

## Guidance Notes on Letters of Credit

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### Guidelines to Letters of Credit

An irrevocable standby Letter of Credit (here to be referred to as 'Letter of Credit' - SBLC) is a form of credit that Market Participants can use to meet their credit cover requirement under the Trading & Settlement Code (TSC) Part B. The advantages being that the Market Participants don't need to post cash and that SBLC provides flexibility should the credit cover requirement change.

Historically the initial approval of an SBLC and subsequent changes to an SBLC has often been delayed or has taken a longer than that it should do to get approved. This has generally been due to amendments to the SBLC wording being made that do not comply with the exact wording as defined in the Appendix A-1 of TSC Part B, or that the SBLC had an expiry date of less than 12 months from the effective date.

The following additional guidelines are being provided to Participants to assist in ensuring that their bank meets the requirements set in the TSC Part B and to reduce the number of revisions needed before SBLCs can be approved by SEMO.

An irrevocable Standby Letter of Credit is a financial contract under which the Issuing Bank agrees to pay a determined amount of money to the Beneficiary under certain circumstances in defined timeframes.

### **The parties involved are:**

- Applicant => The Market Participant or Company Name on behalf of Participant
- Issuing Bank => the Market Participant's Bank
- Advising Bank => SEM Bank
- Beneficiary => EirGrid plc and SONI Limited, trading as SEMO, being the Market Operator under the SEM Trading and Settlement Code

Once in place, an SBLC can only be modified with the agreement of both the Applicant and the Beneficiary.

### **The SBLC wording:**

Any SBLC shall be in the form of Appendix A-1 of the TSC Part B; and shall be valid for a minimum duration of 12 months, as per clause G.9.1.2 (a) (iii) of TSC Part B. If any changes are made to the text in Appendix A, or additional text is added, the SBLC is unlikely to be approved and will require further revisions before acceptance.

According to [Agreed Procedure 9](#), an SBLC should be submitted by electronic SWIFT format, not hard copy. Specific guidelines on SWIFT submission are given below. Please ensure the Issuing Bank is made aware of SEMO requirements in this regard.

### **Issuing Bank - Eligibility Criteria:**

Only Standby Letters of Credit issued by Issuing Banks that comply with the Eligibility Criteria set in paragraph G.9.1.3 of the TSC Part B will be considered.

SEMO regularly publish a list of Approved Credit Cover Providers on the SEMO website ([www.sem-o.com](http://www.sem-o.com)) under: Publications > Market Parameters > search Credit Cover Providers under category Credit Risk Management. If the Issuing Bank does not appear on that list, it is the Applicant's responsibility to provide proof to SEMO that the Issuing Bank meets the Eligibility Criteria.

**Issuing Department:**

From SEMO's experience to date, Issuing Banks' Trade Finance Departments tend to have a better understanding of SBLC's than Issuing Banks' Corporate Departments; SEMO therefore recommend involving the Issuing Bank's Trade Finance Department in the application for a SBLC.

**SBLC Format:**

Electronic SWIFT:

- MT760 for new SBLCs (and not MT799 - free format message -)

- MT767 for amendments

**SBLC Amendments:**

When amending an already existing SBLC, only fields/details that actually change should be updated and appear in the SBLC amendment. Restating information that doesn't change can lead to errors and delays if the text is incorrect. For example, if the SBLC amount is amended, don't state the Beneficiary Name or Address as they have already been approved.

**Danske Bank SWIFT Code:**

DABAIE2D

**Field 40A**

'IRREVOCABLE STANDBY'

**Field 20**

ISSUING BANK SBLC Reference

**Field 31C**

Date of Issue in Format YYYYMMDD

**Field 40E**

Enter UCP LATEST VERSION (currently UCP600)

**Field 31D**

Date Format YYYYMMDD / 'in DUBLIN'

**Field 50**

Exact Applicant Name

**Field 59**

should read exactly as 'EIRGRID PLC AND SONI LTD TRADING AS SEMO",  
BEING THE MARKET OPERATOR UNDER THE SEM TRADE AND SETTLEMENT CODE,  
THE OVAL, 160 SHELBOURNE ROAD, BALLSBRIDGE, DUBLIN 4'

**Field 32B**

Currency and Maximum Amount (Increase)

**Field 33B**

Currency and Maximum Amount (Decrease)

**Field 77 Narrative**

**Include the new value of the SBLC when an increase or decrease occurs**

**Field 41A**

Advising Bank, DANSKE BANK

**Field 43P**

'PERMITTED'

**Field 71B**

All Advising Bank charges are for the account of the Beneficiary.

