not the life of the L/C, against the maximum expected value of the letter of credit.

- **Timing**

The performance bond will always be issued before the letter of credit. However it is often not issued until the Laycan or loading date has been confirmed or posted on the "Screen" (if applicable), or a verifiable Terminal Confirmation has been issued.

- **Payment**

- **Documentary Letter of Credit (DL/C)**

Letters of Credit really need a book to themselves and many have been written. Suffice to say, we issue Documentary Letters of Credit for all purchases. A Documentary Letter of Credit is always fully funded and live from the instant it is issued.

It can be issued; "Confirmed" or "Confirmable"
It may can be issued: "Revolving"
It may can be issued: "Divisible" (stating to whom it is divisible)
It may can be issued : "Non-operative"
It **cannot** be issued : "Assignable"
If **cannot** be issued : "Unconditional"
The banks will **no longer** issue: "Transferable"
It will not be issued with more than 90 days validity
It shall only be issued on a shipment by shipment basis
It can be made "self renewing" after 3 or 4 shipments of a term contract
It will never be issued to any "Third Party Account" only to the uplifter/supplier or the seller.
Shipment will always have to be within 30 days of issue.

- **Letter of Bank Undertaking MT540**

In case of a Spot Deal, the payment can be done as well by Letter of Undertaking. The Buyer's Bank pays against presentation of Full set of Shipping documents.

Important Note: Either DLC or Letter of Bank Undertaking cannot be issued "Unconditional", they are **only** payable against the, between Buyer and Seller agreed Conditions. If the Seller fails to provide the agreed documents or if he is not able to deliver the agreed product or quality, the financial instrument cannot be withdrawn because there is no contract fulfillment.

- **Delivery**

- **CIF**

Cargo, Insurance & Freight, means just that. **No charges** for the buyer's account until the crude or product passes the ship's discharge flange at the buyer's nominated discharge port.

- **FOB**

Free on Board means just that. . **No charges** for the buyer's account until the crude or product passes the ship's loading flange at the seller's nominated loading port. (The buyer and seller might share the independent inspection cost, by agreement)

- **Special Notes**

- **Bank Letters of Comfort (Soft Probe or Proof of Funds)**

No European or US bank will issue these letters. They have not done so for over five years! Don't even consider this. See **Performance Bond Issuance** above

- **Iraqi**

This trade is currently controlled by the UN. The price is quoted as OFFICIAL SELLING PRICE (OSP) plus premium for the allocation holder and plus premium for fees (e.g. OSP + \$0.03 + \$0.02) From now on we require two offers: The first identifies the crude and its market (US, Europe or Far East) the Allocation Number. The second is a consultancy offer for the services of the Allocation holder. The third is a consultancy offer for the services of the agents (intermediaries). This is to get round a problem that has just occurred in dealing with the UN.

- **Russia**

Please let all who are offering know that we do not finance the seller in any way at all. We do not issue Bank Guarantees, Unconditional Standby Letters of Credit etc., and we do not put the cost of the first shipment into the seller's bank account (albeit in our name). However we are more than willing to sign the contract in Moscow and have it notarised by the Embassy, Chamber of Commerce or Ministry of Justice, and understand the "Political Connection and the 3% rule"! Even if you don't know about this "connection and rule" just sound as though you do, and let the offerer know that we, the buyer, do understand this side of the business. Surprisingly this sorts out a lot of the impossible deals from the real ones! *Again it would need a book to explain what this is about and I have no intention of writing that book.*

- **No, Nos!**

All the following are totally unacceptable: Abstracted Bank Guarantees, Bank Letters of Comfort, Soft Probes and/or Proof of Funds, Bunkering and revictualing fees, Deposits in the Seller's bank, Letters of Credit that are transferable, Pre-payments, Reassignment fees, Abstracted Standby Letters of Credit and the like.

