



# Infor LN User Guide for Letters of Credit

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## About this Guide

### Assumed Knowledge

Familiarity with the business processes involved in handling letters of credit, and general knowledge of the LN functionality will help you understand this guide.

### References

Use this guide as the primary reference for the letters of credit functionality. Use the current editions of these related references to research information that is not covered in this guide:

- *Global Trade Compliance User Guide*
- *User Guide for Authorization and Security*

### How to read this document

This document is assembled from online Help topics.

Text in italics followed by a page number represents a hyperlink to another section in this document.

Underlined terms indicate a link to a glossary definition. If you view this document online, clicking the underlined term takes you to the glossary definition at the end of this document.

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# Chapter 1: Introduction

## Letter of credit

The *letter of credit (L/C)* functionality supports maintaining and processing letters of credit from both the seller's and the buyer's perspective.

You can use letters of credit for these types of items:

- **Product**
- **Purchased**
- **Manufactured**
- **Cost**
- **Service**

### Export letter of credit procedure

As a seller, you can use the export letter of credit procedure to maintain these types of letters of credit:

- **Export**
- **Domestic Outbound**

Letters of credit of these types must be linked to the *sales orders*, *sales order lines*, or *contract deliverables* for which the letters of credit provide payment.

### Import letter of credit procedure

As a buyer, you can use the import letter of credit procedure to maintain these types of letters of credit:

- **Import**
- **Domestic Inbound**

Letters of credit of these types must be linked to *purchase orders* or *purchase order lines*.

### Authorization

In LN, the letter of credit procedures include various steps. For each step that is completed, you can approve a letter of credit and set a specific status.

To complete a step by setting a status, and to approve a letter of credit up to a specific amount, a user requires authorization.

**Letters of credit and order procedures**

Letters of credit impact order processing for sales orders, purchase orders, and contract deliverables.

An order or order line linked to a letter of credit can only be approved or released to Warehousing if the linked letter of credit is approved and has the appropriate status.

A contract deliverable linked to a letter of credit can only be activated or released to Warehousing if the linked letter of credit is approved and has the appropriate status.

See Export letter of credit procedure and Import letter of credit procedure.

**Multicompany structures**

For multilogistic and single *financial company* structures, you can link order lines from different *logistic companies* to a letter of credit.

**Setup**

To use the letters of credit functionality, you must:

- Activate the concept.
- Specify whether you use import, export, domestic purchase, or domestic sales letters of credit.
- Authorize the users involved in the letter of credit process.
- Specify document compliance failure reasons for the types of letters of credit used in your organization.
- Specify letter of credit blocking reasons for purchase orders, sales orders, and contract deliverables.

## Chapter 2: Letter of Credit Setup

### Letter of credit setup

#### 1 Activate functionality

To activate the *letter of credit (L/C)* functionality, select the **Trade Management** check box in the **Concepts (Logistics)** tab of the **Implemented Software Components (tccom0100s000)** session.

#### 2 Financial Trade Management Parameters (tcgtc9199m000)

In the Financial Trade Management Parameters (tcgtc9199m000) session, specify:

##### a Trade types

Select any of these check boxes to specify the trade type of the letters of credit to be used:

- **Export**
- **Import**
- **Domestic Outbound**
- **Domestic Inbound**

##### b Number group

In the **Number Group** field, specify the *number group* on which letter of credit numbers are based.

##### c Failure reasons

For each letter of credit trade type, specify the reason why compliance checks resulted in a failure. Failure reasons are displayed in the Document Compliance Check Results (tcgtc1510m000) session.

##### d Series

For each letter of credit trade type, specify the *series* used to generate letter of credit numbers.

#### 3 User authorizations

In these sessions, specify the authorizations for the users who are to handle letters of credit:

- Export User Authorizations (tcgtc0103m000)
- Import User Authorizations (tcgtc0103m100)
- Domestic Sales User Authorizations (tcgtc0103m200)
- Domestic Purchase User Authorizations (tcgtc0103m300)

#### 4 Blocking reasons

Specify letter of credit blocking reasons for:

- *Sales orders* in the **Pre-Defined Hold Reason - Letter of Credit Check** field of the **Sales Order Parameters (tdsls0100s400)** session. If blockings occur, the blocking reasons are displayed in the Blocked Sales Order (Lines) (tdsls4520m000) session.

