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Securing performance and payment in foreign trade

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— COMPASS · SERIAL NOTES ON TRADE FINANCE

Compass

One country, one technical issue. Each number analyses a destination market for Italian exporters and takes a close look at a single question of international trade.

THIS ISSUE'S THEME *Bank domiciliation of imports and the form of payment in Algeria*

ALGERIA

For Italian exporters, Algeria presents a stronger currency position than other markets in the region: reserves, though falling markedly, still provide significant import cover, and external debt is very low. A significant political, convertibility and transfer risk nonetheless remains, expressed above all through exchange controls and the correct execution of the administrative file. The friction sits **earlier — before the goods even move**. As a general rule, imports subject to exchange-control regulation must be **domiciled** with an authorised Algerian bank and, for imports of goods covered by the Bank of Algeria note of 14 May 2026, the domiciliation must be opened **before the supplier ships**. For operations within the scope of Note n°01/DGC/2026, a domiciliation opened after shipment renders the sequence, in principle, irregular for exchange-control purposes, save for exceptional cases duly justified and authorised. Here the form of payment is decided upstream, in the exchange-control file — not at the counter.

A · COUNTRY PROFILE

Algeria 2026

A hydrocarbon economy: ~$317bn GDP, over 90% of exports from oil and gas, ample but falling reserves, no solicited sovereign rating and ~€13bn in trade with Italy.

B · THE QUESTION OF THE ISSUE

Domiciliation before shipment

The exchange-control file, the pre-shipment rule of 14 May 2026, CREDOC versus REMDOC and five workable payment structures.

C · THE CASE OF THE ISSUE

Answer to No. 04 + new case

The editors' solution on the acceptance credit (Arts. 7-8-12 UCP 600); a new case on the domiciled import declaration (Arts. 14 and 20 · ISBP 821).

When the risk is not payment, but the file that precedes it

BY DOMENICO DEL SORBO — STUDIODELSORBO

In the first four issues the exporter's question kept shifting. In Albania, Azerbaijan and above all Libya it was transfer risk, hard-currency availability, confirmation. In Türkiye it turned into a tax question: the form of payment as a fiscal decision imposed by the KKDF. Algeria moves the problem again, and this time it moves it **earlier in the timeline**.

On paper Algeria looks reassuring: an external position underpinned by still-sizeable reserves — roughly ten months of imports at mid-2025 (COFACE) — and very low external debt. Yet importing into Algeria is administratively one of the heaviest exercises in the Mediterranean. As a general rule, imports of goods and services subject to exchange-control regulation must be **domiciled** with an authorised Algerian intermediary bank — the exchange-control file that opens the operation, permits the transfer abroad and underpins customs clearance. For imports of goods covered by Bank of Algeria note **n°01/DGC/2026 of 14 May 2026**, the domiciliation must be opened **before the foreign supplier ships**, save for exceptional cases duly justified and authorised under the applicable regulation.

So in Algeria the exporter's first question is not «will I be paid?» but «is the import file in order, and in the right sequence?» — because a late domiciliation prevents, in principle, the regular execution of the transfer, whatever the instrument, save for exceptional authorised cases. Section B reconstructs the rule, its historical arc from the 2009 CREDOC-only regime to today's slow pivot towards documentary collection, and the five structures that follow from it.

On the serial front, the case of No. 04 — the credit available by *acceptance*, the Turkish *kabul kredili*, where the nominated Italian bank declined to accept — drew no reader solution in time. We therefore answer it as the editors: the analysis is on page 10, and it turns on a single distinction that decides the whole scenario — nomination *authorises*; only confirmation *obliges*. The new case, on page 11, stays on the Algerian theme: a credit that ties payment to evidence of the *domiciled import declaration*, and asks where the bank's UCP examination ends and Algerian exchange control begins.

One methodological caveat. Algeria solicits **no sovereign rating** from S&P, Moody's or Fitch: sizing leans on the export-credit and insurer classifications — OECD, Credendo, COFACE, SACE — and Compass reports each with its source and date. Where growth estimates diverge (the IMF near 3.8 % for 2026, Allianz nearer 2.9 %), we report both, always indicating the source: Compass does not choose the number; it puts the exporter in a position to choose which one to build the price on.

