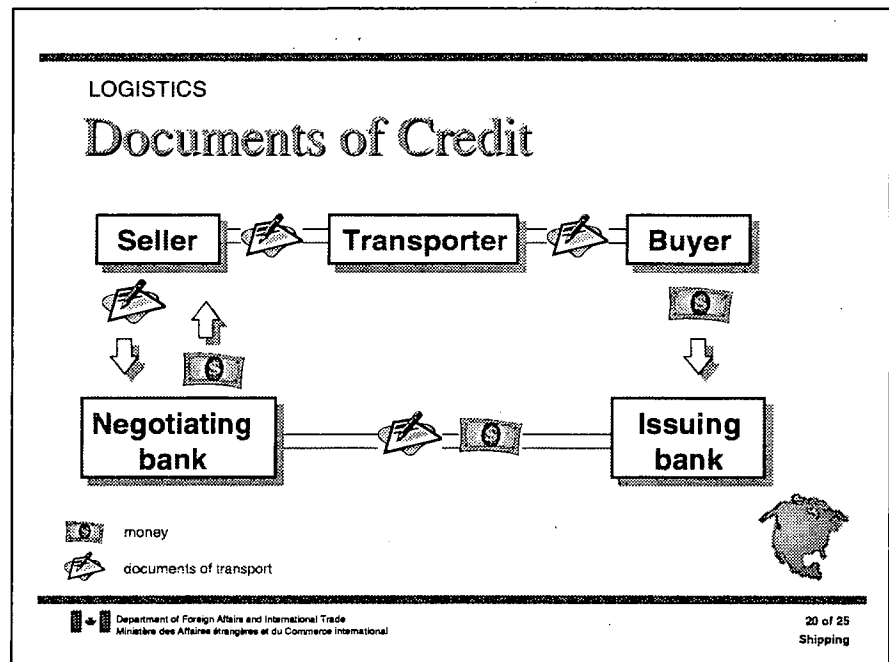


## Credit



Canadian exporters may extend credit terms to trusted Mexican customers, but new business is usually done using a document of credit. This document, often referred to as a letter of credit (L/C), is an engagement made in writing by a bank on behalf of an applicant (usually the buyer), which is addressed to another person (usually the exporter or beneficiary). The document undertakes to pay the seller within a prescribed period of time under specific conditions. This is considered a transportation logistics issue, because the conditions of payment include the presentation of specific transportation documents.

The usual document used in exporting to Mexico is the irrevocable letter of credit. Once issued, it may not be amended or cancelled without the consent of both parties. The credit must explicitly state that it is irrevocable, or it is deemed to be revocable. Revocable credits may be amended or cancelled at any time, without prior notice to the beneficiary. For this reason they are rarely used.

The letter of credit is issued by the buyer's bank in Mexico. The letter specifies the event or events that will trigger the payment process. Typically, this is proof that the goods were shipped from Canada, but it could also be receipt of the goods by the customer in Mexico, receipt by the customer's customs agent at the border, or by some other event. The seller presents the letter of credit, plus the required documentary evidence of shipment to the negotiating bank in Canada to receive payment.