

Shipping Guarantee Endorsement

Why is Shipping Guarantee Needed?

In international trade, it is common that the underlying goods may arrive at the buyer's country before the complete set of transport documents are received and processed through the banking system. For example, shipments from Bangkok to Singapore takes less than two days to arrive whereas documents typically take more than a week for the exporter bank to process, courier out to the importer bank in Singapore, processed and ready for importer's collection.

Under such circumstances, Shipping Guarantee (SG) enables the buyer to take possession of the goods from the shipping, airline or transport company without a valid transport document.

Buyer enjoys the following benefits in Shipping Guarantee:

- Allow immediate possession of goods
- Minimise damage to perishable goods due to delays
- Ensure smooth running of daily business
- Avoid paying high demurrage charges
- Allow deferment of payment until presentation of documents by the Bank.

Types of Shipping Guarantee Application

In view of different modes of shipment in international trade, Shipping Guarantee may be applied under the following circumstances:

- When an indemnity is to be signed jointly by the Bank and the customer in favour of the shipping company to enable the importer to exchange it for a delivery order to clear the goods at the seaport (SG Application Type 1).
- When air or rail consignment is involved and the Bank is required to endorse the advance copy of the air way bill/railway receipt to enable the customer to take delivery of the goods at the airport or railway station (SG Application Type 2).
- When the customer receives one of three original bill of lading and requires the Bank to endorse on this bill of lading to take delivery of the goods (SG Application Type 3).
- When shipment is made directly to a third country and at the request of the customer, the Bank has to request our overseas branch to endorse the transport document or issue an SG on our behalf to enable the ultimate buyer to take delivery of the goods at the port/place of discharge (SG Application Type 4).
- When the Bank receives an authenticated SWIFT request from our overseas branch to endorse the transport document or to issue an SG on their behalf to a party in Singapore to enable them to take delivery of the goods in Singapore (SG Application Type 5).

In all cases, buyer is required to provide an indemnity to the Bank to:

- Indemnify the Bank in the event of a claim;

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- Undertake to pay for the documents when they are received; and
- Accept whatever discrepancies which may be found in the documents for LC issued by the Bank.

Prerequisites for Shipping Guarantee Application

The following prerequisites must be in place before a SG can be endorsed:

- A completed “Application and Indemnity for Shipping Guarantee – Delivery without Bill of Lading” and Shipping company’s indemnity form in duplicate (for SG Application Type 1);
- A completed “Application and Indemnity for Endorsement of Air Waybill” and copy of air waybill or railway receipt (for SG application Type 2);
- A completed “Application & Indemnity for Endorsing Original Bill of Lading” and an original bill of lading (for SG Application Type 3);
- Customer’s application letter requesting our overseas branch to issue SG or endorse the transport document (for SG Application Type 4);
- Authenticated SWIFT from our overseas branch to issue SG or endorse the transport document (for SG Application Type 5);
- A SG endorsement facility line of credit granted by the Bank; and
- Copy of commercial invoice and non-negotiable transport document for shipment under documentary collection. Customer should also provide copy of Import permit for sensitive goods (or goods of unusual nature) if appropriate.

Release of Shipping Guarantee

Shipping Guarantee liability is released upon the following event:

- When an indemnity is signed jointly by the Bank and the customer in favour of the shipping company, the SG liability is released when the shipping company indemnity is returned to the Bank for cancellation.
- When the original bill of lading or air way bill is endorsed by the Bank, the SG liability is released when the related import documents are either paid or accepted by the buyer.