A closing word. With this issue Compass reaches a community of roughly **1,500 subscribers**: thank you for the trust you place in these pages — we repay it the only way we know, with sources, dates and technique that can be verified.

IN THIS ISSUE

Algeria · bank domiciliation of imports · the pre-shipment file as the first decision, before the payment instrument.

THE TECHNICAL THREAD

Règlement 07-01, art. 29 · Note 01/DGC/2026 · Arts. 7, 8, 12, 14, 16 UCP 600 · ISBP 821 · URC 522.

A hydrocarbon economy, a fiscal paradox

Algeria is Africa's largest country by area and, since 2022, the pillar of Italy's energy security: hydrocarbons make up over 90% of Algerian exports, with a significant weight of both petroleum products and gas; the Transmed pipeline links Algeria directly to the Italian coast. Behind the hydrocarbon headline sits a paradox the exporter must understand — an external balance sheet that is almost unassailable, paired with a public budget under growing strain.

NOMINAL GDP 2026	REAL GDP	INFLATION
~$317bn	+3.8%	2.79%
IMF, WEO Apr 2026	2026 IMF · +2.9% Allianz	annual average to end-Feb 2026 (DGPP, ONS source) · IMF 2026 forecast: 2.9%

FX RESERVES	GDP PER CAPITA	POPULATION
~10 mo	$6,628	47.9m
of imports — mid-2025, COFACE	nominal, 2026 (IMF)	2026 estimate, IMF

Reserves without market access

Algeria's strength is its balance sheet: reserves cover roughly ten months of imports at mid-2025 (COFACE) and external debt is around **2–3 % of GDP** — the country funds itself internally and borrows almost nothing abroad. Reserves are nonetheless declining: from a peak of USD 71bn in September 2024 to around USD 40bn in March 2026 (Credendo). The weakness is the flow: the **fiscal deficit reached about −11.5 % of GDP in 2025**, the widest of any MENA oil exporter, and the current account turned negative at roughly −3.7 % of GDP. Public debt, near 59 % of GDP, is projected to climb towards 80 % by 2030 (Allianz). The trade- finance reading is precise: the risk in Algeria today stems less from an immediate shortage of reserves than from **exchange-control discipline, administrative restrictions and the correct execution of the transfer file** — the theme of Section B.

The gas relationship with Europe

Algeria is the EU's **second-largest supplier of natural gas in gaseous state after Norway** — 18.5 % of EU imports in 2025 (Eurostat) — delivering through Transmed (via Tunisia to Italy) and Medgaz (via Spain), with LNG on top. Italy is the leading European market for Algerian piped gas; Spain, Türkiye and France are other significant outlets, with different weights across pipeline and LNG. To arrest a decade of under-investment the Ministry of Energy and Mines announced, in October 2025, a **USD 60bn hydrocarbon plan for 2025–2029**, around 80 % of it for exploration and development (COFACE), and the country is courting green-hydrogen and electricity-interconnection projects with Europe (the Medlink cable to Italy, the SoutH2 corridor).

Political-institutional picture

President Abdelmadjid Tebboune governs with hydrocarbon rent as the fiscal anchor; the reactivated dispute with Morocco over Western Sahara is the main external tension. For the Italian exporter the relevant frame is the **Piano Mattei**, under which Algeria is a priority partner — the fifth Italy–Algeria intergovernmental summit (Rome, 23 July 2025) confirmed the direction, alongside a business forum and new industrial-cooperation tracks.

Sources: IMF, World Economic Outlook, Apr 2026 (GDP, growth, population, 2026 inflation forecast); DGPP, on ONS source, CPI — average inflation at end-Feb 2026: 2.79%; year-on-year: 2.86%; Credendo, note of 26 Jun 2026 (reserves); Eurostat, EU imports of energy products, 2025; World Bank, Algeria Economic Update (hydrocarbons above 90% of goods exports in 2023, petroleum products roughly half); COFACE, Algeria Country File (reserves ~10 months at mid-2025; hydrocarbon plan); Allianz Trade, Algeria Country Risk Report. Verified 22 August 2026; where estimates diverge (growth: IMF +3.8% vs Allianz +2.9%; 2026 inflation: IMF 2.9% vs Allianz 3.5%) the range and source are given.

