

All about Procedures

These are the set procedures that must be followed as part of any transaction. They often present the most resistance from some Buyers who are unfamiliar with fuels and prefer to use practices they used in other commodities. Our Sellers & refineries procedures follow established norms within the wider international fuel industry. There may be some differences in syntax, but overall they are very similar. Most Sellers declare their procedures are non-negotiable; the refineries could be open to some minor differences to accommodate special needs. However, generally the following procedures must largely prevail. Procedures are designed to be fair and to protect both Buyer and Seller.

Furthermore, all refineries have to apply for licenses from the Russian Federation Ministries of Energy & Justice, so everything must reasonably conform to the standards.

There are three standard FOB procedures and three for CIF offered. Your Buyers will decide what is more appropriate for their needs. We are open to all questions – nobody should be in doubt about how the processes function. Several other procedures exist - vessel to vessel, Title Take Over etc.

Serious, experienced Buyers or reSellers of fuels should have already a good idea of what to expect and be familiar with most of the content. The fuel industry is well established and defined, but Buyers need also to accept that it is largely a 'Sellers market' too. Sellers are not interested in Buyer's special demands and nether are they receptive to other procedures!

As a precursor to the following, we would have already provided you with a fresh tailor-made quotation based on the quantity, frequency and destination from our appointed Seller's mandate.

Please note, we have introduced a new provision for Buyers to present a banker's BCL consent form to possibly be applied as a part of every procedure due to a series of Buyer's financial failings. Some 'Buyers' act only as reSellers and often present the most financial risk due to lack of funding.

Special Note:

In recent months we have suffered – and in consequence our Sellers too - a series of contract failures. Several Buyers (mainly reSellers) have reneged on their signed contracts. They failed to meet their financial obligations at significant phases of their respective procedures. Unlike other international trading norms, Sellers do not call for any verification of a Buyer's financial standing. Traditionally, BCL, BG,RWA etc are an accepted custom. Not so in the fuel industry because historically Sellers/refineries' customers have been established well known entities. Nowadays, sales have been promoted in smaller volumes to minor Buyers – some only traders. This has attracted some to the benefits of high margins, but being of less financial worth themselves.

The result has been dire! Some not even being able to support tank farm leasing or lease extensions. Because of these traditional procedure structures Sellers have suffered financial losses. This is obviously unsustainable.

We have been obliged therefore, to introduce measures to combat this abuse and for first-time unknown Buyers we have been forced to introduce measures whereby for CIF procedures Buyers are required to pay 50% of Legalisation Fees paid **directly** to the Ministry of Energy, or, with other procedures, 50% of the charter costs **directly** to the shipping line. These monies are 100% REFUNDABLE and deducted from the product final payment.

This measure applies ONLY for the FIRST lift.

In essence, this should be regarded as a '**refundable deposit**' and a guarantee to our Sellers that a Buyer is genuine with a firm commitment to buy.

Drastic measures indeed, but how to combat those who knowingly sign a contract without the ability to pay, or even embark on requesting RFQ's from our team. The way we can work with those who find themselves in a position where they have a genuine End Buyer ready and able is – instead

of trying to acting as RESELLERS but without the necessary financial resources - that they join our team as fellow intermediaries. Their benefits will be never as large as acting as traders, but, at least, they will enjoy some profits. Better a smaller profit than NO profit!

However, we do insist that we have direct contact with your end Buyer and conduct all negotiations with that Buyer. Long experience has demonstrated that the ONLY way to have a decent chance of a successful contract.

PLEASE NOTE that the above verbiage ONLY applies to CIF Contracts

NEW CIF Buyers please go to pages 9 & 10.

Existing Buyers kindly ignore the above; Applies ONLY to first-time unknown CIF Buyers.

