

DRAFT RULES on LETTERS OF TRUST by M. LLEWELLYN  
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- 1.- If a bank at the buyers' instance issues a letter of credit to the seller covering all or part of the price, the bank when it honours the credit and receives the documents of title is vested as against the buyer with a security interest (Sicherungsrecht, droit de sécurité) such documents and the underlying goods to the extent of the advances or engagements made under the letter of credit.
  
- 2.- 1°. Neither release of the documents to the buyer nor the conferring on him of liberty to sell, manufacture or otherwise dispose of the documents or goods defeats the banks' security interest, provided that the buyer, before or in connection with, delivers to the bank a signed letter of trust describing the goods and documents and acknowledging the banks' security interest therein.  
2°. The buyer is under a duty to the bank, under such a letter, to keep the goods and their proceeds identifiable as long as this in commerce practicable. The burden is on the buyer, as against the bank, to show that goods fitting the description are not the goods covered by the letter of trust.
  
- 3.- 1°. The banks' security interest is valid against attaching creditors of the buyer and his trustee in bankruptcy, assignee for creditors, or receiver in equity. The security interest covers the goods, so long as identifiable, and the identifiable proceed of

their sale or other disposition. The burden is on the bank to show the identification as against these third parties.

2°. Whether or not transfer by the buyer is permitted or prohibited by the bank, purchasers from or lienors of the buyer who acquire rights in the goods or documents in the ordinary course of business or under the national law applicable to such transaction, take free of the banks' security interest.

4.- 1°. In order for the banks' security interest to continue, after release of the documents, with the affects stated in Art. 3, there must be registered with the ..... (central authority preferred) before release of the documents, a declaration signed by bank and buyer:

- a) stating that the bank is engaged in financing the buyer against letters of trust, and
- b) describing generally the type or types of goods to be covered by such letters.

2°. Such registration applies only to goods of the classes therein described. It has validity for one year and one month from the date of registration. It may be renewed at any date during its validity by registration of a new declaration complying with alinea

1°. Each renewal has validity for one year and one month from its date.