

# Standard Operating Framework

At **TSJ Holdings (“TSJ”)**, we believe successful trade is built on clarity, transparency, and a shared commitment to real commercial standards. To help our prospective partners understand how we operate, we provide an overview of the procedures that guide petroleum transactions, those conducted directly between the buyers and TSJ.

Our processes reflect the standard practices followed by the trading houses and refiners, including the banking requirements, inspection protocols, and shipment standards that govern refined fuel contracts under FOB and CIF terms. This includes how and when POP is issued, how DLCs or SBLCs are used, when performance guarantees are appropriate, and what timelines reputable parties typically follow.

We share this to ensure that every counterpart engaging with TSJ knows exactly what to expect, and can rely on a structured, internationally recognized framework.

## **Executive Summary**

- **Scope**: Procedures for trading refined petroleum products (RPP) between TSJ (seller/reseller) and bona fide buyers under CIF and FOB terms. Aligns with UCP 600, Incoterms 2020, and standard banking and inspection practice.
- **Core sequence**: ICPO + KYC → SPA/Confirmation → agreed bank instrument or payment method (DLC/SBLC/MT103) → POP (full or clearly labeled Partial POP or certified Redacted Extract where contractually permitted) → Performance Bond (PB) → Shipping → Delivery & Payment.
- **Timing (typical)**: SPA Day 2–4; Bank instrument Day 7–10; POP Day 10–12 (Partial POP or Extract possible earlier by agreement); PB Day 12–14; Shipping Day 15–20 CIF or Day 25–35 FOB; Delivery & payment Day 21–35.
- **Partial POP policy**: TSJ may issue a limited, clearly labeled Partial POP after SPA/KYC but before an operative bank instrument only when verifiable documents can be provided without undue exposure (e.g., allocation confirmation, terminal identity, historical Q&Q). Full POP is issued only after buyer bank instrument verification unless agreed otherwise in writing.
- **Redacted Extract policy**: TSJ may provide a certified Redacted Extract (Extract) protecting upstream supplier identity; Extracts must be accompanied by Inspector Certification or TSJ notarization plus Bank Custody Confirmation and require prior written acceptance by Buyer and Buyer’s Bank.
- **Performance Bond**: Issued by TSJ only after the buyer’s bank instrument is verified; PB will be 2% of contract value.
- **Inspections**: Use recognized inspection bodies (e.g., SGS, Intertek, Bureau Veritas). References to governmental CIQ have been removed.
- **Flexibility**: Non-standard sequencing or commercial exceptions accepted only if documented, bankable, and contractually defined to protect parties.

## 1. Industry workflow and guiding principles

- Transactions follow a bank-controlled documentary process consistent with UCP 600, Incoterms 2020, and standard ICC banking practice.
- Counterparties must demonstrate financial capacity before key seller documents are issued.
- Proof of Product (POP) and related commercial documents issued by TSJ reflect actual terminal and refinery records.
- TSJ works with reputable banks and recognized inspection bodies and expects counterparties to do the same.
- Where market practice allows operational flexibility (e.g., limited Partial POPs or Extracts for documented commercial reasons), those options are described explicitly below.

## 2. Standard CIF transaction process (refined petroleum products)

Average duration: typically, 35–45 days from contract signature to first delivery, depending on vessel availability, terminal scheduling and buyer bank timing.

### Step 1 — Buyer submits ICPO with KYC and commercial details

Timing: Day 1–2

Required buyer documentation:

- ICPO on company letterhead with authorized signature
- KYC and corporate documents (COI, LOA, authorized signatory ID)
- Bank documents demonstrating intent and capacity (RWA, BCL, recent bank statement excerpt)
- Product specification (e.g., ULSD, EN590, Jet A-1, D6, LPG)  
TSJ validates buyer legitimacy before providing allocations or commercial POP.

### Step 2 — Seller issues draft SPA/Confirmation

Timing: Day 2–4

SPA/Confirmation typically includes:

- Quantity and delivery schedule
- Price formula (Platts or other agreed index  $\pm$  differential)
- Delivery ports and Incoterms (CIF specifics)
- Payment instrument options and documentary requirements (DLC/SBLC/MT103)
- Guarantee requirements (see Step 5 on PB)
- Inspection terms with nominated inspectors (e.g., SGS, Intertek, Bureau Veritas)

### Step 3 — Buyer arranges bank instrument or agreed payment method

Timing: Day 7–10 after signed SPA/Confirmation

Typical instruments:

- Irrevocable confirmed Documentary Letter of Credit (DLC) at sight

- Standby Letter of Credit (SBLC) (operative/confirmed)
- In limited, pre-agreed cases: MT103/TT or part prepayment for short-distance or well-known counterparties and small volumes

#### **Step 4 — POP issuance (commercial allocations and terminal records)**

Timing: normally Day 10–12 after verification of buyer readiness; Partial POP or Extract options available under controlled conditions

Partial POP provision (contractual flexibility):

- TSJ may provide a clearly labeled Partial POP after SPA/KYC but before operative bank instrument when items are verifiable and do not create undue exposure. Partial POP will list outstanding items required for Full POP.

