

Abstract

This study aims to know and explain the risks that may occur to Sudanese commercial banks in documentary credits practice because they do not usually follow and comply with the Uniform Customs and Practice for Documentary Credit issued by International Chamber of Commerce (ICC) known as (UCP) with certain reference according to the publication serial.

The state can also benefit from Documentary Credit operations by controlling exports or control of import of some goods according to the states economic policy.

The importance of this research comes from the fact that Documentary Credits are guaranteed means of payment in foreign trade where by each of the two parties get their complete rights, and we also find that Documentary Credit generate large profits to banks and hence it is necessary to pay attention to the risk accompanying their practice and to work for their reduction to the lowest level.

The hypotheses of the research were based on The following: -

1-The Sudanese Commercial Banks do not follow the rules and International norms for Documentary Credits (UCP-500) this leads to lack of confidence in them as Banks in many instances.

first class International Banks do not accept Credit until they are confirmed by other foreign Banks who enjoy good reputation and sound financial status.

2- The Sudanese importers are completely are not aware of the nature and the Act clause in the Commercial law which states that Banks deal with Documents and not good and merchandise.

Some of the most important results of the research are the following:-

1- The Sudanese Commercial Banks do not commit themselves to application of rules and regulation of Documentary Credit, publication no (500) issued by the International Chamber of Commerce in Paris, which may lead to loss of confidence by the

2- foreign Banks in them.

The Sudanese Commercial Banks do not make feasibility studies of the goods imported and they do not analyses the financial statements and budgets which are important to reveal the financial position of the customers, they also do not pay attention to risk implied in delayed payments and some times they become involved in negotiation and legal procedures with the client in order to bring back the Banks rights.

3- The Sudanese importer is completely are not aware of the nature and concept of Documentary Credits which leads to the risk of receiving goods different of the specification agreed upon

previously with the exporter.

Some of the most important recommendations are the following:-

1- Establishment of risk administrations management in the Sudanese Commercial Banks under the supervision of the Central Bank to minimize, overcome or avoid such risks, these administration are to be formed from a group of experts in the field of Banking Credit, it is necessary to determine the tools and duties of these administration in order that they carry out their role effectively.

2- Preparation of booklets stating, defining the concept of the Documentary Credit under the supervision of Central Bank, and distribute them among clients working in the field of foreign trade.

3- Planning and distribution and proper exploitation of the Banks foreign resources in such a manner that will lead to the payment of all external obligations, in time.

4- Provision of advice and guidance to new clients in foreign trade by Bank staff to make them aware of these important aspects of this field.