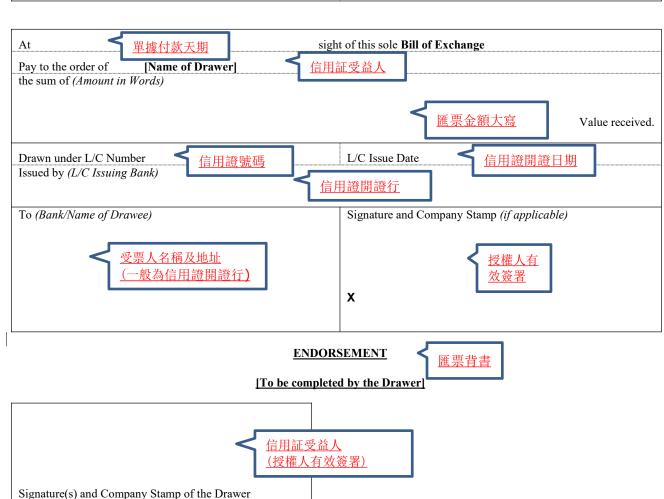
DRAFT





Remarks:

- 1. It would be ideal if the draft to be presented for the drawing of an L/C is made payable to the drawer and endorsed by the drawer in blank without the Bank being named as the payee under the draft. It is because a payee cannot become a "holder in due course" under the laws of Hong Kong and England. A holder in due course may obtain a better title than the transferor and could be immune from the fraud exception. It is therefore advisable to name the drawer as the payee of a draft who then endorses the draft in blank.
- 2. A draft can only be endorsed in blank (i.e. it specifies *no endorsee*), or endorsed to a *specified person* to whom, or to whose order, the draft is to be payable. For example, a draft endorsed "any bank or company" does not fulfil either requirement so blank endorsement is hereby proposed. Once a draft is endorsed in blank, it becomes a bearer instrument and can be transferred by way of delivery. It follows that the Bank is not required to endorse the draft.