**Field 49**

WITH OR WITHOUT

**Field 47A**

Should contain the SBLC template and Beneficiary Statement, exactly as per Appendix A of the TSC Part B

This field contains the core text of the SBLC

Quote the Beneficiary Statement, exactly as it is worded in the latest version of Appendix A of the TSC Part B

Quote Applicant

Quote Issuing Bank

Quote Advising Bank: DANSKE BANK

Quote Beneficiary: exactly 'EIRGRID PLC AND SONI LTD TRADING AS SEMO",  
BEING THE MARKET OPERATOR UNDER THE SEM TRADE AND SETTLEMENT CODE,  
THE OVAL, 160 SHELBOURNE ROAD, BALLSBRIDGE, DUBLIN 4'

**Paragraph 1**

Quote Issuing Bank SBLC reference

Quote Applicant

Quote Currency and maximum Amount in both NUMBERS and WORDS

Quote Expiry Date

The SBLC should expire at 'the counters of the ADVISING BANK'

Expiry Date

'...may be presented for value at the ISSUING BANK being the XX day of MONTH YEAR'

**Condition 1**

Trading and Settlement Code means the trading arrangements for the SEM established in Northern Ireland pursuant to section 23 of the Northern Ireland (Miscellaneous Provisions) Act 2006 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 and in Ireland pursuant to section 9BA(1) of the Electricity Regulation Act 1999 and as designated pursuant to regulations made under section 9BA(2)(a) of the Electricity Regulation Act 1999 (Ireland).

**Condition 2**

This irrevocable Standby Letter of Credit is available by payment at sight against presentation to the Advising Bank of a Beneficiary Statement as detailed in Documents required.

**Condition 3**

The Beneficiary Statement must be made on original letterhead paper of the Beneficiary and signed on its behalf, and must be presented to the Advising Bank on or before the Expiry Date.

**Condition 4**

Upon receipt of a signed Beneficiary Statement in compliance with the above conditions the Advising Bank is required promptly to notify us by SWIFT of receipt of such Beneficiary Statement and inform us of the relevant details of such Beneficiary Statement. Provided such notification is received by us no later than 14:00 hrs on any weekday on which banks are open for business in Dublin and Belfast, we shall make payment under this Standby Letter of Credit for Same Day Value on that day or if received after 14.00hrs on the next such weekday in accordance with such notification and shall confirm payment by notifying the Advising Bank by SWIFT.

**Condition 5**

Where we, the Issuing Bank are also the Advising Bank, we may revise the above notification requirements as appropriate provided that this shall in no way affect the obligation on us to make payment under this Standby Letter of Credit.

**Condition 6**

We the Issuing Bank hereby waive any right to set off or counterclaim whatsoever against any amounts payable under this Standby Letter of Credit in respect of any claims we may have against the Beneficiary and such amounts shall be paid free and clear of all deductions or withholdings whatsoever.

**Condition 7**

Effective From: (Please state date)

**Condition 8**

This Standby Letter of Credit is personal to you and your rights hereunder, including the right to receive proceeds to this Standby Letter of Credit, are not assignable.

This Letter of Credit shall be governed by and construed in accordance with the laws of Northern Ireland and the parties submit to the exclusive jurisdiction of the Courts of Ireland and the Courts of Northern Ireland for all disputes arising under, out of, or in relation to this Letter of Credit.

**Charges:**

All Issuing Bank charges are for the account of the Applicant.

All Advising Bank charges are for the account of the Beneficiary

**Confirmation:**

CONFIRMATION WITH OR WITHOUT? (THIS INSTRUCTION IS TO SEMO'S BANK TO ADD CONFIRMATION OR NOT)

**Instruction to Pay:**

PLEASE REFER TO ADDITIONAL CONDITIONS.

ADVISING BANK TO CLAIM REIMBURSEMENT BY SWIFT AND RETAIN BENEFICIARY STATEMENT ON FILE.

**Validity Date**

If the SBLC should be valid from a specific date, this has to be specified in the text of field 47A. By default, the SBLC will be effective from the day it is confirmed to be valid by SEMO.

The SBLC should be valid for a minimum duration of 12 months.

**Beneficiary Address**

"The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4, Republic of Ireland"