



# Irrevocable Letter of Credit

## How it Works



### What is an I.L.O.C.?

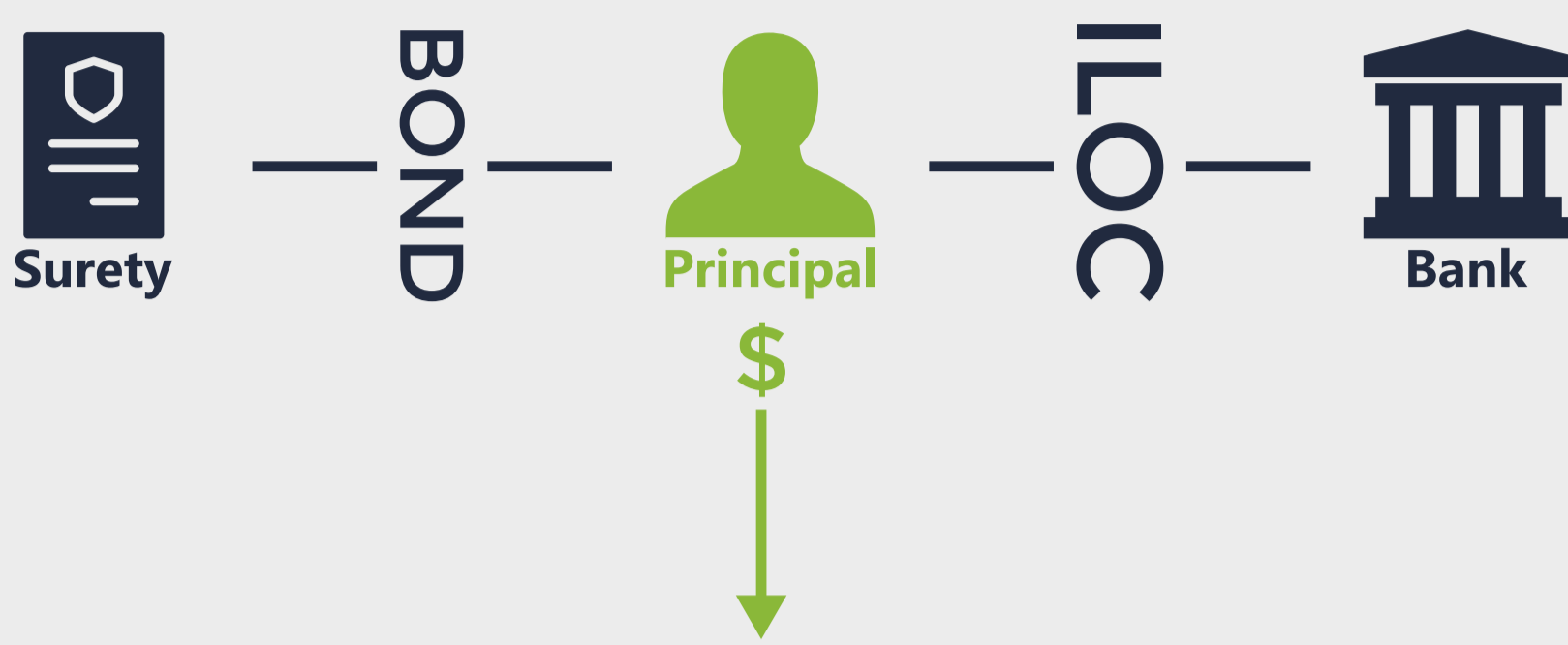
An Irrevocable Letter of Credit is a financial tool stating that the Issuing Bank guarantees the buyer's obligation to the seller.

There are three parties involved in this transaction; the Principal, the Surety, and the Issuing Bank.

An I.L.O.C. does not replace the Principal's requirement to pay the duties/taxes/penalties of their entries on their own. However, it is held by the Surety as a last resort in the case of a Surety payout, which should be avoided at all times.