- *Purchase orders* in the **Letter of Credit Hold Reason** field of the **Purchase Order Parameters (tdpur0100m400)** session. If blockings occur, the blocking reasons are displayed in the Purchase Order (Line) Blockings (tdpur4120m000) session.



## Chapter 3: Letter of Credit Procedures

### Basic letter of credit procedure

There are different types of letters of credit and various scenarios in which *letters of credit (L/C)* are used. The basic letter of credit procedure:

**1** Purchase and sales agreement

The buyer and the seller draw up a purchase and sales agreement. The purchase and sales agreement between the buyer and the seller stipulates that payment is made through a letter of credit.

**2** Buyer applies for letter of credit

The buyer requests his bank to issue a letter of credit. The letter of credit must be in accordance with the purchase and sales agreement.

**3** Issue letter of credit

The *issuing bank* sends the letter of credit to the *advising bank*.

**4** Advise letter of credit

The advising bank verifies the authenticity of the letter of credit, and forwards the letter of credit to the seller.

The seller checks if:

- The letter of credit corresponds to the terms and conditions of the purchase and sale agreement.
- He can meet the requirements of the letter of credit within the specified period or by the specified date.
- He can produce the documents stipulated in the letter of credit. These documents include the invoice, transport documents such as the *bill of lading*, or quality certificates.

**5** Prepare shipment

After ensuring that the terms of the letter of credit can be met, the seller produces the goods and prepares shipment.

**6** Present documents

The seller prepares the documents that prove that the goods are ready for shipment and presents these documents to the advising bank. The advising bank sends the documents to the issuing bank.

**7** Payment

The issuing bank checks the documents and if approved, the issuing bank transfers the payment to the seller through the advising bank.

**8** Document transfer

The issuing bank hands over the documents to the buyer. The documents allow the buyer to clear the goods from the customs and take possession of the goods. The buyer pays the issuing bank.

### Amendments

When the letter of credit is advised to the seller by the advising bank, the seller checks if the requirements of the letter of credit can be met. If the seller is unable to meet any term or condition of the letter of credit, or the letter of credit differs from the purchase and sale agreement, the seller must notify the importer and request an amendment to the letter of credit.

For example, the seller asks to extend the expiry date and the latest shipping date if they are unable to manufacture the merchandise in time. An importer can request an amendment to increase the value of the letter of credit to purchase a higher quantity of merchandise.

When all parties agree, the amendment is incorporated into the terms of the letter of credit and advised to the exporter through the *advising bank*. The seller starts shipment after the amendments have been agreed to.

## Export letter of credit procedure

In LN, the export letter of credit procedure entails maintaining and processing *letters of credit (L/C)* from the seller's perspective.

These types of letters of credit are used:

- Export letters of credit - for international trade
- Domestic sales letters of credit - for trade within the same country

The following steps reflect the normal flow. However, if the letter of credit requires adjustment, at various stages in the procedure you may be required to change the data or to set the letter of credit to an earlier status. See [To change letter of credit data or status](#)

### 1 Initial letter of credit

Based on the purchase and sales agreement between the buyer and the seller, the seller specifies the contents of the letter of credit that he will ask the buyer to issue at the buyer's bank. The initial status of the letter of credit is **PreLiminary**.

Export letters of credit are maintained in the Export Letter of Credit (tcgtc0650m000) session, and domestic sales letters of credit in the Domestic Outbound Letter of Credit (tcgtc0650m200) session.

### 2 Link document to letter of credit

An authorized user links the relevant *document* to the letter of credit. This is to ensure that the document is processed in accordance with the terms of the letter of credit.

See [Link and unlink letters of credit](#).

