



Date last updated: 27.10.2020

### INLAND LETTER OF CREDIT

Type of Credit	Non Fund Based Limit
Purpose	Letters of Credit for purchase of raw materials/inputs and capital goods shall be opened as per the terms of supplier of such goods/services. It is a written instrument issued by a Bank (opening Bank) at the request of a buyer (applicant) in favour of a seller (beneficiary) within the same country.
Bankers undertaking	Opening Bankers undertake to honor drafts drawn by the seller in accordance with the terms and conditions specified in the letter of credit.
Benefits of Letter of Credit	<ul style="list-style-type: none"><li>➤ A letter of credit safeguards the interests of both the buyer and the seller.</li><li>➤ The seller is assured of payment, if he tenders documents to the Bank as per the terms of LC.</li><li>➤ A letter of credit is thus a means to facilitate trade and commercial transactions for obtaining payment in terms of the letter of credit</li></ul>
Quantum of Limit	Need Based
Margin	A minimum of 25% margin (by way of cash deposits and approved securities like NSCs / deposits).
Commission	As per guidelines subject to changes

Conditions apply. The information provided above is only illustrative and not exhaustive.

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