01

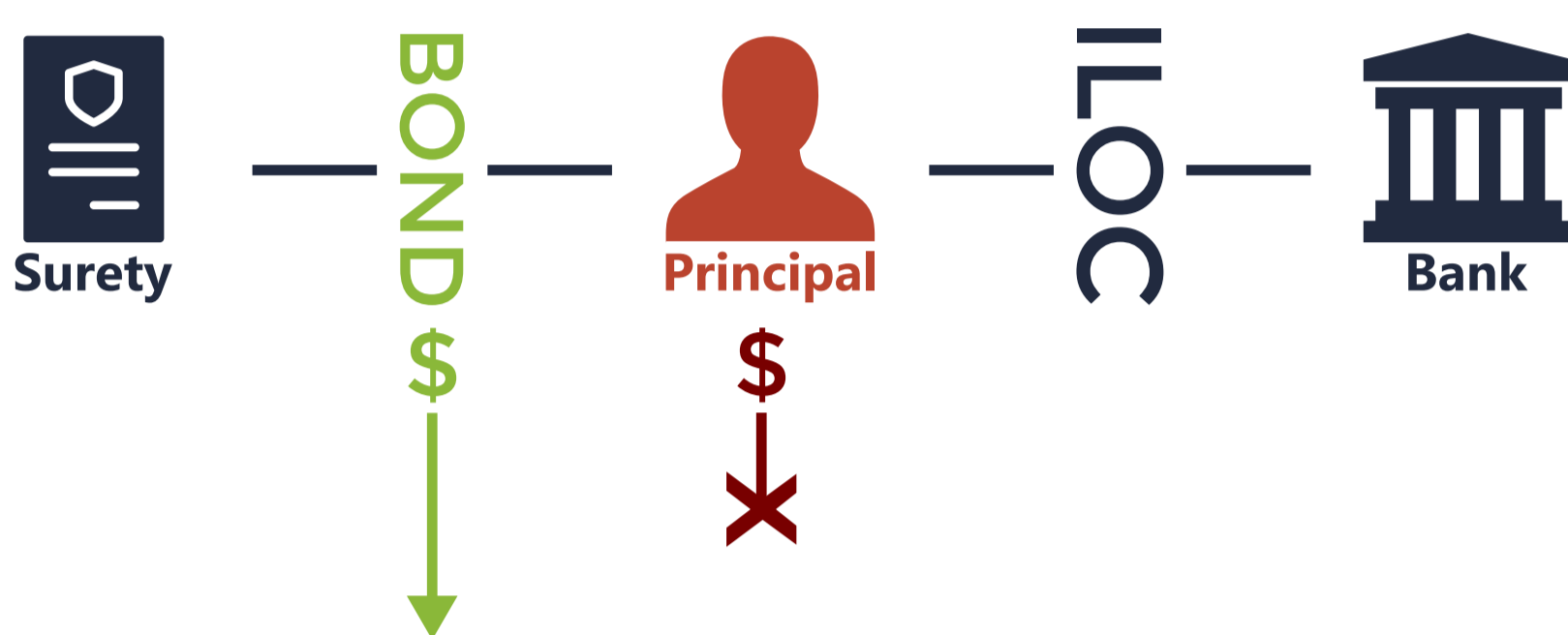
When importing goods into the United States, the Principal named on the Customs Bond is responsible for paying all duties, taxes, and charges to Customs and Border Protection.