### 3 Approve letter of credit

After linking the *document* or documents to the letter of credit, an authorized user approves the letter of credit by selecting **Approve** on the *appropriate menu* of the Export Letter of Credit (tcgtc0650m000) or the Domestic Outbound Letter of Credit (tcgtc0650m200) session.

Approving the letter of credit is mandatory. To continue the letter of credit procedure the user must approve the letter of credit.

If required, users can change approved letters of credit with specific statuses by selecting **Unapprove** on the *appropriate menu*.

See To change letter of credit data or status.

#### 4 Set to **Definitive**

To continue the procedure, the user must set the status of the letter of credit to **Definitive**. This allows the linked documents to be approved, or, in case of contract deliverables, to be activated.

*Document compliance* checks are performed to verify if the document meet the requirements of the letter of credit. See Compliance checks for documents linked to letters of credit.

Usually, at this point the seller asks the buyer to open a letter of credit at the buyer's bank as per the contents of the **Definitive** letter of credit.

#### 5 Set to **Received**

When the letter of credit is received from the buyer through the advising bank, the seller checks if:

- He can meet the requirements of the *letter of credit (L/C)*.
- The L/C is in accordance with the sales and purchase agreement.

If yes, the user must set the status of the letter of credit to **Received**.

#### 6 Set to **Returned**

If the *letter of credit (L/C)* received from the buyer requires amendment, the user must:

- a Unapprove the letter of credit.
- b Modify the letter of credit.
- c Set the status to **Returned**.
- d Return the letter of credit to the buyer.

If amendments are not required, the user can accept the letter of credit.

#### 7 Set to **Accepted**

If acceptable, the user must set the status of the letter of credit to **Accepted**. This status allows the linked *document* to be released to Warehousing.

When the document is released to Warehousing and when the shipment related to the document is confirmed, document compliance checks are performed to verify if the document and the shipment meet the requirements of the letter of credit. See Compliance checks for documents linked to letters of credit.

#### 8 Set to **Sent**

Set the status to **Sent** to indicate that the required documents are presented to the *advising or confirming* bank and that the goods are sent.

#### 9 Set to **Paid**

If the payment received against the sales invoices for the sales order lines linked to the letter of credit is equal to the maximum amount of the letter of credit, the status of the letter of credit is automatically set to **Paid**.

Users can also manually set the status to **Paid**.

#### 10 Set to **Closed**

After payment has been received, you can set the status to **Closed**.

**Note:**

- The previous steps reflect the normal flow. However, if the letter of credit requires adjustment, at various stages in the procedure you may be required to change the data or to set the letter of credit to an earlier status. See [To change letter of credit data or status](#) on page 17
- Users can set the letter of credit to **Canceled** at any stage in the procedure.

## Import letter of credit procedure

In LN, the import *letter of credit* (L/C) procedure entails maintaining and processing letters of credit from the buyer's perspective.

These types of letters of credit are used:

- Import letters of credit - for international trade
- Domestic purchase letters of credit - for trade within the same country

### 1 Initial letter of credit

Based on the purchase and sales agreement, and the L/C requirements from the seller, the buyer draws up a draft letter of credit. The status of the initial letter of credit is **Preliminary**.

Import letters of credit are maintained in the Import Letter of Credit (tcgtc0650m100) session, and domestic purchase letters of credit in the Domestic Inbound Letter of Credit (tcgtc0650m300) session.

### 2 Link document to letter of credit

When the letter of credit is satisfactory, an authorized user links the relevant *document* to the letter of credit. This is to ensure that the document is processed according to the terms of the letter of credit.

These *documents* are available for import or domestic purchase letters of credit:

- *Purchase orders*
- *Purchase order lines*

See [Link and unlink letters of credit](#).

### 3 Approve letter of credit

After linking the *document* or documents, the user approves the letter of credit by selecting **Approve** on the *appropriate menu* of the Import Letter of Credit (tcgtc0650m100) or the Domestic Inbound Letter of Credit (tcgtc0650m300) session.

