

CHARTER PARTY BILL OF LADING

A Charter Party Bill of Lading is a transport document used for sea shipments under a charter party agreement. The terms and conditions of the contract of carriage are governed by the charter party, as negotiated between the shipowner and the charterer. Under FAS and FOB delivery terms, the buyer typically charters the vessel, while under CFR and CIF terms, the seller arranges the charter. This document is commonly used for bulk or breakbulk shipments of high-volume & low value commodities. In fact, incoterms used for sea shipments i.e FAS, FOB, CFR, CIF are more appropriate for bulk or break bulk shipments under a charter party contract. The shipper is entitled to receive the Bill of Lading once the goods are loaded onboard the vessel and serves following functions:

1. **Proof of Shipment:** It serves as evidence that the goods have been shipped, indicating the vessel name, port of loading, port of discharge, and date of shipment. It also includes other details, such as a general description of the goods, packaging, shipping marks, quantity, measurements, etc.
2. **Quasi document of title:** Since terms and conditions are governed by the charter party agreement, it may not convey full title to the goods, unlike a standardised Bill of Lading that serves as a complete document of title. Subject to its quasi nature, this document may still be issued in a negotiable form, allowing it to be endorsed and delivered to other parties.

Charter Party Bills of Lading are often issued in the CONGEN Bill form, developed by the Baltic and International Maritime Council (BIMCO), and are widely used in charter party shipments.

This form is a pre-printed *SHIPPED* bill of lading that does not cover fields for pre-carriage, place of receipt, or place of delivery. Therefore, the date of issuance is generally considered the date of shipment, unless there is a separate 'shipped on board' notation with a specific date, in which case the 'shipped on board' date is taken as the shipment date.

The bill of lading must be signed by the Owner, Master (Captain), Charterer, or their agents, with their respective capacities clearly indicated. If an agent signs on behalf of the Owner or Charterer, both the agent's name and the Owner's or Charterer's name should be specified along with their capacity. However, if the agent signs 'for or on behalf of the master,' the master's name does not need to be stated. In case ship is hired by the charterer for longer duration, there is possibility that charterer may sign the bill of lading. In this case, buyer or seller may sign the bill of lading in the capacity of charterer.

A Charter Party Bill of Lading must include an indication that it is subject to a Charter Party, as required by UCP 600 Article 22. The presentation of a 'CONGEN BILL' or 'Tanker Bill of Lading' without any further indication or reference to a Charter Party is not acceptable.

While the credit may require the presentation of the Charter Party contract, banks are not obligated to examine its terms and conditions unless Article 22(b) of UCP 600 is specifically excluded, and the credit explicitly specifies the data to be examined and the extent of the examination.

At times, an LC may call for a Bill of Lading and also allow the presentation of a Charter Party Bill of Lading. In such cases, the document examiner must check the document against either Article 20 or Article 22, as appropriate, depending on the indication or reference to the Charter Party in the document presented.

When the port of loading or port of discharge is specified as a geographical area or range in the credit, the Charter Party Bill of Lading must indicate the actual port of loading within that geographical range. The port of discharge, however, may be indicated as the range specified in the LC, without requiring the name of the actual port of discharge.

In the case of a commingled Charter Party Bill of Lading (BL) — where goods from multiple shippers are carried together but separate bills of lading are issued for each shipper's portion — the document must not explicitly state that the release of the goods is contingent upon the surrender of that bill of lading together with one or more other Charter Party Bills of Lading, unless all the referenced bills of lading are presented under the same credit as part of the same presentation.

Why Charter Party BL is considered as risky:

The issuing bank may have limited control over the goods, even if the charter party Bill of Lading (BL) is made out to its order, as the contract of carriage is governed by a charter party agreement between the owner and the charterer. Additionally, if the port of discharge is specified only as a general geographic area or range (rather than a specific location), exercising control over the goods becomes challenging. Many maritime frauds in international trade occur under charter party BLs

Furthermore, in the event of a legal dispute, a charter party BL carries added risk, as its jurisdiction—unlike that of a standard carrier-issued BL—may be unfamiliar or unfavorable to the issuing bank.

For these reasons, banks consider charter party BLs risky and typically do not accept them as collateral for issuing a Letter of Credit (LC).

For further details on each specific field, please refer to the notes provided on the Bill of Lading