

of credit statute is woefully out of date. The uniform state law commissioners, recognizing that, first, letters of credit is a growing international tool used in over \$5 billion of federal excha...international exchanges, rather, and secondly, that our existing law is so old as to be out of date, redrew Article 5 and offered it to the states this last year. There are 19 sections to the bill. A letter of credit is basically a relationship in which an applicant company, likely one who is making a purchase or a sale, probably a purchase, goes to a bank to get a letter of credit. That letter of credit is sent to the business partner of that applicant company, the person the company from whom they're buying goods. The letter of credit basically says that the applicant has the money on file, that the bank will issue the money as soon as whatever conditions were promised have been met. What it does is give a form of guarantee that money will be forthcoming should provisions consistent with the contract be met rather than simply taking something on good faith. It would be sort of like an international check, if you will, but the letter of credit is issued by a bank, usually to a beneficiary which is oftentimes a foreign company, but doesn't have to be, doesn't have to be. We use letter of credits in this country, but on an increasing basis we're doing it on an international scale now, and that's another reason why the need to allow electronic transfer makes sense. Let me tell you some of the things that the bill does. First it establishes directly a rule that was intended to be part of the original law, but was not clearly stated. And that is the independence of the letter of credit obligation from the underlying transaction. This was unexpressed in the original law, but was always intended to be there. It's stated specifically in 1028. It identifies the transfer of records as being the transfer of responsibility, so you don't have to have a signed letter as you used to under ten-twenty...under the old law, to have a letter of credit. You may now have a faxed letter of credit so long as it has been appropriately noted. There are two-party letters of credit. There is a rule for unstated expiry dates which means what happens if you don't have a stated expiration date, and the rule now becomes one year. There are benefits for issuers, that is to say the bank who is issuing the letter of credit, and these come in the form of cutting back on the application of consequential and punitive damages; the statute of limitations, which is a one-year statute; the choice of law, which allows the writer of the letter of credit to choose the jurisdiction for the choice of