No sovereign rating: a risk read from the agencies of export credit

OECD · COUNTRY RISK

5/7

Medium-high risk — the classification used in determining minimum premia for transactions falling within the Arrangement. Separately, Credendo downgraded its short-term political risk from 3/7 to 5/7 on 26 June 2026: two distinct classifications.

Unusually for a market of this size, **no major agency rates Algeria**: the country solicits no sovereign rating from S&P, Moody's or Fitch. Sizing therefore rests on the classifications built for export credit and credit insurance — the OECD category, used in determining minimum premia for transactions falling within the Arrangement, and the assessments of Credendo, COFACE and SACE. Algeria is classified by the OECD in category 5/7. Separately, Credendo **downgraded its short-term political risk from 3/7 to 5/7** on 26 June 2026, citing the accelerating fall in reserves and import-compression measures (including the provisional import programme of July 2025) — a reminder that the exposure here is political and administrative, not a question of the banks' solvency.

S&P	MOODY'S	FITCH	COFACE	SACE
NR	NR	NR	C	active
no solicited rating	no solicited rating	no solicited rating	country assessment	Piano Mattei priority

Sources: OECD, prevailing Country Risk Classification (list in force since 26 June 2026); Credendo, release of 26 June 2026 and Country risk chart (upd. 8 Jan 2026: OECD premium classification 5, MLT 4/7, inconvertibility/transfer 4/7, business environment D); COFACE, Algeria Country File (assessment C); SACE. Classifications to be re-verified at the date of issuance of the credit.

What «no rating» means for pricing

Absent an agency rating, the confirming or correspondent bank prices Algeria off its own internal country ceiling and the OECD category — and off payment experience. Two independent controls therefore govern every confirmation, exactly as in the earlier issues: the **available line on the issuing bank** (Relationship Manager) and the **country-risk limit** (Risk Manager). On an impeccable public issuer the second control — residual capacity of the country ceiling — is the one more likely to bind. Sounding out the confirming bank early remains the rule.

The currency and the transfer

The dinar (DZD) is managed; after the interruption, in mid-2022, of a long depreciation phase, it weakened again in 2025, above all against the euro. More relevant than the level is the **convertibility-and-transfer dimension**. Algeria maintains a strict exchange-control regime: for operations subject to the domiciliation requirement, settlement abroad passes through the domiciliation file and a licensed (agréé) intermediary. This is why the exporter's real protection is not a currency hedge but a correctly sequenced import file combined, where the tenor warrants, with confirmation — the subject to which Section B is devoted.

Reading the 5/7 over the tenor

A short-term political-risk 5/7 is not a default forecast, but it signals a significant vulnerability of payment to political, currency and administrative events: a payment already owed can be **delayed or blocked in execution** — a licence that lapses, a file queried, a transfer queued. That is precisely the risk that materialises in days, not quarters, and that a 90–180-day tenor cannot simply sit out. Over those horizons confirmation retains a protective value even where the insolvency of the Algerian issuer is remote; even on the shortest tenors the discipline of the file is indispensable, but the need for confirmation or insurance must be weighed case by case against amount, issuing bank, tenor and country risk.

WHY IT MATTERS FOR EXPORTERS

Low external debt and sizeable reserves mitigate external-solvency risk, but they do not eliminate political, convertibility and transfer risk: the typical shock is a transfer that stalls in the exchange-control machinery. A **confirmed** credit protects the beneficiary from the consequences of the issuer's failure to honour, including those attributable to country and transfer risk; but no instrument can, of itself, regularise a **domiciliation opened after shipment**, save for exceptional cases duly justified and authorised under the applicable regulation. The order of operations protects the exporter before the choice of instrument does.

A state-dominated system, domiciliation at its centre

Under the Bank of Algeria list in force as at 4 January 2026 (Official Gazette No. 9), the system counts 21 licensed banks: seven public — carrying the bulk of trade and hydrocarbon flows — and fourteen foreign-owned. What matters for the exporter is less the league table than a structural fact: the Algerian bank is not only the issuer of the credit, but also the licensed (agréé) intermediary that applies the exchange regulations. For operations subject to the domiciliation requirement, the transfer abroad is anchored in a file opened with that intermediary.