## Customs and Border Protection

02

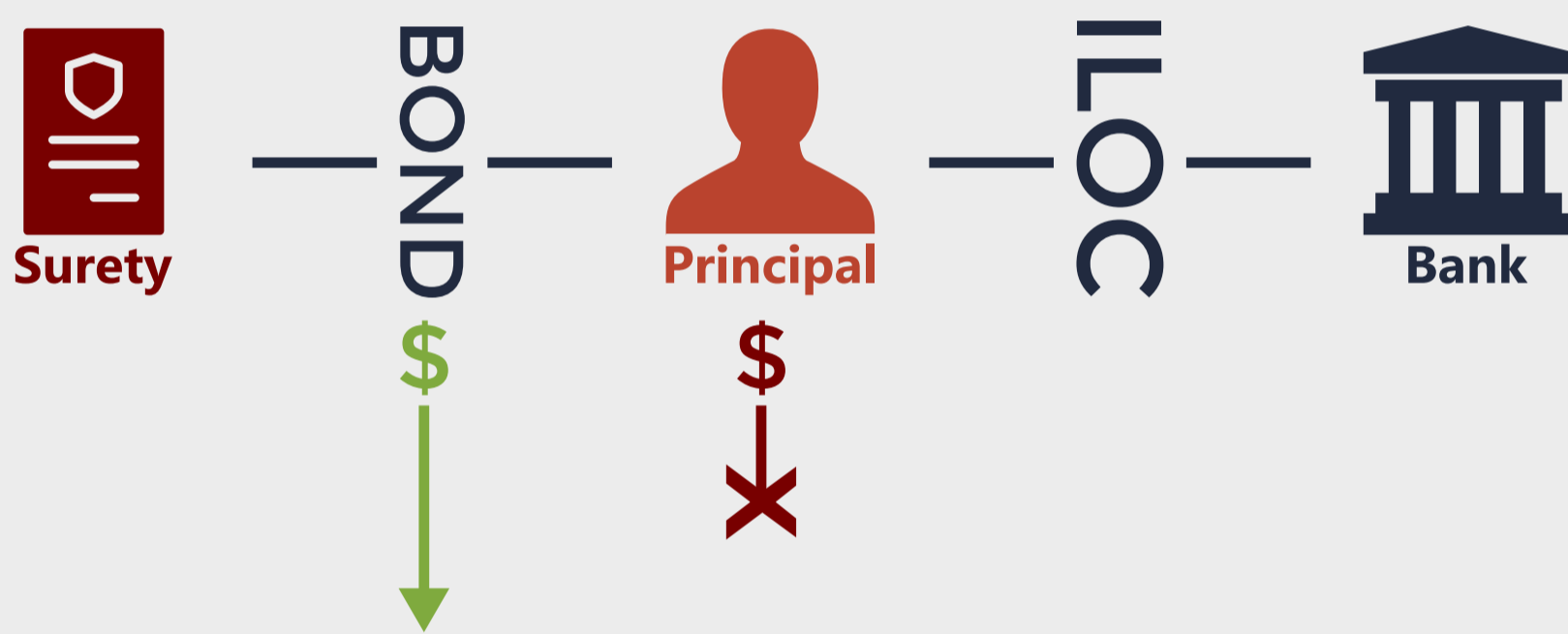
If the Principal is unable to pay the duties, taxes, and charges due to CBP and a claim is filed, the Surety will pay Customs up to the bond amount on the Principal's behalf.