*As usual I was prompted to write this as increasingly we are seeing impossible procedures and payment terms that I simply could not let our banks see – they would think that I had gone totally doolally and would probably stop doing business with us! The problem with most offers is that the person who wrote it was listening to the seller, who was not specific about the payment terms or the procedure; "Oh! The usual terms and conditions and payment like the last time!" when the last time was three years ago. Banking has tightened a lot since September 11th, and especially within the European banks after the Swiss were caught out over Jewish funds and the Marcos, Suhato and Sukano fortunes, **and** a lot of other things we are not being told about. As we are dealing in dollars you can neither sneeze nor break wind without the Federal Reserve being told of your actions. Any deal we write in BNP Paribas is now looked at **by three different compliance teams**, one before the L/C is written, one after it is and the one the bank does to look after its own exposure. And believe me, they are rigorous, nothing like the old "name, amount, to where, OK" ones of the past!*

And as for procedures, if we don't get this right we don't get the banking right. Take, for instance, the requests for ICPOs before the FCO! Think about it! Yes, it is actually ridiculous to issue an irrevocable purchase order before you know what you are buying! You wouldn't do it for anything else, so why insist we do it for oil? Well, we don't do it as many of you have heard.

Go out and spread the word that this is what is possible and that is what is impossible! Circulate this little lecture or use chunks of it to get other people to do things the right way. We might get some good real business for a change; Good luck,

• **Proof of Product**

(on Seller's corporate letterhead)

Date: , 200...

To: **Buyers Name /**

Ref: Contract No.

• **AFFIDAVIT / PROOF OF PRODUCT**

We, *Seller's full corporate name*, hereinafter referred to as the Seller, hereby under full corporate responsibility, penalty of perjury, confirm that the information herein below is true and we are the legal descendant of the following documents (hereinafter all together referred to as the "Proof of Product"):

1) Purchase of REBCO on EXW Siberia basis:

Contract No.:, dated on, between and for the quantity up to MT/month x months

Special clauses:

- Contract No. validity extended from, 200... until, 200....

Act of Transfer No., dated on – Appendix No. A.

- According to the Contract No., dated all beneficiary rights transferred over from to "....." to "....."

Act of Transfer No., dated on – Appendix No. B.

2) Delivery by pipeline from EXW Siberia to Polotsk, Belorussia:

Contract No.:, dated on, between OAO "LUKOIL" and"

Special clause:

a) Act of Transfer No., dated on – Appendix No. C.

- According to the Contract No., dated all beneficiary rights transferred over from to "....." to "....."

Act of Transfer No., dated on – Appendix No. D.

3) Delivery by pipeline from Polotsk, Belorussia to Ventspils, Latvia:

Contract No.: , dated on, between "....." and "....."

Special clause:

- a) **Act of Transfer No.** , dated on – **Appendix No. E**
- b) **Letter of Notification No.** , dated on – **Appendix No.F**

Sincerely,

Name of signatory
Position of signatory
Full Corporate Title

-/ SEAL /-

APPENDIX NO. A
ACT OF TRANSFER NO.

Dated:
Ref: Contract No.

THIS IS TO CONFIRM THAT WE “.....” HAVE TRANSFERRED ALL BENEFICIARY RIGHTS, AS PER ABOVE MENTIONED CONTRACT ON DELIVERY OF EXW SIBERIAMT/MONTH X MONTHS OF RUSSIAN EXPORT BLEND CRUDE OIL (REBCO), GOST TU 39-1623-93, TO “.....”.

DELIVERY TO START:, 200... AND IS SUBJECT TO THE TERMS AND CONDITIONS OF THE SUPPLY CONTRACT.

TRANSFERRED BY:

RECEIVED BY:

MR. _____

MR. _____

• THE WORDING OF THIS INSTRUMENT MAY BE MODIFIED IN ACCORDANCE WITH THE ISSUER’S AND RECEIVER’S MUTUAL AGREEMENT.

APPENDIX NO. B
ACT OF TRANSFER NO.

Dated:
Ref: Contract No.

THIS IS TO CONFIRM THAT WE "....." HAVE TRANSFERRED ALL BENEFICIARY RIGHTS, AS PER ABOVE MENTIONED CONTRACT ON DELIVERY BASIS OF FOB VENTSPILS OF MT/MONTH X ... MONTHS OF RUSSIAN EXPORT BLEND CRUDE OIL (REBCO), GOST TU 39-1623-93, TO ".....".

TRANSFERRED BY:	RECEIVED BY:
MR. _____ _____ _____	MR. _____ _____ _____

• **THE WORDING OF THIS INSTRUMENT MAY BE MODIFIED IN ACCORDANCE WITH THE ISSUER'S AND RECEIVER'S MUTUAL AGREEMENT.**

APPENDIX NO. C
ACT OF TRANSFER NO.