Full POP content (bank-grade examples):

- Product allocation/commitment letter from seller or refinery
- Tank Storage Agreement (TSA) or terminal injection report where applicable
- Q&Q certificate from terminal (within the agreed recency window)
- Export license (if applicable) and certificate of origin
- Cargo manifest or preliminary shipping schedule and ATS (authority to sell)

Redacted Extract (certified Extract) policy:

- Definition: a certified Redacted Extract (Extract) is a document where upstream supplier identifying fields are redacted but technical, terminal and Q&Q data remain intact.
- Certification: an Extract must be accompanied by either (a) an Inspector Certification from a Recognized inspection body confirming the Extract is a true extract of its original, or (b) TSJ signatory certification notarized (e.g., in Korea) plus Bank Custody Confirmation from Seller's advising bank confirming originals are held.
- Buyer/Bank acceptance: Buyer and Buyer's Bank must provide prior written acceptance that the Extract package is acceptable for due diligence. Extracts do not replace bank-to-bank Full POP originals required for DLC drawing unless Buyer's Bank expressly agrees in writing.
- Non-circumvention: Buyer agrees not to use Extracts to contact or circumvent TSJ's upstream suppliers; breach triggers remedies per confidentiality/non-circumvention provisions.

#### **Step 5 — Performance Bond (PB)**

Timing: typically, after buyer bank instrument is operative; Day 12–14 in standard cases

- TSJ issues PB only after buyer's bank instrument is verified;  $PB \leq 2\%$  of Contract Value and issued within three (3) Banking Days following bank verification. PB must be issued by a first-class international bank acceptable to both parties.

#### **Step 6 — Shipping and loading**

Timing: Day 15–20 CIF (subject to vessel availability and terminal windows)

Seller responsibilities (CIF):

- Charter or nominate vessel and manage port and loading logistics
- Provide vessel particulars (Q88), berth and CPA confirmations, NOR, and arrival notices
- Conduct inspection at loading with nominated Recognized inspection body and issue full loading documentation
- Issue Bill of Lading and forward complete shipping documents bank-to-bank as required

#### **Step 7 — Payment and cargo release**

Timing: per instrument terms; commonly 24–48 hours after arrival and discharge inspection

Settlement flows:

- DLC at sight: payment upon presentation of compliant shipping documents to the confirming bank
- SBLC: seller may draw per SBLC drawing provisions and receive funds via MT103 or agreed method
- MT103/TT: only as expressly agreed in the SPA/Confirmation

### **3. Standard FOB transaction process**

Used when buyer controls shipping logistics and vessel nomination. Average duration: 30–45 days.

- FOB follows the CIF process with buyer nominating vessel; loading performed at buyer-nominated vessel and port; payment timing and document presentation align with loading port procedures.
- Vessel nomination timing and other scheduling details to be set in Confirmation.

### **4. Redacted Extract and Document Handling — Practical Requirements**

- Bank-to-Bank Originals: Full POP originals or notarized true copies must be transmitted bank-to-bank from Seller's advising/confirming bank to Buyer's nominated bank under operative DLC/SBLC terms. Seller's bank will issue a Bank Custody Confirmation upon receipt of originals.
- Extract Package: If Seller supplies an Extract to Buyer, Seller must also deliver: (a) Inspector Certification OR notarized TSJ signatory certification; (b) Bank Custody Confirmation; and (c) Buyer's written acceptance that the package is sufficient for due diligence.
- Certification hierarchy: Inspector Certification (preferred) provides strongest acceptance; notarization plus bank custody confirmation is acceptable where inspector certification is unavailable, subject to Buyer's Bank prior written acceptance.
- Redaction scope: Only upstream identifying fields (company name, contact names, telephone/email, bank account details) may be redacted; Q&Q, tank/terminal

identifiers, injection dates and technical data must remain visible.

- **Transmission security:** Originals should be transmitted by SWIFT/MT or secure courier with bank attestations; scanned Extracts delivered via secure channels with audit trail.
- **Contractual alignment:** SPA/Confirmation must specify which POP documents are required, permitted Extract use, and require Buyer's Bank acceptance of Extract package before Extract delivery.

## 5. Accepted payment instruments and commercial use cases

- **DLC** (Irrevocable Documentary Letter of Credit): market standard; payment against presentation of compliant documents under UCP 600.
- **SBLC** (Standby Letter of Credit): used as guarantee; drawings per SBLC terms.
- **PB** (Performance Bond): provided by Seller after Buyer bank instrument verification;  $PB \leq 2\%$ .
- **MT103/TT**: for expressly agreed cases only.

## 6. Standard Transaction Procedure

This procedure integrates Extract issuance, certification, Korean notarization option and bank-to-bank originals handling. Follow each step and secure required written acceptances before proceeding.