## Customs and Border Protection

03

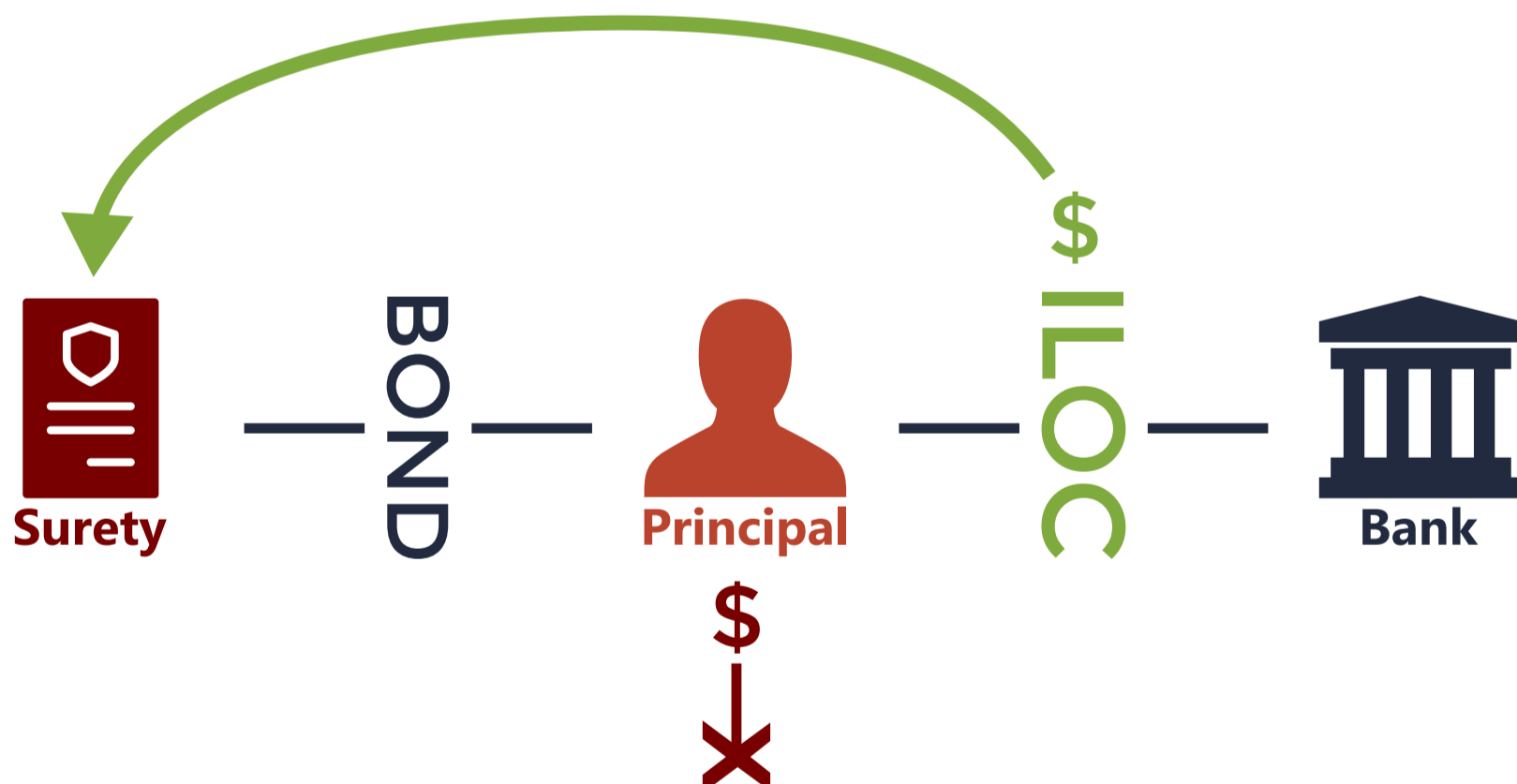
Once the Surety has made a payment to CBP on behalf of the Principal, CBP has been satisfied, but the Principal will now owe the Surety for the amount paid.