Usually, at this stage the buyer uses the approved letter of credit to officially request his bank to open a letter of credit. Approved letters of credit cannot be changed, but if required, you can change an approved letter of credit by selecting **Unapprove** on the *appropriate menu*.

See [To change letter of credit data or status](#).

### 4 Set to **Definitive**

To continue the procedure, the user must set the status of the letter of credit to **Definitive**. This allows the linked *documents* to be approved.

Document compliance checks are performed to verify if the document and the receipt meet the requirements of the letter of credit. See [Compliance checks for documents linked to letters of credit](#).

### 5 Set to **Requested**

When the buyer has sent the request to open a letter of credit to the *issuing bank*, the user must set the status of the letter of credit to **Requested**.

**6 Set to Received**

When the letter of credit is received from the *issuing bank* for final approval, the user must set the status of the letter of credit to **Received**.

**7 Set to Issued**

When the *issuing bank* has issued the letter of credit to the *advising bank*, set the status of the letter of credit to **Issued**.

This status allows the linked *document* to be released to Warehousing.

When the document is released to Warehousing and when the receipt related to the document is confirmed, *document compliance* checks are performed to verify if the document and the receipt meet the requirements of the letter of credit. See Compliance checks for documents linked to letters of credit.

**8 Set to Paid**

If the payment made for the purchase order lines linked to the letter of credit is equal to the maximum amount of the letter of credit, the status of the *letter of credit (L/C)* is automatically set to **Paid**.

Users can also manually set the status to **Paid**.

**9 Set to Closed**

After payment is made, the user can set the status to **Closed**.

**Note:**

- The previous steps reflect the normal flow. However, if the letter of credit requires adjustment, at various stages in the procedure you may be required to change the data or to set the letter of credit to an earlier status. See To change letter of credit data or status
- Users can set the letter of credit to **Canceled** at any stage in the procedure.

## Shipment periods and shipment days for letters of credit

*Letters of credit (L/C)* are specified in these sessions:

- Export Letter of Credit (tcgtc0650m000)
- Import Letter of Credit (tcgtc0650m100)
- Domestic Outbound Letter of Credit (tcgtc0650m200)
- Domestic Inbound Letter of Credit (tcgtc0650m300)

In these sessions, the following fields are interdependent:

- **Latest Shipment Date**
- **Shipment Period From**
- **Shipment Period To**
- **Shipment Days**

If you specify a date in the **Latest Shipment Date** field and save the data, the **Shipment Days** field is read-only.

If you specify a shipment period in the **Shipment Period From** and **Shipment Period To** fields, the **Shipment Period To** value is updated in the **Latest Shipment Date** field. You cannot modify this value.

## Letter of credit consumptions

A *letter of credit (L/C)* consumption is a part of the amount of a letter of credit that is reserved for a *document* or document line.

An initial consumption is made when a document or document line is linked to the letter of credit. The initial consumption amount is the ordered amount of the linked document or document line.

For export or domestic sales letters of credit, final consumptions are made when a shipment or shipment line related to a document linked to the letter of credit is confirmed. For import or domestic purchase letters of credit, this occurs when a receipt or receipt line related to a document linked to the letter of credit is confirmed.

Therefore, if a letter of credit is linked to various documents or document lines and some of these documents are related to confirmed shipment or receipt lines, both initial and final consumptions are present for the letter of credit.

## Chapter 4: Handling and Processing

### Link and unlink letters of credit

If *letter of credit (L/C)* is the payment method to pay a *document*, you must link the letter of credit to the document.

Export and domestic sales letters of credit must be linked to the *sales orders*, *sales order lines*, or *contract deliverables* for which the letters of credit provide payment. Import and domestic purchase letters of credit must be linked to *purchase orders* or *purchase order lines*.

To link letters of credit to documents, you can select a letter of credit in the document session or select a document in the letter of credit session.

You can link a letter of credit to an order header or an order line. If you link a letter of credit to an order header, the order lines are also linked to the letter of credit.