Dated:
Ref: Contract No.:

THIS IS TO CONFIRM THAT WE AOA "LUKOIL" HAVE TRANSFERRED ALL BENEFICIARY RIGHTS FOR USE OF "TRANSNEFT" PIPELINE, FROM THE END OF PIPELINE IN SIBERIA TO POLOTSK, BELORUSSIA, AS PER ABOVE MENTIONED CONTRACT FOR DELIVERY OF MT/MONTH X ... MONTHS OF RUSSIAN EXPORT BLEND CRUDE OIL (REBCO), GOST TU 39-1623-93, TO

EXACT DELIVERY SCHEDULE: SUBJECT TO PAYMENT CONFIRMATION

TRANSFERRED BY:	RECEIVED BY:
_____ _____ AOA "LUKOIL"	_____ _____ _____

• **THE WORDING OF THIS INSTRUMENT MAY BE MODIFIED IN ACCORDANCE WITH THE ISSUER'S AND RECEIVER'S MUTUAL AGREEMENT.**

APPENDIX NO. D

ACT OF TRANSFER NO.

Dated:
Ref: Contract No.

THIS IS TO CONFIRM THAT WE “.....” HAVE TRANSFERRED ALL BENEFICIARY RIGHTS FOR THE USE OF “TRANSNEFT” PIPELINE, FROM THE END OF THE PIPELINE IN SIBERIA TO POLOTSK, BELORUSSIA, AS PER ABOVE MENTIONED CONTRACT FOR THE DELIVERY OFMT/MONTH X ... MONTHS OF RUSSIAN EXPORT BLEND CRUDE OIL (GOST TU 39-1623-93), TO “.....”

EXACT DELIVERY SCHEDULE: SUBJECT TO RECEIPT OF PAYMENT

TRANSFERRED BY:	RECEIVED BY:
_____	_____
_____ (Title) _____	_____ (Title) _____
_____	_____
/ Seal /	/ Seal /

• THE WORDING OF THIS INSTRUMENT MAY BE MODIFIED IN ACCORDANCE WITH THE ISSUER’S AND RECEIVER’S MUTUAL AGREEMENT.

APPENDIX NO. E

ACT OF TRANSFER NO.

Dated:
Ref: Contract No.

THIS IS TO CONFIRM THAT WE “.....” HAVE TRANSFERRED ALL BENEFICIARY RIGHTS FOR THE USE OF “DRUZHBA” PIPELINE, FROM POLOTSK, BELORUSSIA TO “VENTSPILS NAFTA” TERMINAL, LATVIA, AS PER ABOVE MENTIONED CONTRACT FOR THE DELIVERY OFMT/MONTH X ... MONTHS OF RUSSIAN EXPORT BLEND CRUDE OIL (GOST TU 39-1623-93), TO “.....”

EXACT DELIVERY SCHEDULE: SUBJECT TO RECEIPT OF PAYMENT

TRANSFERRED BY:	RECEIVED BY:
_____	_____
_____ (Title) _____	_____ (Title) _____
_____	_____

• THE WORDING OF THIS INSTRUMENT MAY BE MODIFIED IN ACCORDANCE WITH THE ISSUER’S AND RECEIVER’S MUTUAL AGREEMENT.

APPENDIX NO. F
(on oil terminal "Ventspils Nafta" official representative letterhead)

• **LETTER OF NOTIFICATION**

Our Reg.No.:

Dated:, 200...

To:
.....
.....

Ref: Contract No.

Dear Sir,

As per your request we, ".....", as oil terminal "Ventspils Nafta" official representative, and your export-agent, hereby irrevocably confirm that we will comply with all Latvian Republic commodities transit and export requirements, as per our service agreement with you.

