



Clarification of Late Action in ICA Trading Rules

The ICA often faces questions from both buyers and sellers in the global cotton community regarding our Trading Rules concerning both late opening of LC (Letters of Credit) and late shipment of cotton. Together these are referred to as 'Late Action'.

These are important to the cotton trade so we want to identify the key ICA Rules to better inform our members and the wider cotton community.

In the first instance, we always encourage parties to continue to perform the contract and communicate with each other to reach an amicable agreement [1]. If this is not possible, here are the key Rules to be noted:

1

Carrying charge and Late shipment allowance: neither are included in ICA's cotton trading rules.

1. It is for the parties to determine whether to include provisions such as these in each contract.
2. Both parties are empowered to accept or decline such provisions.

2

Late opening of LC or late shipping instruction, and late shipment of cotton that is not previously agreed by the parties - both may be breaches of contract.

3

If provisions for carrying charge are included in the contract, these may be applied in the event of any delay in opening LC or other shipping instruction. If late shipment allowance is included, this allowance may be payable as soon as the terms are met.

4

In accordance with Rules 233 and 234:

1. In the event of late opening of LC / shipping instruction, the seller may choose to 'close out' contract.
2. In the event of late shipment in breach of contract, the buyer may choose to 'close out' the contract.

This is a summary of the rules relevant to Late Action. There are many related provisions that impact all cotton contracts. Download the latest version of the ICA Bylaws & Rules at www.ica-ltd.org.

For any comments or questions regarding the ICA Rules, please contact info@ica-ltd.org.

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[1] Rule 201 is relevant: R201 (4) In the event that Letters of Credit are opened late, or Shipments have not been made as stipulated in the contract, then both parties may agree to extend the shipment period. If the parties cannot agree to extend the shipment period, then Rule 233 and Rule 234 apply.