GROUP	MAIN INSTITUTIONS	TRADE-FINANCE RELEVANCE
Public banks	BEA (Banque Extérieure d'Algérie), BNA, CPA, BADR, BDL, CNEP, BNH (since 2024)	the principal CREDOC and domiciliation channels; BEA anchors the hydrocarbon and large-corporate flow
Foreign-owned	Société Générale Algérie, BNP Paribas El Djazaïr, Natixis Algérie, AGB (Gulf Bank Algeria), T.C. Ziraat Bankası Algeria (licensed 2025)	natural correspondent channels; useful for confirmation routing and intragroup business
Islamic finance	Al Baraka Bank Algeria, Al Salam Bank	Shari'ah-compliant structures where required by the counterparty
Central bank	Banque d'Algérie — Direction Générale des Changes	issues the exchange-control rules that govern domiciliation and transfer
Local ECA	CAGEX	Algerian export-credit insurance and guarantee agency, primarily serving Algerian exporters; also provides domestic credit and investment insurance

The list of licensed banks and financial establishments is published by the Bank of Algeria in the Official Gazette and must be checked at the transaction date; capacity, lines and confirmation availability remain dynamic variables, to be verified case by case with the confirming bank.

Confirmation and the domiciliation gate

Confirmation of an Algerian bank's credit is obtainable through European correspondents, subject to line and country-ceiling capacity; unlike Libya, this is a market where recognised public issuers exist and cover is generally arrangeable. Confirmation protects the beneficiary from the consequences of the issuing bank's failure to honour, including those attributable to country and transfer risk, but it does not cure any irregularity in the underlying exchange-control file. The **domiciliation gate** sits before it: the importer's bank must open the file — and, since 14 May 2026, open it before the goods ship — otherwise, in principle, the transfer cannot be regularly executed, save for exceptional duly authorised cases, however sound the issuer and however complying the presentation. Section B takes up that file in detail.

System-level tools

SACE — Algeria is a priority market under the Piano Mattei for Africa, promoted by the Presidency of the Council of Ministers; guarantee and structured capacity to be checked case by case. **CAGEX** — an Algerian agency primarily geared to supporting Algerian exports and domestic credit insurance; any role in a supply from Italy must be verified in the specific structure. A standing caution: correspondent relationships and confirmation lines for Algerian banks shift with sanctions screening and compliance reviews, and must be confirmed at the date of the transaction.

Sources: Bank of Algeria, list of licensed banks and financial establishments as at 4 January 2026 (Official Gazette No. 9 of 2026); public disclosures of the named institutions; SACE (Piano Mattei priority markets); CAGEX, institutional mission. Verified 22 August 2026.

Italy's leading African partner, an energy-anchored balance

Algeria is Italy's first trading partner in Africa and its first supplier of natural gas; Italy, in turn, is Algeria's third trading partner worldwide: its first customer and third supplier (MAECI–infoMercatiEsteri, 2025–2026). The balance is heavily energy-weighted and moves with the gas price, but the Made-in-Italy export line is growing and diversifying into machinery and industrial components under the Piano Mattei.

ITALY-ALGERIA TRADE	VALUE	NOTES
Italian exports (2025)	€3.2bn	+13.8 % y/y; 2024: €2.9bn (ICE Algiers / Agenzia Nova)
Italian imports (2025)	€9.78bn	−12.9 %; of which gas €8.1bn (~83 % of imports)
Total trade (2025)	€12.98bn	2024: €13.9bn (ISTAT/ICE); balance in Algeria's favour
Gas import (2024)	€9.4bn	−23.5 % y/y on lower gas prices
Positioning	1st · 3rd	Italy: 1st customer and 3rd supplier; Algeria's 3rd trading partner worldwide (MAECI, 2025–2026)

Primary source: MAECI–infoMercatiEsteri, Algeria Overview, updated 16 June 2026 (on ISTAT/TDM data); the €12.98bn point figure is from ICE Algiers (via Agenzia Nova). The 2024 gas figure is shown for comparison only and must not be added to 2025 values.

The product mix — and the thread to domiciliation

Italian exports to Algeria are led by **machinery and equipment**, **refined petroleum products**, metals and metal products, chemicals, transport equipment, rubber and plastics, and non-metallic mineral products: mostly capital and intermediate goods bound for production. Every one of those shipments passes through the same gate — imports of goods covered by the Note must be domiciled, and now domiciled before the goods move. In Algeria, credit-risk analysis and payment structuring are therefore inseparable from the exchange-control file: that file, not the credit alone, decides whether and when the exporter is paid. It is the subject of the section that follows.