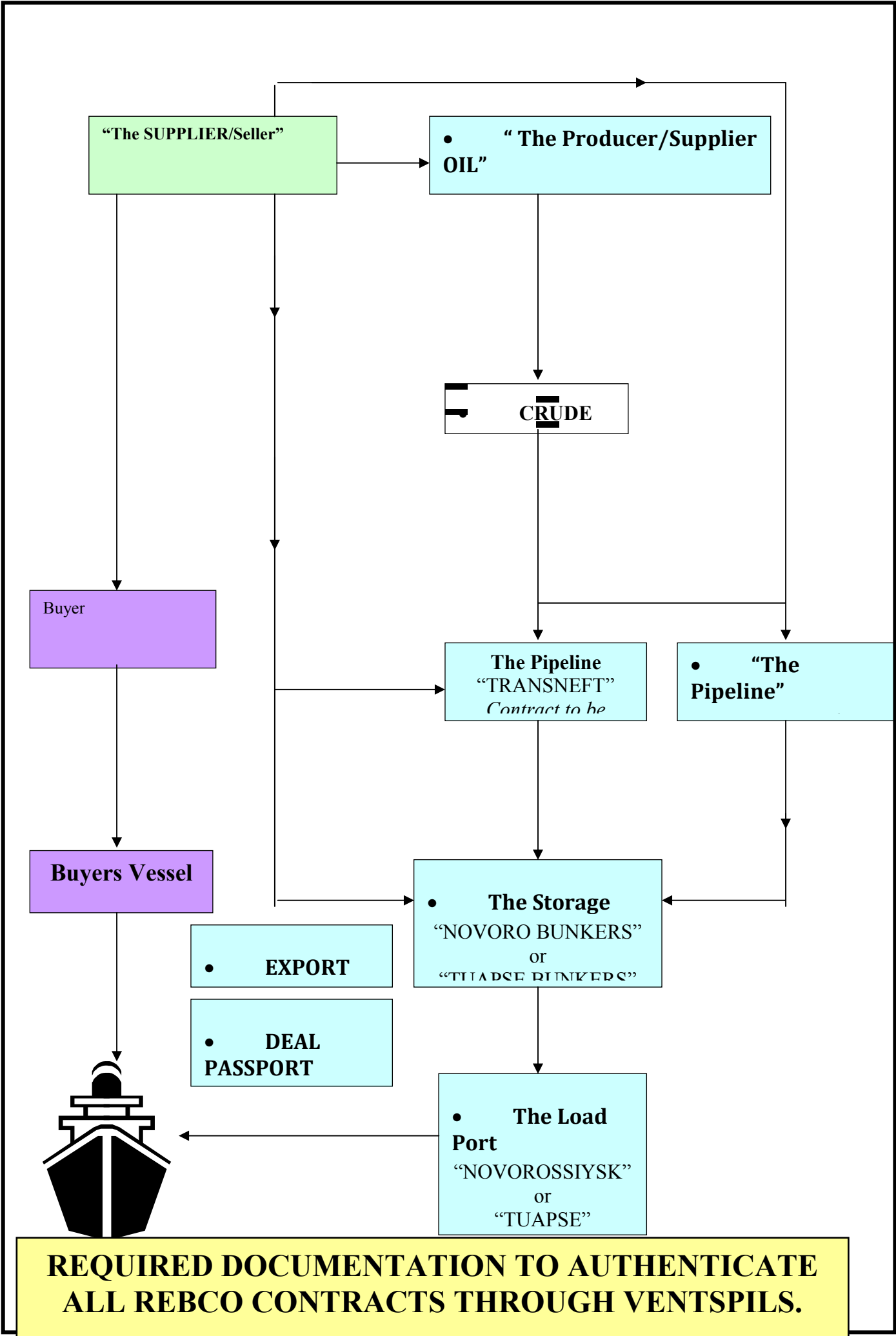
We also reconfirm that the terminal has reserved crude oil (Russian GOST TU 39-1623-93) storing/handling capacity for you up to MT/month during the next ... months, subject to AOA "Transneft" delivery schedule confirmation.

Validity: 30 calendar days if the delivery schedule is not presented/confirmed to us.

Yours sincerely,

/ Seal /

<p>• THE WORDING OF THIS INSTRUMENT MAY BE MODIFIED IN ACCORDANCE WITH THE ISSUER'S AND RECEIVER'S MUTUAL AGREEMENT.</p>
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"The SUPPLIER/Seller"

• "The Producer/Supplier OIL"

CRUDE

Buyer

The Pipeline "TRANSNEFT" Contract to be

• "The Pipeline"

Buyers Vessel

• The Storage "NOVORO BUNKERS" OR "TIADSE BUNKERS"

• EXPORT

• DEAL PASSPORT



• The Load Port "NOVOROSSIYSK" or "TUAPSE"

REQUIRED DOCUMENTATION TO AUTHENTICATE ALL REBCO CONTRACTS THROUGH VENTSPILS.