FOB 1	
1	Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of FOB 1 Procedure along with scanned copies of Company Registration and Buyer's Passport.
2	Seller issues Commercial Invoice [CI], along with a statement of the quantity available to the Buyer, Buyer signs, and returns CI to Seller with his [TSA] proof of readiness of a storage tank. The Intermediaries prepare ICC format NCNDA/IMFPA documents.
3	Seller leases and pays the Buyers tank for an initial 2 days. Buyer pays his Tank Farm for 3 days after his Tank Farm has received payment from the Seller.
4	Seller issues these PPOP documents to Buyer: <ul style="list-style-type: none"> • Tank storage receipt [TSR] and GPS coordinates of the tank location • Injection Report • Dip Test Authorization letter [DTA] – Unconditional • Authorisation to Sell and To Collect [ATSC] • Fresh SGS Report • Authorisation to Physically Verify [ATV] • Commitment to Supply • Certificate of Origin • Statement of Availability of Product
5	Seller Injects into Buyer's tank. Buyer conducts his SGS Dip Test [DT] on the product and then makes payment for the total value of the product by MT103.
6	Seller pays commission to all intermediaries as per NCNDA/IMFPA. Subsequent monthly shipments continue as per the terms, and conditions of the Sales and Purchase Agreement.

FOB 2	
1	Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of FOB 2 Procedure along with scanned copies of Company Registration and Buyer's Passport.
2	Seller issues Commercial Invoice [CI], and statement of the quantity available to the Buyer, Buyer signs, and returns to Seller with his TSA. All intermediaries prepare ICC format

	NCNDA/IMFPA documents.
3	Seller issues, Dip Test Authorization [DTA] letter signed by all parties including Buyers Tank Farm.
4	Upon the signing of the DTA by all parties, Seller issues: <ul style="list-style-type: none"> • Fresh SGS Report • Tank Receipt [TSR] • Injection Report • Certificate of Origin • Refinery Reservoir Receipt
5	Buyer orders SGS to conduct Dip Test [DT] on the product in the Sellers Tank (to Buyer's account} After a successful Dip Test, Buyer provides his tank farm coordinates. Seller subsequently injects the product and orders an inspection report [SGS] and submits that and a full Proof of Product POP* to the Buyer. *(See Page 6)
6	Buyer makes 100% payment by MT103 for the total product and Seller pays commissions to all intermediaries as per NCNDA/IMFPA within 24 hours.

FOB 3 – Tank to Vessel

1	Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of FOB 3 Procedure along with scanned copies of Company Registration and Buyer's Passport.
2	Seller issues Draft contract /commercial invoice [CI], for the available quantity in the storage tank to Buyer. Buyer Signs and returns the CI to Seller. All intermediaries prepare ICC format NCNDA/IMFPA documents.
3	Seller sends the following to Buyer: <ul style="list-style-type: none"> • Injection Report • Sellers Tank Receipt • Authorization to Sell and Collect ATS • Product Passport
4	Buyer extends Sellers tank for 3 days, to facilitate the DTA and Buyer pays and conducts Dip Test (DT) in Seller's tank, after 3 days validation.
5	After a successful dip test (DT), Buyer provides vessel details (Q88 and CPA) and submits an NOR to prepare for injection of product into Buyer's vessel.
6	Seller shall immediately submit the SGS Report along with the full Proof of Product POP* to the Buyer. Seller proceeds with product injection into Buyer's vessel. * (See Page 6)
7	Buyer makes 100% payment by MT103 wire transfer for the total product within 72 hours and Seller transfers the Title Document into Buyer's name
8	Seller supplies Buyer with: <ul style="list-style-type: none"> • ATSC • Seller Export License
9	Seller pays commission to all intermediaries 24 hours after confirmation of the Buyers payment, for initial Spot, as well as each subsequent contract shipment.

10	Seller submits a draft SPA to Buyer, for review for R&E monthly shipments. Buyer receives and approves the SPA, and issues an Irrevocable, Non-Transferable, Revolving SBLC/IRDLCL for 12 month's shipment value, for the length of contract and for each lift per schedule, inclusive of PB 2%. Buyer submits payment after his Dip Test by MT 103 wire transfer after each monthly shipment. The subsequent deliveries shall commence accordingly.
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Notes about the above FOB Transactions:

FOB 1/2/3 - Some contest why access is not to verify content of Seller's tank without first leasing their own tank? Manifold reasons, but briefly, it indicates a Buyer's intent to buy and commits both the Seller to sell. A fuller detailed explanation is available upon request.

FOB 3 - Tank to Vessel - designed to save Buyer's money. Competent organisational logistics are critical because vessels need to be alongside in a timely way. Any delays will incur extra costly tank leasing and berthing fees.

