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Case Studies

COMMITMENT PROCEDURE

Case 1 – Commitment Procedure

The closing date for the loan is 30 June 2022. A request for reimbursement under an expired letter of credit from a negotiating bank was received by ADB. The negotiating bank certified that the Borrower authorized the payment to the supplier.

Will this claim be entertained by ADB in the following cases?

1. The request was received before the loan closing date
2. The request was received after the loan closing date

Answer Case 1

Answer:

The request was received BEFORE the loan closing date

Extension of LC expiry date does not require ADB's prior approval. ADB can honor the request based on the confirmation of the LC issuing bank or a borrower's advice of extension of LC expiry and shipping date

The request was received AFTER the loan closing date

Extension of LC expiry beyond loan closing date requires ADB's prior approval and submission of Application for Approval of Amendment of LC and copy of LC amendment.

Alternatively, ADB may pay reimbursement claim after loan closing date (and within winding-up period) if it can be certified by the LC issuing bank that the shipment was made within the loan closing date.