

**This document provides a general framework for conducting safe and legal transactions. For further details, legal and financial advice is recommended.**

**\*The Complete Oil Transaction Process (From Start to Finish) for Million Dollar Transactions\***

To facilitate a large oil/gas transaction 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:

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

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

- Typically, the **\*buyer\*** submits a formal Request for Quote (RFQ) detailing:
- 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 duration (one-time or long-term).
- **\*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.

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**### \*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/Import Licenses (Export License, Import Permit).
- Sanctions Screening (Sanctions Screening: OFAC, EU, UN).

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

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

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**### \*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.

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

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

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

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

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

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### ### \*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\*

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

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

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

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

#### ##### \*2. Logistics coordination\*

- \*Sea freight:\* Use of reliable tankers (VLCC for high volumes).
- \*Insurance:\* Marine cargo insurance (according to Institute Cargo Clauses).

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### ### \*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.

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

- \*Dispute resolution (if any).\*
- \*Performance review for future transactions.\*

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### ## \*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).

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