If you link a letter of credit to an order line, the letter of credit is only applicable for the order line. For each order line, you can link a different letter of credit.

#### Criteria

To be linked to a *document*, a letter of credit must:

- Not yet be approved.
- Have the status set to **Preliminary** or **Definitive**.

To be linked to a letter of credit, a document must:

- Have the Letter of Credit Required check box selected.
- Not yet be approved.
- Have a positive ordered amount that does not exceed the maximum amount of the letter of credit.
- Have the same *company* as the letter of credit.
- Order lines

The *warehouse* must be specified. This is the warehouse in which the goods covered by the letter of credit are issued or received.

- Purchase document

A purchase document must:

- Have a *planned receipt date* not before the Latest Shipment Date or the Shipment Period To of the letter of credit.
- Have the same *buy-from business partner* as the one on the letter of credit.
- Sales document and contract deliverable

A sales document or contract deliverable must:

- Have a *planned delivery date* not later than the Latest Shipment Date or the Shipment Period To of the letter of credit.
- Have the same *sold-to business partner* as the one of the letter of credit.

### Link document in letter of credit session

- 1 On the *appropriate menu* of the applicable letter of credit session, select **Link Document**.
- 2 In the **Link Document (tcgtc2245s000)** session:
  - Select the *company* of the document to be linked. This step is applicable in multicompany environments.
  - Select the required document type.
  - Click **Continue**.
  - Select the required document.

**Note:** If no *documents* are displayed after clicking **Continue**, none of the documents of the selected document type meet the criteria listed earlier in this topic.

### Link letter of credit in document session

- 1 In the header or line section of the *document* session, select the Letter of Credit Required check box.
- 2 On the *appropriate menu* of the applicable document session, select **Link Letter of Credit**.
- 3 Select the required letter of credit. If no letter of credit is displayed, no letter of credit that matches the criteria of the order or order line is present.

**Note:**

- If you select the **Letter of Credit Required** check box on the order header, this check box is also selected for the order lines that meet the criteria. Order lines for which no warehouse is specified, or with a negative order amount, are not linked to the letter of credit.
- If you add an order line to a sales order that is linked to a letter of credit, the order line is automatically linked to the letter of credit.

### Unlink letters of credit

If required, you can unlink a letter of credit from a document. To do so, the letter of credit must be unapproved.

If a letter of credit is linked to the order header, you must unlink the letter of credit on the order header.

Unlinking the letter of credit for individual order lines is not allowed.

If a letter of credit is linked to an order line, you must unlink the letter of credit for the order line.

**Note:** If you cancel a letter of credit, the letter of credit is unlinked from the document and the **Letter of Credit Required** check box is cleared for the document.



## To change letter of credit data or status

You can change *letters of credit (L/C)* in different stages of the import or export letter of credit procedure. For various reasons, in addition to changing the data, you may also be required to change the status as an indicator that you move on to the next step or return to a previous step in the procedure.

### Example

After the seller accepts the letter of credit, he finds out that the latest shipment date must be extended. For this purpose, the letter of credit must be unapproved and the shipment date must be adjusted. The new shipment date must be communicated to the buyer. Next, the user approves the letter of credit and resets the status from **Accepted** to **Returned**.

### Note:

- You can only change the most recent version of the letter of credit. The version number is displayed in the Version field of the applicable letter of credit session.
- To change letters of credit, you must have proper authorization. See Letter of credit setup

### Preliminary, closed, and cancelled letters of credit

Letters of credit with status **Preliminary** can be changed at any time during the process.

You cannot change letters of credit with status **Closed** or **Canceled**.

### Change letter of credit data

To change letters of credit with other statuses:

- 1 On the *appropriate menu* of the applicable letter of credit session, select **Unapprove** to undo the approval of the letter of credit.
- 2 Change the letter of credit data as required.
- 3 Approve the letter of credit.
- 4 If another status is required, on the *appropriate menu*, select the required status. The available statuses depend on the status of the letter of credit at the moment you change the letter of credit.