Sources: MAECI–infoMercatiEsteri, Algeria Overview, updated 16 June 2026 (primary source, on ISTAT/TDM data); ICE Algiers via Agenzia Nova (Algerian customs data 2024–2025); MAECI economic-diplomacy briefings; 5th Italy–Algeria Intergovernmental Summit (Rome, 23 July 2025). Verified 22 August 2026.

B The file that comes before the payment

RÈGLEMENT 07-01 · NOTE 01/DGC/2026
BASE: EXCHANGE CONTROL

The question. An Italian company is negotiating a machinery supply of €600,000 with a buyer in Oran. The buyer asks for 90 days and proposes a documentary collection to keep costs down; a competitor offers a confirmed sight letter of credit. The bank confirms both are bankable. What decides? Nothing, on the banking side. What decides is an element of Algerian **exchange control** that sits before either instrument: since 14 May 2026 the import must be **domiciled before the goods ship**, and the choice of instrument interacts with the domiciliation, its provisioning and its charges.

What domiciliation is

Under **Règlement n°07-01 of 3 February 2007** on current transactions with abroad, as a general rule, imports of goods and services subject to exchange-control regulation must be **domiciled** with an authorised intermediary bank in Algeria. The domiciliation is the preliminary exchange-control file that opens and frames the operation: it assigns a reference and registers the file with the licensed (agréé) intermediary. For operations subject to the requirement, the file forms part of the steps required for the subsequent settlement and for customs clearance. The bank operates as a licensed intermediary and applies the exchange regulations.

What changed on 14 May 2026

Bank of Algeria note **n°01/DGC/2026 of 14 May 2026** tightened the timing: the domiciliation of an import of goods must now be opened **before the foreign supplier despatches the goods**. Regularising a file after shipment is, in principle, no longer admitted, save for exceptional cases duly justified and expressly authorised by the applicable regulation; the measure rests on Article 29(3) of Règlement 07-01. Intermediary banks verify that the transport-document date is later than the domiciliation date; goods already shipped before publication of the note remain outside its scope, the transport-document date being decisive. The perimeter is general: imports of goods are covered across all categories — goods for resale in the same state, raw materials and semi-finished inputs, capital and equipment goods — whatever their end use; services fall outside the note's scope (the rule keys on the transport-document date) and remain subject to the general domiciliation regime. A companion measure, **Instruction n°05-2026 of 19 May 2026**, sets financial-standing (*surface financière*) requirements for imports of goods for resale in the same state. The 2026 cycle closes, on the opposite side of the flow, with Instruction n°08-2026 of 10 August 2026: short-term dinar credit to Algerian exporters, available only for operations settled by an **irrevocable and confirmed documentary credit or a documentary collection at sight** — the choice of instrument becomes a regulatory condition of financeability.

INSTRUMENT	MECHANICS	EXCHANGE-CONTROL NOTE
CREDOC · UCP 600	documentary credit; bank undertaking on a complying presentation	historically the mandated instrument; strongest traceability and price control
REMDOC · URC 522	documentary collection; banks handle documents, no bank undertaking	permitted and lighter; the importer may refuse to take up the documents and to pay or accept, without prejudice to any liability under the commercial contract
Transfer / payment	direct settlement, advance or against goods	possible in the cases and on the conditions permitted by the applicable regulation and the domiciling bank; does not remove the domiciliation requirement where prescribed

For imports of goods within the scope of note n°01/DGC/2026, the domiciliation must be opened before shipment, whatever the instrument.

THE LOGIC OF THE FILE

Domiciliation is **not** the payment, nor should it be described, in technical terms, as a generic «exchange-control authorisation»: it is the preliminary exchange-control file on which the subsequent settlement rests, where required. The instrument — CREDOC or REMDOC — sits on top of the domiciliation and allocates commercial and bank risk. But a **late domiciliation prevents, in principle, the regular execution of the transfer**, whatever the instrument, save for exceptional cases authorised under the applicable regulation. In Algeria the first decision is the file; the payment instrument is the second.

The date test: domiciliation before shipment

The decisive test is not the instrument declared, but **when the domiciliation was opened relative to the shipment date** on the transport document.

