

## Complete Oil Transaction Process (Start to End)

To facilitate a large oil/gas deal between a seller and a buyer, you need to follow a structured and secure process to avoid financial, legal and operational risks. Below, the complete steps from first contact to delivery and settlement are explained:

### ### \*Step 1: Initial Contact & LOI\*

#### #### \*1. Request for Quote (RFQ)\*

- Typically, the \*buyer\* submits a formal Request for Quote (RFQ) with the following details:

- Type of oil/gas (e.g. Brent Crude, LNG).
- Volume required (e.g. 2 million barrels).
- Delivery terms (e.g. FOB Rotterdam, CIF Singapore).
- Contract term (one-off or long-term).

- The \*seller\* can also submit an \*Initial Offer\* with price and terms.

#### #### \*2. Initial Letter of Intent (LOI)\*

- The parties sign a non-binding LOI that includes:

- Base price, volume, and delivery period.
- General payment terms.
- KYC requirements.

### ### \*Step 2: Due Diligence & KYC\*

#### #### \*1. KYC and Credit Check\*

- The seller and buyer must exchange the following documents:

- Certificate of Incorporation.
- Financial documents (Bank Reference, Financial Statements).
- Export License, Import Permit.
- Sanctions Screening (OFAC, EU, UN).

#### #### \*2. Non-Disclosure Agreement (NDA)\*

- Before detailed negotiations, an NDA is signed to keep the information confidential.

### ### \*Step 3: Negotiation & Term Sheet\*

#### #### \*1. Term Sheet\*

- A document that specifies the technical and commercial details:
  - \*Price:\* (e.g. based on Dated Brent + Premium).
  - \*Delivery:\* (e.g. FOB, CIF, or Ex-Works).
  - \*Payment:\* (e.g. LC 100% Irrevocable).
  - \*Inspection:\* (inspection company such as SGS or Inspectorate).

#### #### \*2. Bank Guarantees\*

- The buyer may need to provide \*BG\* or \*SBLC\* to prove financial capacity.

#### ### \*Step 4: Final Agreement (SPA & Legal Compliance)\*

##### #### \*1. Sales & Purchase Agreement (SPA)\*

- Includes key clauses:
  - \*Delivery Terms (IN COTTERS 2020).\*
  - \*Penalty Clauses.\*
  - \*Force Majeure (Force Major).\*
  - \*Dispute Resolution (Arbitration: ICC/LCIA).\*

##### #### \*2. Legal Approvals\*

- Compliance with OPEC, IEA, and local regulations (such as US DOE or Iranian Ministry of Oil).

#### ### \*Step 5: Payment & Financing\*

##### #### \*1. Payment Methods in Large Transactions:\*

- \*Documentary Credit (LC):\*
  - The buyer requests an LC from his bank.
  - The seller's bank releases the payment after the delivery of the documents (Bill of Lading, Inspection Report).
- \*Escrow Account:\*
- The funds remain in Escrow until the goods are delivered.
- \*Bank Guarantees (SBLC/BG).\*

#### #### \*2. Trade Finance\*

- Using international banks (e.g. HSBC, Deutsche Bank) for credit lines.

#### ### \*Step 6: Inspection & Logistics\*

##### #### \*1. Pre-Shipment Inspection (PSI)\*

- An independent inspection company (e.g. SGS) verifies the quality and quantity of the cargo.

##### #### \*2. Logistics Coordination\*

- \*Sea Freight:\* Use of reputable tankers (VLCC for high volumes).
- \*Insurance:\* Marine Cargo Insurance (as per Institute Cargo Clauses).

#### ### \*Step 7: Delivery & Settlement\*

##### #### \*1. Shipping Documents\*

- \*Bill of Lading (B/L).\*
- \*Certificate of Origin.\*
- \*Inspection Certificate.\*

##### #### \*2. Final Payment\*

- The buyer's bank releases the payment after receiving the documents.

#### ### \*Step 8: Post-Deal\*

- \*Resolve disputes (if any).\*
- \*Review performance for future transactions.\*

#### ## \*Role of the broker/facilitator in this process:\*

1. \*Coordination between the parties\* (buyer, seller, banks, inspectors).
2. \*Ensure compliance with all legal procedures.\*
3. \*Risk management\* (monetary, logistical, political).