### Change letter of credit to earlier status

To change letters of credit with statuses other than **Preliminary**, **Closed** or **Canceled** to a status applicable to an earlier step:

- 1 On the *appropriate menu* of the applicable letter of credit session, set the status to **Definitive**.
- 2 Return to the *appropriate menu* and select the required status.  
The available statuses depend on the status of the letter of credit at the moment you change the letter of credit.

### Change letter of credit to later status

To change letters of credit with statuses other than **Preliminary** or **Canceled** to a status applicable to a later step:

Select the required status. The available statuses depend on the status of the letter of credit at the moment you change the letter of credit.

## Compliance checks for documents linked to letters of credit

During the sales order, contract deliverable, and purchase order procedure, changes can be made to the *documents* involved. To verify if the changes made to the documents conflict with the requirements of the linked *letters of credit (L/C)*, LN performs *document compliance checks*.

During the following steps in the sales order, contract deliverable, and purchase order procedure, LN performs these document compliance checks:

- Link document to letter of credit  
When the document is linked to a letter of credit, LN verifies if:
  - The aggregated order amount does not exceed the amount of the letter of credit.
  - The expiry date of the *letter of credit (L/C)* is after the *order date* of the linked *sales order*, *sales order line*, *purchase order*, or *purchase order line*.
- Approve or activate document  
When the sales or purchase document is approved, or the contract deliverable is activated, LN verifies if the status of the linked letter of credit is set to **Definitive**.
- Release to Warehousing  
When the document is released to Warehousing, LN verifies if the status of the letter of credit is:
  - **Accepted** for export or domestic sales letters of credit.
  - **Issued** for import or domestic purchase letters of credit.
- Confirm shipment  
When the shipment related to the sales order is confirmed, LN verifies if:
  - The shipped amount does not exceed the total amount of the letter of credit.
  - The latest shipment date of the letter of credit is not before the planned delivery date of the linked document.
- Confirm receipt  
When the receipt related to the purchase order is confirmed, LN verifies if the:
  - Received amount does not exceed the total amount of the letter of credit.
  - The latest shipment date of the letter of credit is not before the planned receipt date of the linked document.

The check results are displayed in the Document Compliance Check Results (tcgtc1510m000) session and the **Check Results** tab in the satellite section of the applicable letter of credit session.

Also, the Document Compliance Status is displayed for shipments, shipment lines, and contract deliverables in these sessions:

- **Shipments (whinh4130m000)**
- **Shipment Lines (whinh4131m000)**

- **Contract Deliverables (tppdm7100m100)**

Unsuccessful compliance checks result in blocking the purchase order lines, sales order lines for which the checks are performed. For contract deliverables, the outbound order lines are removed and the contract deliverable is set to status **Free**.

Blocked sales and purchase order lines are displayed in the Blocked Sales Order (Lines) (tdsls4520m000) and Purchase Order (Line) Blockings (tdpur4120m000) sessions.

**Note:** Blockings resulting from failed document compliance checks cannot be resolved in the Blocked Sales Order (Lines) (tdsls4520m000) and Purchase Order (Line) Blockings (tdpur4120m000) sessions.

### Resolve compliance failures

If the compliance check results in a failure, you can:

- Correct the letter of credit or the document.
- Override the failure in the Override Compliance Check Results Workbench (tcgtc1610m100) session.

After the compliance failure is corrected, the sales and purchase order lines are unblocked in the Blocked Sales Order (Lines) (tdsls4520m000) and Purchase Order (Line) Blockings (tdpur4120m000) sessions.

### Example

If you add an order line to a sales order that is linked to a *letter of credit (L/C)*, LN links the order line to the L/C. If this causes the maximum amount of the letter of credit to be exceeded:

- A warning is displayed.
- The sales order line is blocked. This is displayed in the:
  - Blocked Sales Order (Lines) (tdsls4520m000) session.
  - **Check Results** tab of the letter of credit session.
- The compliance check result is **Failure**. This is displayed in the Document Compliance Check Results (tcgtc1510m000) session.

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