The rule in one line

For imports of goods within the scope of note n°01/DGC/2026: if the domiciliation file is opened **before the goods are despatched** (the bill-of-lading or dispatch date), the operation is regular; a file opened after shipment is, in principle, irregular and cannot found the transfer, save exceptional authorised cases.

Two mirror-image corollaries follow, and both cut against a common assumption — that a strong payment instrument can cure a defective file:

- A **CREDOC does not cure a late domiciliation.** Even a flawlessly issued UCP 600 credit, honoured against a complying presentation, cannot regularise an operation whose domiciliation post-dates shipment: the bank's undertaking runs on the documents, the exchange-control regularity runs on the file.
- A **REMDOC is subject to the same sequence.** The collection instruction under URC 522 moves documents; it does not substitute for the exchange-control file, which must still be opened before dispatch.

The historical arc: from CREDOC-only to documentary collection

The 2009 supplementary finance law made the **documentary credit the exclusive means of payment** for imports of goods, to improve traceability and price control — a regime that made Algeria, for years, one of the world's heaviest users of import LCs. The authorities then pivoted the other way, encouraging documentary collection: the ICC recorded that Algeria's import letters of credit fell about 26 % in 2016, the sharpest drop worldwide. Today both instruments are available; the 2026 notes do not reinstate the CREDOC monopoly — they discipline the **timing of the file** that underlies whichever instrument is chosen.

Provisioning and charges

Provisioning and charges applicable to domiciliation are variable and must be verified, at the date of the transaction, with the domiciling bank and against the regulations in force. For the exporter the point is structural: these are **importer obligations connected with the exchange discipline**, not bank charges to be shifted automatically to the foreign beneficiary.

TWO CAUTIONS

First: any provisioning obligations and charges connected with domiciliation fall on the importer under the regulations in force and the domiciling bank's conditions; they must not be confused with the bank charges governed by field 71 of the credit. **Second:** sequence is contractual. Agree in writing that the domiciliation is opened **before** dispatch: a late file prevents, in principle, the regular transfer regardless of a complying presentation, save for exceptional authorised cases.

Sources: Règlement Banque d'Algérie n°07-01 (3 Feb 2007), art. 29; Note DGC n°01/DGC/2026 (14 May 2026); Instruction n°05-2026 (19 May 2026); Note n°16/DGC/2009 (16 Feb 2009); Loi de finances complémentaire 2009; ICC, Rethinking Trade & Finance 2017; ICC URC 522. Rates and provisioning to be verified at the transaction date.

SELLER-SIDE DUTIES

The seller is not a subject of Algerian exchange control: its duties are derivative — contractual, documentary, sequential. (i) **Contract**: domiciliation opened before shipment as a condition precedent, with reference and date advised. (ii) **Transport date**: no handover to the carrier before the file references are received; transport document dated after the opening — FCA, CPT/CIP or FOB/CFR/CIF terms serve the sequence better than EXW. (iii) **Documents**: the domiciliation reference where the credit requires it, typically on the invoice; certificate of origin and EUR.1 for EU–Algeria preferences. (iv) **CREDOC**: issuer on the BA list, confirmation on the deferment, complying presentation within Art. 14(c). (v) **REMDOC**: complete collection instructions under Art. 4 URC 522 — no bank is obliged. (vi) **Cash**: without-recourse discount by the confirmer or credit insurance; keep an evidence file of references and dates.

What the file is really worth, and how to structure it

In Türkiye the exporter's edge was arithmetic — the six points of the KKDF. In Algeria it is **sequence and instrument**: get the domiciliation open before shipment, then choose the instrument that allocates risk correctly for the relationship. Five structures can be considered, subject to the applicable regulation, bank availability and the nature of the transaction; the first remains the reference case.