Special Note

Following on from the notes on page one in red. FOB Buyers need to be aware that they too have charges payable to tank farms for leasing and lease extensions of Seller's tanks. Again, we suffered failures due to Buyers surprised by their obligations in the procedures to pay tank farms! There is zero excuse for any Buyer to not understand their commitments. If something is unclear – please ASK!

CIF 1

CIF 1	
1	Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of CIF 1 Procedure along with scanned copies of Company Registration and Buyer's Passport.
2	Seller Issues a Draft SPA for any amendments and countersigning. The Intermediaries prepare ICC format NCNDA/IMFPA documents.
3	Seller sends Partial POP (PPOP) to Buyer via email:
4	Seller appoints and signs a Charter Party Agreement [CPA] with a shipping company. Seller pays 50% of the shipment costs to the Buyer's discharge port.
5	The shipping company raises an invoice for the above 50% balance directly to the Buyer. Buyer instructs his bank to pay the <u>one-time refundable</u> sum directly to the shipping company's account by MT103 within 48 hours. Shipping company notifies Seller along with the remittance receipt.
6	Seller Swifts the Full POP* to Buyer's bank. Buyer's bank Swifts in return, the Irrevocable Non - Transferable Documentary Letter of Credit to the Seller's Bank. * (See Page 6)
7	First shipment commences as scheduled in the contract. Upon arrival at the discharge port, a Q&Q inspection is done on-board the vessel to the Buyer's account. Buyer pays for the product cost MINUS the shipping company's 50% cost invoice amount by MT103 to the Seller. Seller pays all intermediaries as per NCNDA/IMFPA within 48 hrs. Note: Seller pays 100% of shipping costs for subsequent shipments thereafter.

CIF 2 - By Contract Transaction

1	Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of CIF 2 Procedure along with a BCL – Banker's Comfort Letter consent form based on the financial parameters of the SCO. Plus scanned copies of Company Registration and Buyer's Passport.
2	Seller issues a draft contract SPA to the Buyer, Buyer reviews and returns countersigned contract to Seller with a Letter of Acceptance. All intermediaries prepare ICC format NCNDA/IMFPA documents.
3	Seller reviews the signed contract, then submits and pays for its legalisation with the Ministry of Energy.
4	Upon receipt of the legalised contract from the Ministry of Energy, the Seller submits the Partial Proof of Product (PPOP) documents to the Buyer: <ul style="list-style-type: none"> • Refinery Commitment to Supply • Certificate of Origin • Statement of Availability of Product • Product Passport (Analysis test Report) • Export License • The legalised SPA • Invoice along with Sellers approved verbiage.
5	Within 10 Banking days upon receipt and confirmation of the documents, Buyer issues a Standby Letter of Credit (SBLC MT760 / DLC MT700) as per Sellers approved verbiage, <i>If Buyer fails to issue the Letter of Credit within the stipulated validity date, Buyer shall lodge a cash deposit of USD 220,000 - Two Hundred and Twenty Thousand Dollars USD by MT103 to pay for the official government document and product allocation fees as a transaction security guarantee to enable the Seller to charter the vessel and commence the first shipment arrangements. The above sum will be deducted from the product final payment by MT103 after Q&Q inspection at the discharge port. This provision ONLY applies to the FIRST shipment.</i>
6	Seller signs a Charter Party Agreement CPA with a shipping company and issues Full POP* copies of documents comprised of the following and a 2% PB to Buyers bank. * (See Page 6)
7	Shipment commences as per contract schedule.
8	Buyer releases full payment via MT103 within 72 hours for the total value of the product after a successful Q&Q on-board before discharge at destination port.
9	Seller pays all intermediaries per the NCNDA/IMFPA within 48 hours.

CIF 3 - By Escrow Account

1	Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of CIF 3 Procedure along with a BCL – Banker's Comfort Letter consent form based on the financial parameters of the SCO. Plus scanned copies of Company Registration and Buyer's Passport.
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2	Seller Issues a draft SPA for amendment and countersigning. All intermediaries prepare ICC format NCNDA/IMFPA documents.
3	Seller send's partial POP to Buyer via email: <ul style="list-style-type: none"> • Statement of Availability of Product • Commitment to Supply • Product Passport • Company Registration Certificate • A 10% ** Payment Invoice of the total cost of the product via ESCROW.
4	Seller appoints and signs Charter Party Agreement CPA with the Shipping Company. Seller pays to the shipping company the shipping charges to Buyers final discharge port after receiving confirmation of the 10% ** payment via ESCROW by Buyer.
5	Sellers bank sends via Swift the Full Proof of Product documents (POP) and 2% PB to the Buyers bank.
6	Shipment commences as scheduled in the contract.
	Upon arrival at the discharge port and after a successful SGS Q/Q inspection, Buyers bank releases the Total Value of the product MINUS 10% ** to Sellers bank within two banking days by MT103.
7	Seller pays all intermediaries as per NCNDA/IMFPA within 48 hours.