## Customs and Border Protection

04

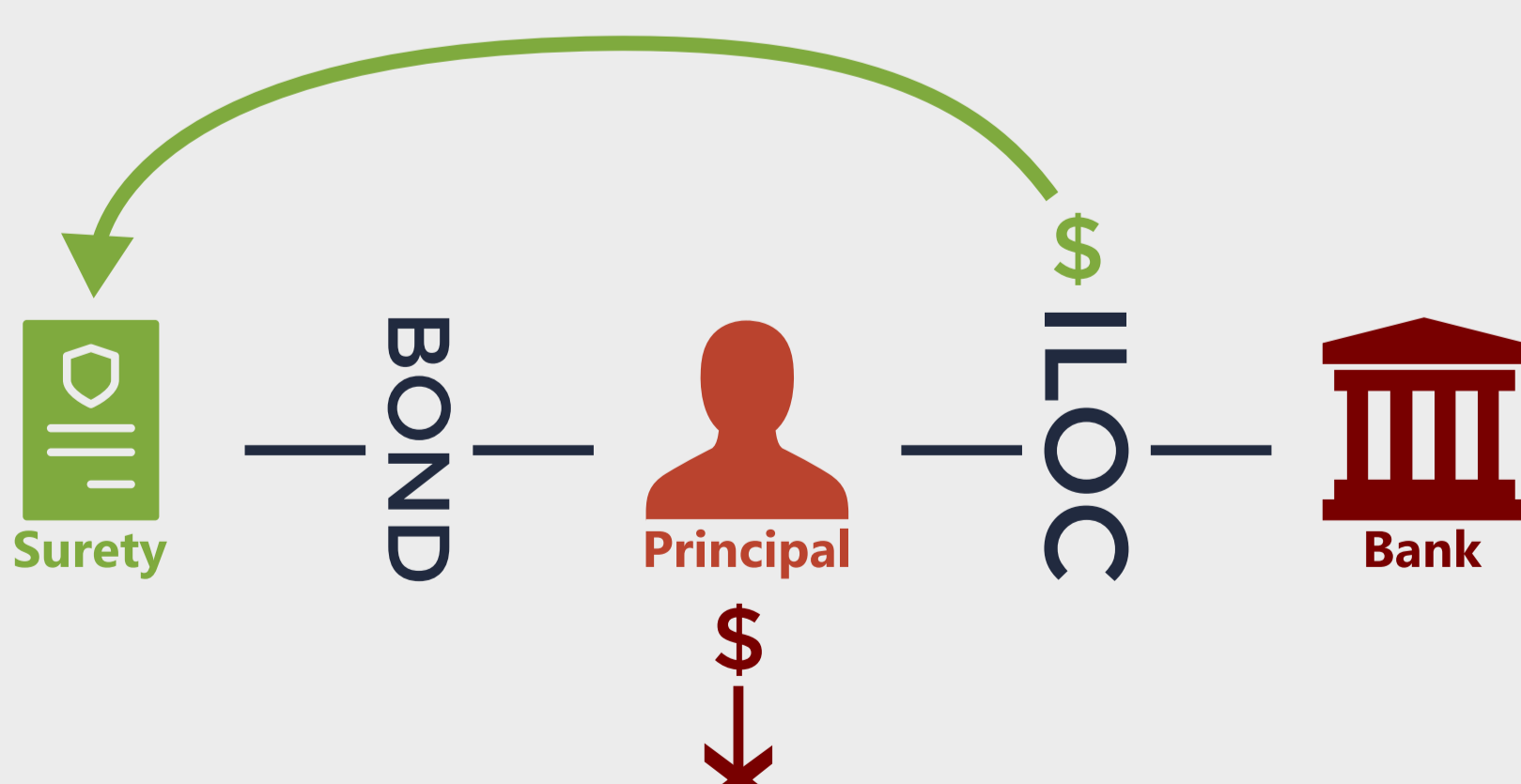
With an I.L.O.C. in place, the Surety is able to draw upon it as payment from the Principal via the Issuing Bank.



## Customs and Border Protection

05

Once the I.L.O.C. has been drawn upon, the Surety has been satisfied. The Principal can check with the Bank about what the I.L.O.C. agreement entails to understand if they need to pay the Bank back.



## Customs and Border Protection

\*If the amount paid by the Surety to CBP (including any legal fees) is greater than the amount drawn from the I.L.O.C., the Surety will not be satisfied.

Don't get lost in the process, make sure you are informed on the latest updates to remain compliant with Customs. TRG is proud to be your source for industry news and updates. We know the process of importing in the United States can be confusing, so let us help you make the process easier.

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