1. **Confirmed sight CREDOC, domiciliation opened pre-shipment.** The reference structure: a UCP 600 credit gives the issuing bank's undertaking, confirmation adds the confirming bank's independent undertaking and protects the beneficiary from the consequences of the issuing bank's failure to honour — including those attributable to country and transfer risk — provided the presentation is complying and the undertaking is valid and effective; the file is locked before the goods move. Collection at sight against a complying presentation.
2. **CREDOC available by deferred payment or acceptance, confirmed.** Where the buyer needs terms: the tenor is granted, but confirmation is advisable so the beneficiary is not left carrying Algerian risk to maturity — and, if available with the confirming bank, the undertaking can be discounted for early liquidity (the very point of this issue's case, page 10). Domiciliation still pre-shipment.
3. **REMDOC (URC 522), documents against payment or acceptance.** Lower cost, no bank undertaking: only for consolidated relationships, and preferably backed by credit insurance accessible to the Italian exporter (for example SACE or another insurer); any role for CAGEX must be verified in the specific structure. The exchange-control file must still be opened before dispatch.
4. **Partial advance + confirmed sight CREDOC on the balance.** An entry structure for a new counterparty: it reduces exposure while keeping bank cover on the financed portion.
5. **Standby LC or demand guarantee overlay.** To backstop payment or performance in structured or repeat supplies (ISP98 / URDG 758), sitting above the commercial instrument.

> THE THROUGH-LINE
>
> In every one of these structures the **domiciliation-before-shipment sequence is the precondition**, not a detail: it is opened first, and only then does the instrument do its work of allocating commercial and bank risk. Confirmation protects the tenor; the file protects the transfer. Read in that order, the Algerian transaction can be structured in a more orderly, bankable way.

Technical references: ICC UCP 600; ICC URC 522; ICC URDG 758; ICC ISP98; Règlement 07-01 and Note 01/DGC/2026 (exchange control). Structures are illustrative; each live transaction is to be verified with the confirming/domiciling bank.

C The case of the issue — the answer

UCP 600 · ARTS. 7, 8, 12

The case set in No. 04

Irrevocable, **unconfirmed** documentary credit, subject to UCP 600, issued by a Turkish bank in favour of an Italian exporter. Field 41A: available with a nominated Italian bank **by acceptance**; draft at 90 days after sight drawn on the nominated bank. The beneficiary presents fully complying documents with the draft. The nominated bank **refuses to accept**, states that it has assumed no undertaking, and merely forwards the documents to the issuing bank.

The solution — by the editors (studiodelsorbo)

No reader solution reached us within the term, so the answer is given here as the editors. The scenario turns on one distinction, and everything else follows from it: **nomination authorises; only confirmation obliges.**

1. **Nomination is an authorisation, not an undertaking (Art. 12(a)).** Unless it is the confirming bank, an authorisation to honour or negotiate imposes no obligation on the nominated bank to do so, except where that bank has *expressly agreed and so communicated to the beneficiary*. Absent such agreement, the Italian bank was entitled to decline acceptance and to forward the documents. Its statement — «I have assumed no undertaking» — is legally correct: the beneficiary misread nomination as commitment.
2. **The beneficiary's position is against the issuing bank (Arts. 7(a)(iv) and 7(b)).** Where the presentation is complying, if the credit is available by acceptance with a nominated bank and that bank does not accept the draft drawn on it, the issuing bank must nonetheless honour. It cannot, however, «accept» that same draft, because it is not the named drawee. The beneficiary may therefore draw a new draft on the issuing bank; once presented in accordance with the applicable terms, the issuer must accept it and pay it at maturity. Maturity remains determined by the 90-days-sight tenor and applicable practice (ISBP 821, para. B5). Absent an acceptance or an undertaking of the nominated bank's own, there is no acceptance or undertaking at that bank capable of being prepaid or purchased under Art. 12(b), without prejudice to any separate financing that may be available. The beneficiary remains exposed to issuing-bank risk and country risk until maturity.
3. **Confirmation would change the picture entirely (Arts. 8(a)(i)(b), 8(b)).** Had the Italian bank confirmed, it would be *obliged* to honour a complying presentation under a credit available by acceptance by it; refusing to accept would be a breach, not a right. Having accepted its own draft, the confirming bank may discount it, giving the beneficiary **without-recourse liquidity ahead of maturity**: the discount is of its own undertaking to pay at maturity (Arts. 2 and 8(a) UCP 600), and issuing-bank reimbursement is due at maturity whether or not it prepaid (Art. 7(c)); Turkish and country risk remain absorbed by the confirmer's undertaking. The same documents, one added word, an entirely different outcome.

THE ONE LINE TO KEEP

Under UCP 600 a credit «available by acceptance with a nominated bank» gives the beneficiary no local undertaking unless that bank confirms or expressly agrees. **Nomination authorises; confirmation obliges** — and only confirmation couples the certainty of the undertaking with a negotiable route to early cash.