BANK SWIFT TEXT MT 799

___/09/05-___:___:___

----- Instance Type and Transmission -----

Copy received from SWIFT

Priority : Normal

Message Output Reference : _____

Correspondent Input reference : _____

----- Message Reader -----

Swift Output :

Sender :

Receiver :

----- Message Text -----

Dear Sir

We, the undersigned, are informed by our Client _____ that he has signed and sealed the Contract No.: _____ with your Client _____ dated _____.

Furthermore, we, the undersigned bank officers of _____ confirm that our Bank is holding under full Banking Responsibility the verified POP (Proof of Product) on behalf of our Client _____ which belongs to the Contract No.: _____ dated _____ for the Product _____ for _____ MT (in Words _____) as per delivery Schedule No. _____. Also we confirm that we are ready and willing to issue the 2% Performance Bond Guarantee in the amount of _____ USD.

The Proof of Product include the following:

- 1) Specification and Certificate of Quality
- 2) Copy of statement of availability of the product (allocation confirmation) - Resource certificate (Resursnaya spravka) No.: _____
- 3) Copy of the Deal Passport (Pasport sdelki), issued by the Exporter of Records Bank in Russia No.: _____
- 4) **Contract with Transneft for Transport Crude from field No.: _____**
- 5) **Contract for transport of Million. MT (name of product) per year from refinery to Port and valid one year No.: _____**
- 6) **Contract with port authority for storage and loading million MT (name of product) valid one year with number of each storage and capacity of each storage No.: _____**
- 7) **Copy of License to Export issued by the Russian Ministry of Energy No.: _____**
- 8) **Copy of Approval to export issued by the Russian Ministry of Justice No.: _____**
- 9) **Copy of the Contract with the Refinery to produce the product N.: _____ (only by products)**

All documents are in the name of our Client _____.

Our client _____ has the full right on above POP

In exchange of this POP we request to confirm, that your confirm, that your client is ready willing and able, after verification of above POP, to establish a _____ (DL/C, SL/C) in the amount of _____ USD per month, valid for _____ month for the Contract No.: _____ dated _____ with your Client _____ in the agreed format.

Bank Officer Name:
Title:
Signature:

Bank Officer Name:
Title:
Signature:

Bank Seal

Bank Seal

Spot Deal Termes

The following Procedure are in accordance with International Standards and the guideline of the ICC Paris.

Spot Deals FOB – Ex-Storage:

PROCEDURES:

1. Seller/Sellers make Full Corporate Offer
2. Buyer issues ICPO
3. Seller responds with Draft Contract, Terminal Confirmation, Port Confirmation, Certificate of Ownership, Export Permit, Transneft Schedule Marche Route notice (only Russia)
4. Buyer and seller sign and exchange contract by electronic mail
5. Buyers Bank confirm that they are ready to pay against BL + SGS
6. Seller loads and send BL + SGS
7. Release of Payment

Spot Deals CIF – Ex-Storage:

PROCEDURES:

8. Seller/Sellers make Full Corporate Offer
9. Buyer issues ICPO
10. Seller responds with Draft Contract, Q88, Terminal Confirmation, Port Confirmation, Certificate of Ownership, Export Permit, Pre-Bill of Lading, Ullage Report
11. Buyer and seller sign and exchange contract by electronic mail
12. Buyers Bank confirm that they are ready to pay against BL + SGS
13. Seller loads and send BL + SGS
14. Release of Payment

Spot Deals CIF – On Ship

PROCEDURES:

1. SELLER/SELLER MANDATE MAKES FULL CORPORATE OFFER
2. BUYER ISSUES ICPO
3. BUYER/SELLER SIGN SEAL ICPO
4. SELLER ISSUES FULL STYLED CONTRACT THIS CONTRACT INCLUDES BUYERS / SELLERS BANKING.
5. SELLER/ BUYER SIGN SEAL THIS CONTRACT
6. SELLER GIVES TO THE BUYER: SHIP NAME, B/L, ULLAGE REPORT, CALL LETTERS, CAPTAINS NAME AND COPY OF THE ASPATANKVOY CHARTER PARTY
7. BUYER ISSUES FINANZIAL INSTRUMENT
8. SELLER DELIVERS OIL
9. BUYER PAYS FOR THE OIL