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LETTERS OF CREDIT
THE LAW AND CURRENT PRACTICE
Third Edition
Lazar Sarna
Release No. 5, November 2026

This publication is an authoritative guide to contemporary letter of credit transactions. It describes the mechanics and operation of the letter of credit from the point of view of the issuing bank, the intermediate bank, the applicant and the beneficiary. It illustrates the international character of the modern letter of credit as it is used in business today with cases from Canada, the U.S., the U.K., France and Australia. It also features coverage of important new cases as well as material on the International Chamber of Commerce's Uniform Customs and Practice for Documentary Credits.

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What's New in this Update

Release 2026-5 features updates to Chapters 1 (Introduction), 2 (Legal Nature of the Letter of Credit), 3 (Parties to the Letter of Credit), 5 (Autonomy of the Credit Transaction), 8 (Judicial Remedies) and Appendix C9 (ICC Rules of Arbitration).

Chapter 5. Autonomy of the Credit Transaction— I. Introduction— 5:1. Generally—The obligation of the issuer to pay must be executed as long as the conditions set out in the credit are met by the beneficiary. The obligation stands irrespective of any dispute between the customer and beneficiary as to partial or full execution of the underlying contract, or between the bank and the customer. Put another way, it is not the concern of the bank whether the goods covered by the documents exist or not. Although articles 4 and 5 Uniform Customs, 2007 Revision insist on a distance between the credit and the underlying transaction, applicants have filled the court dockets with complaints and injunctive requests based on incomplete or transactional non-conformities in order to impede the credit payment process. By the same token, the issuer cannot withhold honouring a due demand for payment under the credit based on its failure to recover from the applicant credit or other fees and charges.

Highlights

Letters of Credit: The Law and Current Practice describes the mechanics and operation of the letter of credit from the point of view of the issuing bank, the intermediate bank, the applicant, and the beneficiary.

The general characteristics of a letter of credit are internationally recognized; however, numerous complexities may arise, such as fraud, the onus of payment, remedies, and among other areas, and for that reason, there are no shortages of judicial interpretation and formal requirements.

A typical update could include:

- Domestic and international case law from courts and tribunals
- Cross-jurisdiction legislative updates
- The inclusion of accepted practices by financial institutions
- Industry guidelines
- Various examples of the types of forms that may be utilized by the parties

In addition, the author is well versed in the area of Commercial Law and provides commentary specific to a letter of credit.