References: UCP 600 Arts. 7(a)(iv), 7(b), 8(a)(i)(b), 8(b), 12(a), 12(b); ISBP 821, paras B2(b), B5(a)–(c), B7, B12 (tenor «after sight»); ICC, Commentary on UCP 600, Publ. No. 680, commentary on Art. 7. Solution by the editors, studiodelsorbo.

EDITORS' TECHNICAL NOTE — PREVENTING THE SCENARIO

The beneficiary can close this gap at negotiation, not at presentation. **(i)** Ask the nominated bank, at advising stage, whether it will act on its nomination: an express agreement communicated to the beneficiary binds it under Art. 12(a) even without confirmation. **(ii)** Better, require confirmation in the credit itself (field 49: CONFIRM). **(iii)** Where neither is obtainable, provide expressly in the credit that, if the nominated bank does not accept, the beneficiary may draw a new draft on the issuing bank and that the issuer promptly advises the maturity date, so that the deferral does not lengthen through courier and examination time.

EDITORS' TECHNICAL NOTE

A domiciliation reference is an Algerian exchange-control datum, not an ICC requirement. Where the credit calls for a specific document, or requires a data element to appear on documents, the requirement is documentary and must be examined. Art. 14(h) applies instead where the credit contains a condition without stipulating the document by which compliance is to be evidenced.

C The new case — the domiciled import declaration

UCP 600 · ART. 14
ISBP 821

We stay in Algeria for the question. The scenario below places the exchange-control file inside the documentary examination — and asks where the bank's job under the credit ends and Algerian regulation begins. Read it and send us your solution: we will publish it, with your name, in No. 06.

The scenario

Irrevocable documentary credit, subject to UCP 600, issued by an Algerian bank in favour of an Italian exporter and available with a nominated Italian bank. Field 46A requires, among the documents, a copy of the *déclaration d'importation domiciliée* quoting the domiciliation reference, and stipulates that **all documents must show that reference**. The beneficiary presents a set that complies in every respect except that the **bill of lading does not quote the domiciliation reference**, which appears correctly on the invoice, the packing list and the domiciled declaration itself. The bill of lading shows a shipment date **three days before** the date shown on the domiciled declaration; for the purposes of the question only, the case assumes that this date corresponds to the official opening date of the domiciliation.

The questions

— Is the absence of the domiciliation reference on the bill of lading a discrepancy in light of the credit's express requirement and of Arts. 14(a), 14(d) and 20 UCP 600? What role does Art. 14(f) retain for the other documents required by the credit and not specifically governed by the UCP?

— Does the bill-of-lading shipment date preceding the declaration date create a discrepancy under UCP 600, or is the sequencing a matter of Algerian exchange control that falls outside the banks' examination?

— How far should the nominated or issuing bank police an exchange-control requirement embedded in the credit — is a domiciliation reference a documentary condition to be examined, or a non-documentary condition to be disregarded under Art. 14(h) where the credit fails to tie it to a stipulated document?

HOW TO TAKE PART

Send your reasoned solution to **info@studiodelsorbo.it**, subject «Compass No. 05 — Domiciliation case». The selected answer will be published, with the author's name, in No. 06.

Technical references: UCP 600 Arts. 14(a), 14(d), 14(f), 14(h), 16, 20; ISBP 821 (sect. A, general principles; documentary vs non-documentary conditions); Règlement 07-01 (domiciliation).

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Sources & methodological note

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METHODOLOGICAL NOTE

The OECD category, the Credendo/COFACE/SACE assessments and Algerian exchange-control practice (domiciliation timing, provisioning, charges) are dynamic variables: any live transaction must be verified, at the date of issuance of the credit, against the primary sources and through the confirming/domiciling bank and an exchange-control adviser in Algeria. Where estimates diverge (growth, inflation), Compass reports the range and the source. Compass is an informational and educational technical note, not legal, tax, insurance or investment advice.

BACK NUMBERS

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HOW THE SERIAL WORKS

Each number pairs one destination market (Section A) with one technical question (Section B) and one case under UCP 600 / ISBP 821 (Section C). The case runs across two issues: posed in one, answered in the next — reader solutions are published verbatim, with the author's name; the editors' refinements, where needed, appear in separate notes.

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In the next issue (No. 06): a new country and the answer to the domiciliation case (Arts. 14 and 20 UCP 600).

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