**** This figure may vary according to the product quantity.**

Notes to read for above CIF Transactions:

CIF transactions are potentially very risky for SELLERS. If a Buyer defaults on his signed contract - Which they do! Sellers would find themselves with a chartered vessel full of unsold cargo in a faraway place! For this reason, competitively priced Sellers such as ours will exercise added precautions for first-time unknown Buyers.

We offer 3 CIF procedures options:

CIF 1 - Is contingent upon Buyer and Seller sharing 50% of FIRST LIFT vessel charter costs. This demonstrates a financial commitment affirming a Buyer is genuine and intends to fulfil his purchase. Because there is often a resistance to paying any money up-front, we arranged that the 50% share could be paid directly to the third party shipping company with a separate independent contract rather than directly to the Seller. After discharge at the destination port, the 50% shared cost is deducted from the final product payment. The 50% provision only applies to the FIRST shipment.

CIF 2 – largely follows a familiar format to other types of commercial commodity transactions and utilises SBLC/DLC banking facilities, although there is a big difference! Namely, that payment is not made until the cargo reaches the destination port, thereby offering a period of 'credit' from contract signing through transit time. However, Sellers would insist that Buyers use one of the 50 Top Tier Banks.


CIF 3 - provides for the establishment of an ESCROW account. Both Buyers and Sellers may take comfort in the alternative security this format offers. Full details on application.

Note : It is vital that the Sellers approved verbiage be followed to ensure smooth acceptance.

Example of a POP Listing

In the interest of space-saving above a list of POP documents contingent upon the specific FOB/CIF

Procedure. Not all listed items will be applicable.

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- License to Export, issued by the Ministry of Energy.
 - Approval to Export, issued by the Ministry of Justice.
 - Statement of Availability of the Product.
 - Seller Commitment to produce the Product.
 - Transnet Contract to Transport the products to the loading port.
 - Port Storage Agreement.
 - Charter Party Agreement to Transport to products to discharge port.
 - Vessel Questionnaire Q88.
 - Bill of Lading.
 - SGS report at loading port.
 - Dip Test Authorization (DTA) & ATB.
 - Analysis of Product.
 - NOR/ETA.
 - Certificate of Ownership Transfer.
 - Allocation Transaction Passport Code Certificate (ATPCC) issued by the Ministry of Energy

The Russian Federation authorities are strict; they will examine all the documents before issuing the relevant Export Documentations etc.

The Fuel Industry is no different from any other in respect of questing a Buyer's authenticity. Buyers must submit a completed ICPO on their own Letter Heading with their relevant banking details and a BCL consent form. We will submit later a Seller preferred ICPO template verbiage along with a plain copy version of your selected procedure; this must be inserted at the appropriate place and form an integral part of the completed ICPO.

