

LETTERS OF CREDIT: THE LAW AND CURRENT PRACTICE. By Lazar Sarna. Carswell, 1984. Pp. xv, 204. (\$38.00)

Letters of credit, like construction liens, bills of exchange and debentures, is not, legally speaking, a sexy topic. But for some, considerable masochistic pleasure can be derived from the mechanics and technical ingenuity of these documents which facilitate international trade and, increasingly, domestic commercial transactions. Lazar Sarna's *Letters of Credit: The Law and Current Practice* compounds the pleasure. This small book of just 204 pages is a deceptively sophisticated introduction to the fundamental principles and rules of letters of credit set out in the context of current Canadian banking practice. The author takes the reader on a guided tour of the letter of credit transaction from its creation to the remedies available in the event of dishonour or breach. Throughout, both the law and current practice are successfully intermingled in a text that although succinct is nevertheless, clear and articulate. Despite the awkward language, the reader is still able to proceed quite smoothly through a subject whose complexity alone would excuse a more turgid prose style.

Some general features of the book should be noted. First, the book provides a chronological narrative of a letter of credit transaction. Beginning with a definition and a description of the legal nature of a letter of credit, the account includes a description of the parties' rights and duties, the documentary requirements, a description of the autonomous nature of a letter of credit transaction, payment, duration, amendment and transfer, and finally, the remedies available both before and after judgment, including the jurisdictions where remedies may be sought. There are also twelve appendices setting out examples and precedents.

The second noteworthy feature of this book is that throughout the text, the author takes great care to combine the law with practice. Although the caselaw cited is drawn primarily from Canada, England and the United States, some European cases are also included. One of the commendable features of the book is the author's explanation on almost a step-by-step basis of the current practices of Canadian banks. The importance of this explanation cannot be understated as the caselaw fails to provide a complete picture of how letters of credit operate. The descriptions of current banking practice are particularly useful to the uninitiated practitioner as the author flags problems that frequently arise and discusses the pros and cons of adopting the particular courses of action necessary to resolve unforeseen difficulties.

Finally, the author considers some of the important theoretical legal issues affecting the law of letters of credit that remain to be resolved. In this regard, Sarna's discussions of the nature of the letter of credit as a legal entity in chapter two and of the effect of fraud in relation to the rule of autonomy in chapter five are careful and thoughtful exposés of difficult issues.

It is easy to suggest other topics that might have been included in this book if only because they have been included in other books on the

subject;<sup>1</sup> for example, inclusion of the various international rules relating to letters of credit and greater consideration of the domestic uses for letters of credit would have been useful. This criticism is minor. The clear purpose of *Letters of Credit: The Law and Current Practice* was to write an articulate introduction to the subject of letters of credit for students and inexperienced practitioners: Mr. Sarna has fulfilled this purpose admirably.

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<sup>1</sup> See, e.g., *Current Problems of International Trade Financing* (C. Chinkin, P. Davidson & W. Ricquier eds. 1983); H. Gutteridge & M. Megrah, *The Law of Bankers' Commercial Credits* (6th ed. 1979); M. Kurkela, *Letters of Credit Under International Trade Law* (1985); C. Schmitthoff, *Schmitthoff's Export Trade* (7th ed. 1980); *New Dimensions in International Trade Law: A Canadian Perspective* (J. Ziegel & W. Graham eds. 1982).

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