1. Preconditions and initial documents (Day 0–2)
  - Buyer: ICPO + KYC.
  - Buyer's Bank: written pre-sale acceptance (in English) that it will accept the Extract package for due diligence, subject to final checks.
  - TSJ: request POP originals and Extract preparation from refinery/inspector.
2. Inspector/refinery instructions and original acquisition (Day 1–7)
  - Instruct Recognized inspection body and refinery to deliver originals or notarized true copies to Seller's advising bank or retain originals in inspector custody for bank-to-bank transfer; prepare an Inspector-certified Extract.
3. Seller's advising bank receipt and Bank Custody Confirmation (Day 2–10)
  - Bank receives originals and issues Bank Custody Confirmation detailing documents received, custody location and commitment to transmit originals bank-to-bank upon DLC compliance.
4. TSJ prepares the Extract (Day 3–12)
  - TSJ prepares Extract redacting upstream identifiers only; TSJ signatory prepares certification statement.
5. Inspector certification or Korean notarization (Day 3–14)
  - Preferred: Recognized inspection body issues Inspector Certification for Extract.
  - Alternative: TSJ obtains notarization of the TSJ signatory certification in Korea.
6. Buyer and Buyer's Bank prior written acceptance (mandatory)
  - Obtain written acceptance from Buyer and Buyer's Bank that the Extract package (Inspector Certification or notarized TSJ certification + Bank Custody Confirmation + NDA if required) is acceptable for due diligence.
7. Document package delivery to Buyer (Day 4–15)

- Deliver certified Extract, Inspector Certification or notarized statement, Bank Custody Confirmation and Buyer Acceptance Letter; Buyer confirms receipt and acceptance in writing.
- 8. DLC issuance and bank-to-bank originals transfer (Day 7–20)
  - Buyer issues DLC (MT700) and pre-advises Seller's bank; Seller's bank transmits originals bank-to-bank to Buyer's bank upon DLC verification.
- 9. Payment, PB issuance and shipment (Day 10–30)
  - Payment drawn per UCP 600; PB (if required) issued  $\leq 2\%$  within 3 Banking Days of bank verification; Seller proceeds with loading and shipping per Confirmation.
- 10. Extract usage rules and prohibitions (always binding)
  - Buyer shall not use Extracts to identify or circumvent TSJ's upstream suppliers; breach triggers liquidated damages (10% of Contract Value) and injunctive relief.
  - Extracts do not replace bank-to-bank originals for DLC drawing unless Buyer's bank agrees in writing.

## 7. Typical timeline summary

- Buyer sends ICPO + KYC: Day 1–2.
- Seller issues SPA/Confirmation: Day 2–4.
- Buyer issues LC/SBLC: Day 7–10.
- Seller issues Full POP or Extract package: Day 10–12 (Full POP after bank instrument; Extract/Partial POP may be earlier when agreed).
- Seller issues PB (if required): Day 12–14; PB  $\leq 2\%$ .
- Shipping commences: Day 15–20 CIF; Day 20–30 FOB.
- Delivery & payment: Day 21–35 depending on voyage and port operations.

## 8. Practices TSJ does not follow

- Issuing fabricated, soft, or unverifiable POP documents.
- Claiming POP without a real terminal or matching terminal records.
- Requiring unnecessary personal documentation beyond standard corporate KYC.
- Issuing tank-to-tank POP or terminal outturn reports before buyer bank readiness unless expressly agreed.
- Relying on unverifiable or non-existent refinery allocations.
- Allowing direct provision of unredacted upstream supplier identifying information to Buyer except by bank-to-bank originals or with Seller's express written consent.

## 9. Final operating principle and exceptions

TSJ balances bank-grade documentary rigor with commercial flexibility. Core secure sequence: Buyer intent & KYC → SPA/Confirmation → operative bank instrument → Full POP originals bank-to-bank (or Extract package with prior bank acceptance) → PB if required ( $\leq 2\%$ ) → Shipping → Payment & Delivery. Alternative sequences must be bankable, documented and contractually explicit.

## Glossary of Key Terms

- Refined petroleum products (RPP): finished fuels and related refined products.

- POP: Proof of Product — bank-grade documentation evidencing product allocation, terminal records and Seller authority to sell.
- Partial POP: limited POP package provided prior to Full POP; must be clearly labeled.
- Redacted Extract (Extract): certified redacted extract of POP where upstream identifiers removed; accompanied by Inspector Certification or notarization + Bank Custody Confirmation and Buyer/Bank written acceptance.
- DLC: Documentary Letter of Credit (MT700).
- SBLC: Standby Letter of Credit.
- PB: Performance Bond ( $\leq 2\%$ ).
- Q&Q: Quality and Quantity certificate from Recognized inspection body.
- TSA: Tank Storage Agreement.
- Bank Custody Confirmation: bank letter confirming receipt and custody of originals and commitment for bank-to-bank transmission.
- Recognized inspection body: independent private inspectors such as SGS, Intertek, Bureau Veritas.

### **Disclaimer**

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