Some Acronyms & Terms Used in the Petroleum Industry

ASTM	American Society of Testing & Materials	
ATI	Tank Farm Storage Authorisation	<i>Letter to Inject</i>
ATS ATSC	Authority to Sell	<i>Issued by a Seller to indicate they have completed formalities and are free to sell the product/and to collect</i>
ATV	Authority to Verify	<i>Authority from Seller to carry out Dip Tests</i>
BBL (S)	Barrel (s)	<i>Volume of 42 US gallons 35 Imp gallons 159 Litre</i>
CCI/CI	Conditional / Commercial Invoice	
CPA	Charter Party Agreement	<i>A Seller's agreement with a shipping company</i>
DTA	Dip Test Authorisation	<i>Issued by the Seller</i>
DTAR	Dip Test Analysis Report	<i>Issued by SGS laboratory indicating content</i>
GOST	Russian Technical Standards Institute	
NOR	Notice of Readiness	<i>Issued by Buyer to Seller that their tank is ready to inject product</i>
PLATT'S	Platt's - S/P Global	<i>London based agency publishing daily official market prices of petroleum products</i>
POA	Pump Out Authority	<i>Issued by Tank Farm</i>
PPOP POP	Partial / Proof of Product	<i>Seller's submission of several documents to demonstrate the product exists and other associated verifications.</i>
SGS	Inspection Authority	<i>SGS or equivalent, to control product quality and quantity and report. None as an Q&Q</i>
	Transneft	<i>Is an RU government product piping transmission system</i>
TSA	Tank Storage Lease Agreement	<i>Between Buyer + Tank Farm + Named Seller. Only an agreement. No fee is paid at this time</i>
TSR	Tank Storage Receipt	<i>Issued by Tank Farm and relayed to Seller that Buyer has paid tank lease fee after verification and satisfaction of Seller's PPOP formalities</i>

SPECIAL CIF - FTB Procedures for First-Time Unknown Buyers

CIF Contract Procedure - FTB 1

1. Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of this FTB 1 Procedure along with scanned copies of Company Registration, Company Profile and Buyer's Passport.
2. Seller issues draft contract/SPA to Buyer, Buyer returns countersigned contract to Seller with a Letter of Acceptance.
3. Seller receives and reviews signed contract, Seller legalises the contract with the Ministry of Energy. Buyer and Seller share 50/50 of the legalisation fees. Buyer shall pay the Ministry of Energy directly against their official invoice relayed by the Seller.
The above sum paid shall be deducted from the price at the time of the product payment at the destination port.
4. Upon Seller receiving legalized contract from the Ministry of Energy, Seller issues a partial proof of product (PPOP) documents to Buyer:-
 - (a) Refinery commitment to supply
 - (b) Certificate of Origin
 - (c) Statement of availability of product
 - (d) Product quality passport (analysis dip test report)
 - (e) Legalized SPA
 - (f) Bill of Lading
 - (g) Vessel tanker details Q88
 - (h) Export license copy
 - (i) Vessel (ETA) estimated time of arrival
 - (j) Vessel (NOR) notice of readiness
 - (k) ATV (Authority to Verify)
 - (l) Cargo manifest
 - (m) Ullage report
 - (n) Charter Party Agreement (CPA)
6. Within 7 days after receipt and confirmation of the documents, Buyer issues a Stand-by Letter of Credit (SBLC MT760 / DLC MT700) as per Seller's approved verbiage.
7. Seller signs the CPA with a shipping company and issues the full POP documents and 2% PB to Buyer's bank.
8. Shipment commences as per contract schedule.
9. Buyer releases payment, minus the above legalisation fees via MT103 for the total value of the product after passing the SGS Q&Q performed at the Buyer's discharge port within 72 hours.
10. Seller pays all intermediaries as per NCNDA/IMFPA within 48 hours.

SPECIAL CIF - FTB Procedures for First-Time Unknown Buyers

CIF Contract Procedures – FTB 2

1. Buyer examines the SCO submitted by the Seller's mandate. Buyer issues an ICPO with the inclusion of this FTB 2 Procedure along with scanned copies of Company Registration, Company Profile and Buyer's Passport.
2. Seller Issues Draft of SPA for amendment and countersigning.
3. Seller sends partial PPOP to Buyer via email:
 - (a) Statement of Availability of Product
 - (b) Commitment to Supply
 - (c) Product Passport
 - (d) Company Registration Certificate
4. Seller appoints and signs Charter Party Agreement with the Buyer and the Shipping Company. Buyer and Seller share 50/50 the shipping costs. Buyer shall pay the Shipping Company directly against the CPA Agreement invoice relayed by the Seller.

Note : The above fee will be deducted from the total product value, when product payment is made.
5. Seller Swifts the full POP to Buyer's bank. Buyer's Bank Swifts in return an Irrevocable Non Transferable Documentary Letter of Credit to the Seller's Bank.
6. Shipment commences as scheduled in the contract, and upon arrival of the product at the discharge port, an SGS/CIQ or Equivalent, inspection is done immediately on the product in the tanker vessel, paid by the Buyer.
7. Seller pays all intermediaries involved in the transaction as per NCNDA/IMFPA within 48 hours.